

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
R.S.C. 1985. c. C-36, AS AMENDED**

**IN THE MATTER OF SECTION 191 OF THE *CANADA BUSINESS  
CORPORATIONS ACT*, R.S.C. 1985, C-44 AS AMENDED**

**IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF  
AIR CANADA AND THE APPLICANTS SET OUT IN SCHEDULE "A"**

**TWENTY-FOURTH REPORT OF THE MONITOR  
DATED APRIL 6, 2004**

1. On April 1, 2003, Air Canada and certain of its subsidiaries (collectively the "Applicants" and the "Company") filed for and obtained protection from their creditors under the *Companies' Creditors Arrangement Act* R.S.C. 1985 c. C-36, *as amended* (the "CCAA"). The terms of this proceeding are governed by an order of this Court dated April 1, 2003, as amended (the "Amended and Restated Initial Order"). Pursuant to the Amended and Restated Initial Order, Ernst & Young Inc. ("EYI") was appointed as monitor (the "Monitor") of the Applicants during these CCAA proceedings.
2. Capitalized terms not defined in this Report are as defined in the Amended and Restated Initial Order or the First through Twenty-Third Reports of the Monitor. All references to dollars are in Canadian currency unless otherwise noted.
3. The purpose of this Twenty-Fourth Report of the Monitor (the "Report") is to provide a brief update on the Company's restructuring efforts and to support the Applicants' request for an extension of the stay of proceedings.

## **TERMS OF REFERENCE**

4. In developing this Report, the Monitor has relied upon unaudited company prepared financial information, company records and discussions with management of the Applicants. The Monitor has not performed an audit or other verification of such information. An examination of the financial forecast as outlined in the Canadian Institute of Chartered Accountants (“CICA”) Handbook has not been performed. Future oriented financial information relied upon in this report is based on management’s assumptions regarding future events and actual results achieved will vary from this information and the variations may be material.

## **UPDATE ON THE COMPANY’S RESTRUCTURING EFFORTS**

5. In the Twenty-Third Report, the Monitor reported to this Honourable Court that Trinity Time Investments had advised Air Canada and confirmed in a press release that it would not be seeking an extension of the investment agreement entered into between the Company and Trinity upon its expiry on April 30, 2004 and that it released Air Canada from its exclusivity obligations effective immediately.
6. As a result of Trinity’s announcement, it appears that the Applicants will have to commence a process for identifying another equity plan sponsor or alternative sources for post-emergence equity financing. The Company and the Monitor, in consultation with its various stakeholders are currently working to design a court supervised equity solicitation process.
7. As the current stay of proceedings expires on April 15, 2004, an extension of the stay period is necessary to provide the Applicants with sufficient time to advance the restructuring process, hold further discussions with stakeholders, finalize an alternative equity process and bring such equity process before this Honourable Court for approval. After the Monitor’s discussions with various stakeholders, the Company has determined that a thirty day extension of the stay of proceedings would provide it with the opportunity

to finalize with its stakeholders an equity process which can be brought before this Court for approval. The Monitor and the Company are advised by the UCC, representatives of labour unions and GECC that they support the proposed extension of the stay period.

## **RECOMMENDATION**

8. The Monitor believes that a thirty day extension of the stay of proceedings is appropriate to allow the Applicants to stabilize its restructuring efforts, to develop a detailed process for soliciting new equity or other post-emergence financing and to bring such process before this Honourable Court for its approval. Accordingly, the Monitor recommends that the Applicants' request for an extension of the stay of proceedings to May 14, 2004 be granted.

All of which is respectfully submitted by:

### **ERNST & YOUNG INC.**

In its capacity as Court Appointed Monitor of Air Canada  
and certain of its subsidiaries

Per:



Murray A. McDonald  
President

## **SCHEDULE “A”**

3838722 Canada Inc.

Air Canada Capital Ltd.

Jazz Air Inc.

Manoir Int’l Finance Inc.

Simco Leasing Ltd.

Wingco Leasing Inc.

Zip Air Inc.