

**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-NINTH REPORT OF THE MONITOR  
DATED AUGUST 19, 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 (the "Initial Order"). Pursuant to the 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 Initial Order or the First through Twenty-Eighth Reports of the Monitor. All references to dollars are in Canadian currency unless otherwise noted.
3. The purpose of this Twenty-Ninth Report of the Monitor (the "Report") is to provide this Honourable Court with a report on the results of the meeting of the Company's creditors held on August 17, 2004 and the Monitor's recommendation with respect to the Applicants' motion for sanctioning of its Plan of Arrangement (the "Plan").

## **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.

## **CREDITORS’ MEETING ORDER**

5. On July 9, 2004, an order (the “Creditors’ Meeting Order”) was issued by this Honourable Court, which amongst other things, authorized the Applicants to file with the Court and mail to its creditors the Plan and related information circular, proxy statement and prospectus as well as to call a meeting of creditors (the “Creditors’ Meeting”) on August 17, 2004. The Creditors’ Meeting Order established the procedures for conducting the Creditors’ Meeting and for providing notice to the Applicants’ creditors. The Creditors’ Meeting Order also provided for a single class of Affected Unsecured Creditors for purposes of considering and voting on the resolution to approve the Plan.
6. The Creditors’ Meeting Order directed the Company to hold the Creditors’ Meeting on August 17, 2004 in Montreal, Quebec. The Company and the Monitor were directed to send the Meeting Materials, as defined in the Creditors’ Meeting Order, to all Affected Unsecured Creditors with Voting Claims by prepaid ordinary mail, courier, fax or e-mail on or before July 15, 2004. On this date, as required, the Meeting Materials were sent by prepaid ordinary mail to all Affected Unsecured Creditors with Voting Claims as recorded by the Monitor. In addition, the Meeting Materials were sent to any beneficial noteholders identified to the Monitor by various brokers or other

financial institutions as soon as practicable after receiving such information. The Meeting Materials were also sent to any other parties who so requested.

7. On July 22<sup>nd</sup> and July 23<sup>rd</sup>, 2004, as required by the Creditors' Meeting Order, the Monitor published a notice in the Globe and Mail (National Edition), The National Post, La Presse (in French) and the Wall Street Journal (National Edition) providing information with respect to the meeting to be held.

### **AMENDMENTS TO THE PLAN**

8. The Creditors' Meeting Order authorized the Applicants to amend, modify or supplement the Plan as filed with this Honourable Court and mailed to the Applicants' creditors at any time prior to or at the Creditors' Meeting. In such case, the Creditors' Meeting Order directed the Applicants to file any amended Plan with this Honourable Court as soon as practicable and to give notice to creditors' at the Creditors Meeting. On August 16, 2004, certain minor technical amendments were made to the Plan dealing with the definition of Excluded Claim, the implementation step concerning the issuance of the pension plan subordinated notes and completion of OSFI protocol and the names of individuals appointed to the Board of Directors of ACE. In addition, one claim relating to a promissory note issued on March 31, 2001 in favour of GATX Capital Corporation in the approximate amount of \$31 million was added to the list of Affected Senior Claims as the type of debt is one which was intended to have been included in the list of Senior Claims but was inadvertently excluded. The amended Plan was filed with this Honourable Court on August 16, 2004 and sent to the service list on the same date.

### **THE CREDITORS' MEETING**

9. On August 17, 2004, the Creditors' Meeting was held to consider and vote on a resolution to approve the Plan.

10. In accordance with the Creditors' Meeting Order, Murray McDonald, President of Ernst & Young Inc., the Monitor, acted as Chair of the meeting. Mr. McDonald appointed Greg Cote and Sharon Hamilton, both representatives of Ernst & Young Inc. to act as scrutineers and Peter Griffin and Peter Osborne, both representatives of Lenczner Slaght Royce Smith Griffin LLP, counsel to the Monitor, to act as Secretary.
11. At the meeting, a quorum was present and accordingly, the Chair declared it to be properly constituted. The scrutineers' report with respect to attendance is attached as Appendix A to this Report.
12. The amendments made to the Plan on August 16, 2004 were brought to the attention of the creditors present at the meeting and copies of the amended Plan were made available.
13. 19,218 Affected Unsecured Creditors representing an aggregate value of \$5,678,304,615 of Voting Claims or 99.6% of the number of Affected Unsecured Creditors voting and 99.8% of the dollar value of Affected Unsecured Creditors voting cast votes for the resolution approving the Plan. 86 Affected Unsecured Creditors representing an aggregate value of \$9,280,129 of Voting Claims or 0.4% of the number of Affected Unsecured Creditors voting and 0.2% of the dollar value of Affected Unsecured Creditors voting cast votes against the resolution approving the Plan. The scrutineers' report for the Creditors' Meeting is attached to this Report as Appendix B.
14. Included in the votes cast above were the votes of 8 creditors voting in favour of the Plan and 2 creditors voting against the Plan whose claims were still unresolved for both voting and distribution purposes. In accordance with the Creditors' Meeting Order, these votes were included only with respect to the dollar value portion of the claim currently accepted. The portion of these claims in dispute is \$197,084,445 for the votes in favour and \$1,030,882 for the votes against. Given that these disputed amounts are relatively immaterial as compared to the aggregate value of claims voted, the percentage of Affected Unsecured Creditors voting in favour of the Plan would have been the same as the 99.8% reported above and the percentage voting against the

Plan would have continued to be 0.2% even if the disputed portion of these claims had been included in the tallying of the votes.

## **UPDATE ON THE STATUS OF THE CLAIMS PROCESS**

15. In the Twenty-Sixth Report to the Court, the Monitor provided an update with respect to the status of the claims process. The Meeting Materials provided creditors with a further update and since the mailing of the Meeting Materials, the Monitor has continued to provide updates on the status of claims by posting them on Air Canada's website at [www.aircanada.ca/notice](http://www.aircanada.ca/notice) and on the website of Air Canada's counsel at [www.stikeman.com/ac](http://www.stikeman.com/ac). Attached at Appendix C is the most recent update dated August 18, 2004 posted on the websites.
16. The August 18, 2004 claims update indicates that Minimum Potential Claims, as defined in the Meeting Materials, representing the aggregate amount of claims accepted by the Monitor to date in whole or in part are \$8.129 billion. Maximum Potential Claims, also as defined in the Meeting Materials, representing the aggregate potential claims including claims in dispute but excluding claims which have been determined by this Honourable Court and which are the subject of a leave to appeal motion or have been determined within the past 21 days and therefore may be subject to a potential leave to appeal motion are \$8.819 billion. Maximum Potential Claims assuming all claims subject to a leave to appeal motion or potentially subject to a leave to appeal motion were accepted at the claimant's value are \$10.942 billion.
17. The Monitor continues to work towards resolving the remaining disputed claims pursuant to the Claims Procedure Order and will provide further updates as such claims are resolved.

## **MONITOR'S RECOMMENDATION RE: SANCTIONING OF THE PLAN**

18. The Monitor supports the Company's motion for sanctioning of its Plan on the basis that:

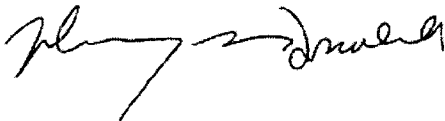
- notice of the Creditors' Meeting held to approve the Plan was duly given and the Creditors' Meeting was duly constituted;
- the Plan is fair and equitable and is the product of significant discussion and negotiation between the Applicants and its stakeholders over a long period of time;
- an overwhelming majority of Affected Unsecured Creditors (in excess of 99% as discussed above) voting in person or by proxy at the Creditors' Meeting approved the Plan; and
- to the best of the Monitor's knowledge, the Applicants have complied with all statutory requirements of the CCAA and all previous orders of this Honourable Court and have not done or purported to do anything which is not authorized by the CCAA.

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.

## Appendix A

**AIR CANADA, 3838722 CANADA INC.,  
AIR CANADA CAPITAL LTD., JAZZ AIR INC.,  
MANOIR INT'L FINANCE INC.,  
SIMCO LEASING LTD., WINGCO LEASING INC.  
AND ZIP AIR INC.**

### MEETING OF AFFECTED UNSECURED CREDITORS

**August 17, 2004  
10:00 a.m.**

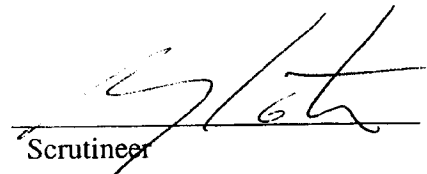
### REPORT OF SCRUTINEERS ON ATTENDANCE

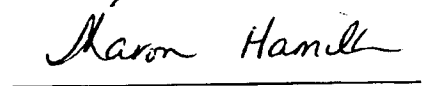
The undersigned scrutineers hereby report that the following Affected Unsecured Creditors of Air Canada, 3838722 Canada Inc., Air Canada Capital Ltd., Jazz Air Inc., Manoir Int'l Finance Inc., Simco Leasing Ltd., Wingco Leasing Inc. and Zip Air Inc. (collectively, the "Company") were present at the meeting referred to above (the "Meeting") either in person or by proxy, as indicated, representing an aggregate value of Affected Unsecured Claims for purposes of voting ("Voting Claims") as set out below:

<u>Method of Voting</u>	<u>Numbers of Affected Creditors Represented</u>	<u>Aggregate Value of Voting Claims</u>
by proxy	19,203	\$ 4,044,949,051
in person	<u>101</u>	<u>\$ 1,642,635,693</u>
Totals	<u>19,304</u>	<u>\$ 5,687,584,744</u>

The total number of Affected Unsecured Creditors represented in person or by proxy at the Meeting was 19,304 Affected Unsecured Creditors, representing 43% out of a total of 44,726 Affected Unsecured Creditors with Voting Claims. Accordingly, the undersigned scrutineers hereby report that a quorum, consisting of at least one Affected Unsecured Creditor present in person or by proxy, was present at the Meeting.

DATED the 17<sup>th</sup> day of August, 2004.

  
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## Appendix B

**AIR CANADA, 3838722 CANADA INC.,  
AIR CANADA CAPITAL LTD., JAZZ AIR INC.,  
MANOIR INT'L FINANCE INC.,  
SIMCO LEASING LTD., WINGCO LEASING INC.  
AND ZIP AIR INC.**

### MEETING OF AFFECTED UNSECURED CREDITORS

August 17, 2004  
10:00 a.m.

### REPORT OF SCRUTINEERS ON VOTING

The undersigned scrutineers hereby report on the results of voting by the Affected Unsecured Creditors of Air Canada, 3838722 Canada Inc., Air Canada Capital Ltd., Jazz Air Inc., Manoir Int'l Finance Inc., Simco Leasing Ltd., Wingco Leasing Inc. and Zip Air Inc. (collectively, the "Company"), who were present at the meeting referred to above (the "Meeting") either in person or by proxy, as indicated, representing an aggregate value of Affected Unsecured Claims for purposes of voting ("Voting Claims") as set out below:

**1. Number of Affected Unsecured Creditors and Value of Voting Claim Voted FOR the Resolution Approving the Plan**

<u>Method of Voting</u>	<u>Numbers of Affected Unsecured Creditors Represented</u>	<u>Aggregate Value of Voting Claims</u>
By proxy	19,127	\$ 4,039,878,532
In person	91	\$ 1,638,426,083
Totals	<u>19,218</u>	<u>\$ 5,678,304,615</u>

19,218 Affected Unsecured Creditors, representing an aggregate value of \$5,678,304,615 of Voting Claims voted FOR the resolution approving the Plan, which number of Affected Unsecured Creditors represents 99.6% of the total number of Affected Unsecured Creditors present and voting in person or by proxy at the Meeting and which value of Voting Claims represents 99.8% of the aggregate value of Voting Claims held by the Affected Unsecured Creditors present and voting in person or by proxy at the Meeting.


**2. Number of Affected Unsecured Creditors and Value of Voting Claims Voted AGAINST the Resolution Approving the Plan**

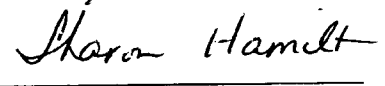
<u>Method of Voting</u>	<u>Numbers of Affected Unsecured Creditors Represented</u>	<u>Aggregate Value of Voting Claims</u>
by proxy	76	\$ 5,070,519
in person	<u>10</u>	<u>\$ 4,209,610</u>
Totals	<u>86</u>	<u>\$ 9,280,129</u>

86 Affected Unsecured Creditors, representing an aggregate value of \$9,280,129 of Voting Claims voted AGAINST the resolution approving the Plan, which number of Affected Unsecured Creditors represents 0.4% of the total number of Affected Unsecured Creditors present and voting in person or by proxy at the Meeting and which value of Voting Claims represents 0.2% of the aggregate value of Voting Claims held by the Affected Unsecured Creditors present and voting in person or by proxy at the Meeting.

3. On the basis of the foregoing, a majority in number of the Affected Unsecured Creditors voting at the Meeting representing more than 66 2/3% of the value of Voting Claims of such Affected Unsecured Creditors have voted in favour of the resolution approving the Plan.

DATED the 17<sup>th</sup> day of August, 2004.

  
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**Air Canada**  
**Summary of Claims for DISTRIBUTION Purposes - Note 1**  
As at August 18, 2004  
(in Can \$millions)

STATUS OF CLAIMS	Claims Filed (net of claims withdrawn) Initial Claim Amount	Claims Accepted to Date Final Claim Value	Claims in Dispute - Note 2		Claims Determined by the Court and Subject to Appeal Periods / Appeals - Note 2		Claims Under Review Amount per Claimant
			Amount per Claimant	Amount per Air Canada	Amount per Claimant	Claim as Determined	
Aircraft Lessor	\$ 4,827.4	\$ 2,003.7	\$ 373.5	\$ 226.3	\$ -	\$ -	\$ -
Bondholder	3,402.8	3,002.5	-	-	-	-	-
Employee Related Claims	8,462.7	840.1	4.9	0.0	528.7	123.7	-
Litigation	83,459.3	38.2	204.8	0.3	1,718.1	-	-
Long Term Debt	1,668.0	748.5	-	-	-	-	-
Supplier Repudiation /Termination	1,925.9	743.6	386.0	134.8	-	-	-
Trade Creditor	394.8	249.5	90.1	8.1	0.1	0.0	-
Other	275.2	9.5	0.0	0.0	-	-	-
<b>Total</b>	<b>\$104,416.1</b>	<b>\$ 7,635.6</b>	<b>\$ 1,059.3</b>	<b>\$ 369.5</b>	<b>\$ 2,246.9</b>	<b>\$ 123.7</b>	<b>\$ -</b>

SUMMARY OF FINANCIAL CLAIMS	
Subordinated Claims	\$ 1,293.5
Senior Claims	\$ 2,565.2

SUMMARY OF ALL CLAIMS TO DATE	
Total Proven Claims	\$ 7,759.3
Portion of Disputed Claims Allowed in Part	\$ 369.5
Total Disputed Claims (assuming no appeals from Court decisions allowed)	\$ 1,059.3
Total Disputed Claims (assuming all Court decisions subject to appeal are appealed and won)	\$ 3,182.5
Minimum Potential Claims	\$ 8,128.9
Maximum Potential Claims (excluding Claims Determined by the Court)	\$ 8,818.7
Maximum Potential Claims (including Claims Determined by the Court)	\$ 10,941.9

Note 1: The above information represents a preliminary report on the status of claims and is subject to change. Updates will be provided on this website as they are available. Creditors should continue to refer to this website for the most up to date information.

Note 2: "Claims in Dispute" do not include several claims which were appealed to the Court and for which a decision was issued by the Court either within the last 21 days or which such decision is currently subject to an outstanding leave to appeal motion. Details with respect to these claims are included in "Claims Determined by the Court and Subject to Appeal Periods / Appeals". For greater certainty, the Monitor notes that with respect to the Amount per Claimant in "Claims Determined by the Court and Subject to Appeal Periods / Appeals", \$3 million is subject to a leave to appeal motion while \$2.246 billion is not subject to any leave to appeal motion.