CANADA ENTERPRISE EMERGENCY FUNDING CORPORATION

- and -

AIR CANADA

INVESTOR RIGHTS AGREEMENT

April 12, 2021

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INVESTOR RIGHTS AGREEMENT

THIS INVESTOR RIGHTS AGREEMENT dated April 12, 2021 (this "**Agreement**"), is made by and between Canada Enterprises Emergency Funding Corporation, a corporation existing under the Act (as defined below) (the "**Investor**") and Air Canada, a corporation existing under the Act ("**Air Canada**").

RECITALS:

WHEREAS on the date of this Agreement and pursuant to a subscription agreement dated the date hereof (the "**Subscription Agreement**"), Air Canada issued to the Investor on a private placement basis (i) 21,570,942 newly issued Voting Shares (as defined below) (the "**Subscription Shares**") for an aggregate purchase price of $499,999,983.03; and (ii) in consideration for the transactions contemplated by the Credit Agreements (as defined below), warrants to acquire, subject to the terms of the warrant certificate delivered on the date hereof to the Investor by Air Canada (the "**Warrant Certificate**") Voting Shares (such warrants, the "**Warrants**", and such underlying Voting Shares, the "**Warrant Shares**") at an initial exercise price of $27.2698 per Voting Share.

WHEREAS the Investor and Air Canada wish to enter into this Agreement to grant the Investor certain rights and subject it to certain obligations with respect to its beneficial ownership of the Investment Securities (as defined below).

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements contained herein and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Parties hereby agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Agreement, unless something in the subject matter or context is inconsistent therewith:

"**Act**" means the *Canada Business Corporations Act*.

"**Affiliate**" means: (i) with respect to Air Canada and any Person other than an Investor Group Member, an affiliate for purposes of the *Securities Act* (Ontario); and (ii) with respect to an Investor Group Member; Her Majesty The Queen In Right of Canada, or any Canadian federal ministry or any Canadian federal crown corporation or agency (including Canada Development Investment Corporation and Export Development Canada).

"**Agreement**" has the meaning ascribed to such term in the Preamble.

"**Air Canada**" has the meaning ascribed to such term in the Preamble.

"**Airline Operator**" means a Person that operates an airline that at the time of the applicable Transfer exceeds the Revenue Threshold.

"**Applicable Securities Laws**" means, collectively, the applicable securities laws of each of the provinces and territories of Canada, their respective regulations, rulings, rules, orders and prescribed forms thereunder, the applicable published instruments and notices issued by the applicable Canadian Securities Regulatory Authorities.

"**Base Shelf Prospectus**" has the meaning ascribed thereto in NI 44-102.

"**Blackout Agreement**" has the meaning ascribed thereto in 2.4(a)(ii).

"**Blackout Period**" means a black-out period in which insiders of Air Canada are restricted from trading in securities of Air Canada under the insider trading policy of Air Canada.

"**Block Trade**" means a Transfer of any Qualifying Securities by one or more Investor Group Members by way of a bona fide public offering of the type described in Section 3.2(b)(iv) that (i) is not qualified by a Prospectus and (ii) would reasonably be expected to result in aggregate gross proceeds of at least $75,000,000 to the Investor Group.

"**Board**" means the board of directors of Air Canada from time to time, and includes any successor board of directors (or equivalent) of any successor to Air Canada.

"**Bought Deal**" means a fully underwritten offering on a bought deal basis pursuant to which one or more underwriters has committed to purchase securities of Air Canada pursuant to a "**bought deal**" letter prior to the filing of a Prospectus or a Distribution pursuant to an overnight marketed offering.

"**Business Day**" means any day other than any day on which banks are permitted or required to be closed in Toronto, Ontario, Winnipeg, Manitoba or Montreal, Québec.

"**Canadian Securities Regulatory Authorities**" means, collectively, the securities regulatory authority with authority in each of the provinces and territories of Canada.

"**Commitment Period**" means the period beginning on the date of this Agreement and ending on the earlier of: (a) April 12, 2022 and (b) the date on which the obligations owing to the Investor or any Investor Group Member pursuant to a Credit Agreement are accelerated following the occurrence of an Event of Default thereunder.

"**Common Shares**" means the Variable Voting Shares, the Voting Shares and such other shares or other securities into which such securities are converted, exchanged, reclassified or otherwise changed, as the case may be, from time to time, as applicable and as the context may require.

"**Corporation Information Record**" means all information contained in any material change report, business acquisition report, financial statements, management's discussion and analysis, annual information form or other documents required to be filed on the System for Electronic Document Analysis and Retrieval (SEDAR) by or on behalf of Air Canada pursuant to Applicable Securities Laws or otherwise by or on behalf of Air Canada.

"**Credit Agreements**" has the meaning ascribed thereto in the Subscription Agreement.

"**Demand Notice**" has the meaning ascribed to such term in Section 2.1(a).

"**Demand Registration**" has the meaning ascribed to such term in Section 2.1(a).

"**Distribution**" means a distribution or sale of Common Shares to the public for cash by means of a Prospectus under Applicable Securities Laws, and the terms "**Distribute**" and "**Distributed**" shall have corresponding meanings.

"**Equity Agreements**" means this Agreement, the Subscription Agreement and the Warrant Certificate.

"**Event of Default**" means, in respect of a Credit Agreement, any "Event of Default" as defined in such Credit Agreement.

"**Governmental Authority**" means any government, regulatory authority, government department, agency, commission, board, tribunal or court having jurisdiction on behalf of any nation, province or state or other subdivision thereof or any municipality, district or other subdivision thereof.

"**Investment Securities**" means the Investment Shares and the Warrants.

"**Investment Shares**" means the Subscription Shares, the issued and outstanding Warrant Shares and any securities of Air Canada issued on or after the date of this Agreement to the Investor Group in connection with any share split, share consolidation, recapitalization, merger, amalgamation, arrangement or other similar transaction with respect to the Common Shares.

"**Investor**" has the meaning ascribed to such term in the Preamble.

"**Investor Group**" means the Investor and any of its Affiliates if and for so long as they hold Investment Securities at the applicable time.

"**Investor Group Member**" means any member of the Investor Group.

"**Investor Percentage of Outstanding Common Shares**" means as at any date with respect to the Investor Group, the percentage equivalent to the quotient obtained when (a) the sum of (i) the aggregate number of Investment Shares beneficially owned by the Investor Group; and (ii) all unissued Warrant Shares issuable upon the exercise of the vested Warrants beneficially owned by the Investor Group (without giving effect to any "Cashless Exercise" or to the "Exercise Cap", as such terms are defined in the Warrant Certificate), is divided by (b) the sum of (i) the aggregate number of issued and outstanding Common Shares and (ii) all unissued Warrant Shares issuable upon the exercise of the vested Warrants beneficially owned by the Investor Group (without giving effect to any "Cashless Exercise" or to the "Exercise Cap", as such terms are defined in the Warrant Certificate), in each case, as at the time of calculation and, for avoidance of doubt, such calculation shall otherwise be made on a non-diluted basis.

"**Law**" means Applicable Securities Laws and all other statutes, regulations, statutory rules, orders, by-laws, codes, ordinances, decrees, the terms and conditions of any grant of approval, permission, authority or licence, or any judgment, injunction, order, decision, ruling, award, penalty, sanction policy or guideline, of any Governmental Authority, and the term "applicable" with respect to such Laws and in the context that refers to one or more Persons, means that such Laws apply to such Person or Persons or its or their business, undertaking, property or securities and emanate from a Governmental Authority having jurisdiction over the Person or Persons or its or their business, undertaking, property or securities.

"**NI 44-102**" means National Instrument 44-102 – *Shelf Distributions*.

"**Notice**" has the meaning ascribed to such term in Section 5.1.

"**Parties**" means the Investor, any other Investor Group Member that has provided a joinder to this Agreement (in accordance with Section 1.14) and Air Canada.

"**Person**" means any individual, corporation, partnership, firm, joint venture, association, joint-stock company, trust, unincorporated organization, Governmental Authority or other entity.

"**Piggy-Back Notice**" has the meaning ascribed to such term in Section 2.2(a).

"**Piggy-Back Registration**" has the meaning ascribed to such term in Section 2.2(b).

"**Prospectus**" means, as the context requires, a "**preliminary prospectus,**" "**amended and restated preliminary prospectus**" and a "**final prospectus**" as those terms are used in Applicable

Securities Laws and a Shelf Prospectus Supplement (together with the corresponding Base Shelf Prospectus), including all amendments and supplements thereto and including the documents incorporated (or deemed incorporated by reference under Applicable Securities Laws) by reference therein.

"**Qualifying Securities**" means the Investment Shares, provided that Investment Shares shall cease to be Qualifying Securities when they have been Distributed or when they are otherwise Transferred to a Person other than a member of the Investor Group in compliance with the terms of this Agreement.

"**Registration Expenses**" means all fees and out-of-pocket expenses incurred by Air Canada in connection with any Distribution conducted pursuant to this Agreement, including all registration and filing fees, all fees and expenses of complying with Applicable Securities Laws, all printing expenses, all translation expenses, all internal expenses, all "**road show**" and marketing expenses, all listing fees, all registrars' and transfer agents' fees, the fees (up to an aggregate of $40,000 per Distribution) and reasonable and documented disbursements of counsel for the participating Investor Group Member(s) in all relevant jurisdictions, and disbursements of counsel for Air Canada and of Air Canada's independent public accountants, including the expenses of any special audits and/or "**comfort**" letters required by or incidental to such performance and compliance, but excluding Selling Expenses.

"**Revenue Threshold**" means, for the purposes of determining whether a Person at the time of a Transfer is an Airline Operator or a Specified Person, at least $100,000,000 of revenues that were derived by such Person and its Affiliates from, in the case of an Airline Operator, the operation of an airline or, in the case of a Specified Person, the operation of all or any of the business activities described in clause (i) of the definition of "Specified Person" (as applicable, "**Specified Business Activities**"), in each case (x) during the most recently completed calendar year at the time of such Transfer and (y) as evidenced in publicly available financial statements by virtue of such statements being filed on SEDAR or the Electronic Data Gathering, Analysis and Retrieval (EDGAR) or as otherwise determined on a consolidated (or combined, as applicable) basis and in accordance with generally accepted accounting principles applicable to such Person for such period, applied on a consistent basis; provided, however, that, if at the applicable time the most recently completed calendar year is a year ended December 31, 2020, 2021 or 2022, then the Revenue Threshold shall instead be determined based on the consolidated (or combined, as applicable) revenues derived by such Person and its Affiliates from Specified Business Activities during the year ended December 31, 2019.

"**Selling Expenses**" means all underwriting commissions, discounts or brokers' commissions incurred in connection with a Distribution of Common Shares.

"**Shelf Prospectus Supplement**" has the meaning ascribed thereto in NI 44-102.

"**Significant Investor**" means a Person that beneficially owns or controls, directly or indirectly, 5% or more of the issued and outstanding Common Shares, including any convertible securities beneficially owned or controlled by such Person, all on an as converted basis to Common Shares.

"**Specified Business Activities**" has the meaning ascribed to such term in the definition of "Revenue Threshold".

"**Specified Person**" means any Person that (i) is engaged in any one (or any combination) of the following business activities: (a) passenger or cargo air transportation services in the Canadian market, the Canada-U.S. transborder market or in the international market to and from Canada, (b) travel loyalty programs in Canada, and (c) a tour operator, developer, marketer or distributor of vacation travel packages, operating in the outbound leisure travel market from Canada (including to the Caribbean, Mexico, U.S., Europe, Central and South America, South Pacific, Australia, and Asia) and the inbound leisure travel market to destinations within Canada, and cruise packages in

North America, Europe and the Caribbean and (ii) at the time of the applicable Transfer, exceeds the Revenue Threshold.

"**Specified Withdrawal**" has the meaning ascribed to such term in Section 2.1(h).

"**Standstill Commitment Period**" means the period beginning on the date of this Agreement and ending on the later of (i) April 12, 2023, and (ii) the date on which the Investor Percentage of Outstanding Common Shares ceases to be more than 2.5%.

"**Subscription Agreement**" has the meaning ascribed to such term in the Recitals.

"**Subsidiary**" has the meaning ascribed thereto in the *Securities Act* (Québec).

"**Suspension Period**" has the meaning ascribed to such term in Section 2.1(c).

"**Transfer**" has the meaning ascribed to such term in Section 3.1(a).

"**TSX**" means the Toronto Stock Exchange.

"**underwriter**" and all terms which are derivatives therefrom shall be deemed to include "**best efforts agent**" and all terms which are derivatives thereof, as appropriate.

"**Valid Business Reason**" has the meaning ascribed to such term in Section 2.1(c).

"**Variable Voting Shares**" means the Class A Variable Voting Shares in the capital of the Air Canada and such other shares or other securities into which such securities are converted, exchanged, reclassified or otherwise changed, as the case may be, from time to time.

"**Voting Shares**" means the Class B Voting Shares in the capital of Air Canada and such other shares or other securities into which such securities are converted, exchanged, reclassified or otherwise changed, as the case may be, from time to time.

"**Warrant Certificate**" has the meaning ascribed to such term in the Recitals.

"**Warrant Shares**" has the meaning ascribed to such term in the Recitals.

"**Warrants**" has the meaning ascribed to such term in the Recitals.

1.2 Rules of Construction

Except as may be otherwise specifically provided in this Agreement and unless the context otherwise requires, in this Agreement, the terms "Agreement", "this Agreement", "the Agreement", "hereto", "hereof", "herein", "hereby", "hereunder" and similar expressions refer to this Agreement in its entirety and not to any particular provision hereof, and references to an "Article", "Section", or "Schedule" followed by a number or letter refer to the specified Article or Section of or Schedule to this Agreement.

1.3 Recitals and Schedules

The Recitals and the Schedule to this Agreement form an integral part of this Agreement.

1.4 Headings

The inclusion of headings in this Agreement is for convenience of reference only and shall not affect the construction or interpretation hereof.

1.5 Gender and Number

In this Agreement, unless the context otherwise requires, words importing the singular include the plural and vice versa and words importing gender include all genders.

1.6 Time Periods

Unless otherwise specified, time periods within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the period commences and including the day on which the period ends and by extending the period to the next Business Day following if the last day of the period is not a Business Day. All references to times of the day are to the times of the day in Montreal, Québec.

1.7 Statutory and Agreement References

Except as otherwise provided in this Agreement, (i) any reference in this Agreement to a statute refers to such statute and all rules and regulations made under it as they may have been or may from time to time be amended, re-enacted or replaced; and (ii) any reference in this Agreement to an agreement or a contract shall mean such agreement or contract, as the same may be amended, renewed, supplemented, extended and/or restated from time to time.

1.8 Business Days

If any payment is required to be made or other action is required to be taken pursuant to this Agreement on a day that is not a Business Day, then such payment or action shall be made or taken on the next Business Day.

1.9 Including

Where the word "**including**" or "**includes**" is used in this Agreement, it means "including (or includes) without limitation".

1.10 Currency

Except where otherwise expressly provided, all amounts in this Agreement are stated and shall be paid in the currency of Canada.

1.11 Invalidity of Provisions

Each of the provisions contained in this Agreement is distinct and severable and a declaration of invalidity or unenforceability of any such provision or part thereof by a court of competent jurisdiction shall not affect the validity or enforceability of any other provision hereof.

1.12 Entire Agreement

This Agreement and the other Equity Agreements constitute the entire agreement between the Parties pertaining to the subject matter hereof and thereof and supersedes all prior contracts, agreements, commitments and undertakings relating to the subject matter hereof and thereof (including, for greater certainty, any term sheet or summary of terms and conditions).

1.13 Governing Law and Submission to Jurisdiction

This Agreement shall be governed by and construed in accordance with the Laws of the Province of Ontario and the Laws of Canada applicable therein. The Parties submit to the exclusive jurisdiction of the courts of the Province of Ontario situated in the City of Toronto in any claim arising out of or related to this Agreement and agree that all claims shall be heard and determined in such Ontario courts and waives objection to the venue of any proceeding in such court or that such court provides an inconvenient forum.

1.14 Members of the Investor Group

(a) At all times where, further to a Transfer made in accordance with Section 3.1(b)(i) or 3.2(b)(i), an Investor Group Member other than the Investor owns Investment Securities, the Investor shall cause such Person to (i) either remain an Affiliate of an Investor Group Member or Transfer back to the Investor or another Investor Group Member that is an Affiliate of an Investor Group Member any Investment Securities it beneficially owns prior to ceasing to be an Affiliate of an Investor Group Member; (ii) comply with the provisions of this Agreement, including all of the covenants of the Investor contained herein; and (iii) provide a joinder to this Agreement in a form and substance satisfactory to Air Canada. The Investor shall be responsible for any breach of this Agreement by any other Investor Group Member.

(b) Notwithstanding anything in this Agreement to the contrary, each Investor Group Member shall only be bound by this Agreement in its capacity as a holder of the Investment Securities and nothing in this Agreement shall be binding on or create any obligation on the part of the Investor or any other Investor Group Member in any other capacity (including, for certainty, any Investor Group Member's capacity as lender, administrative agent, secured party or otherwise under any of the Credit Agreements or any agreement, document or instrument executed or delivered from time to time into in connection therewith or any branch or agency of the Government of Canada or subdivision thereof). Nothing in this Agreement in any way derogates from or limits or constraints the exercise by the Investor or any other Investor Group Member of any of its rights or remedies under, or in respect of any obligations owing under, the Credit Agreements or any agreement, document or instrument executed or delivered from time to time in connection therewith.

1.15 Certain Terminology

For the purposes of this Agreement, the terms and phrases "jointly or in concert", "take-over bid" and "issuer bid" (or grammatical variations thereof) shall have the meanings given to them under Applicable Securities Laws, and for purposes of determining whether a take-over bid has been made under National Instrument 62-104 – *Take-Over Bids and Issuer Bids*, beneficial ownership shall be determined after giving effect to any applicable Exercise Cap.

ARTICLE 2
REGISTRATION RIGHTS

2.1 Demand Registration Rights

(a) Following the expiry of the Commitment Period and subject to Section 2.1(c), upon the written request (a "**Demand Notice**") of one or more Investor Group Members made at any time and from time to time, Air Canada will, subject to complying with Applicable Securities Laws and applicable stock exchange requirements, use commercially reasonable efforts to prepare and file a Prospectus (including, after the filing of a Base Shelf Prospectus, a Shelf Prospectus Supplement) and such other documents and take such other steps as may be necessary under Applicable Securities Laws to facilitate a secondary offering in one or more provinces or territories of Canada selected by such Investor Group Members of all or any whole number of Qualifying Securities (a "**Demand Registration**"). Air Canada and the participating Investor Group Member(s) shall cooperate in a timely manner and in accordance with the procedures set forth in Schedule A hereto in connection with each such Demand Registration.

(b) After receipt of a Demand Notice referred to in Section 2.1(a), Air Canada shall have five (5) Business Days (or, in the context of a Bought Deal, such time as is reasonably practicable in the circumstances having regard to the time periods typical for a transaction of such nature but in no case less than two (2) Business Days) to determine whether it wishes to include for sale in any Prospectus filed pursuant to a Demand Registration any Common Shares to be Distributed by Air Canada for its own account in connection with such Demand Registration by giving written notice to the participating Investor Group Member(s), specifying the number of Common Shares it wishes to include for Distribution in the Demand Registration, provided that if the managing underwriter or underwriters, acting in good faith, advise(s) the participating Investor Group Member(s) in writing that, in its or their judgment, the inclusion of the Common Shares to be Distributed by Air Canada for its own account in the Demand Registration should be limited because the aggregate number of Common Shares proposed to be Distributed, including the Common Shares offered by Air Canada for its own account, as applicable, may have an adverse effect on the Distribution or sale price of the Common Shares being offered unless the number of such Common Shares is reduced, then the maximum number of Common Shares that the managing underwriter advises or managing underwriters advise should be Distributed will be allocated as follows: (1) first, to the number of Qualifying Securities requested to be qualified by the participating Investor Group Member(s) pursuant to this Section 2.1(b); and (2) second, to the number of Common Shares to be Distributed by Air Canada for its own account, if any, that may be accommodated in such Distribution.

(c) Notwithstanding Section 2.1(a), Air Canada will not be obligated to effect a Demand Registration:

(i) in respect of more than (A) one (1) Demand Notice submitted during the calendar year in which the Commitment Period expires and (B) two (2) Demand Notices submitted within each calendar year thereafter;

(ii) within a period of 90 days after the date of completion of a previous Distribution;

(iii) during a Blackout Period;

(iv) unless the Distribution of Qualifying Securities would reasonably be expected to result in gross proceeds of at least $75,000,000 to the Investor Group;

(v) other than in a province or territory of Canada;

(vi) if Air Canada has announced an offering of Common Shares prior to its receipt of the Demand Notice and has provided the Investor Group with a Piggy-Back Notice with respect thereto in accordance with the terms of this Agreement; or

(vii) in the event that the Board determines in good faith that there is a Valid Business Reason (as defined below) and that it is, therefore, in the best interests of Air Canada to defer the filing of a Prospectus at such time, in which case Air Canada's obligations under this Section 2.1 will be deferred (a "**Suspension Period**") until the earlier of:

(A) (i) in the case of a Valid Business Reason described in subparagraph (1) below, five (5) Business Days after the date that such Valid Business Reason ceases to exist; or (ii) in the case of a Valid Business Reason described in paragraph (2) below, two (2) Business Days after the date such information is otherwise disclosed; and

(B) the expiry of a period of not more than 120 days from the date of receipt of the Demand Notice.

For purposes of this Section 2.1(c)(vii), "**Valid Business Reason**" means a determination that the effect of the filing of a Prospectus:

(1) would materially impede the ability of Air Canada to consummate a bona fide pending or proposed acquisition, disposition, financing, merger, recapitalization, consolidation, reorganization, or similar transaction involving Air Canada or any of its Subsidiaries that is significant to Air Canada and its Subsidiaries taken as a whole; or

(2) would require the premature disclosure of material non-public information relating to Air Canada or its Subsidiaries, the disclosure of which would be adverse to Air Canada and its Subsidiaries taken as a whole;

provided that Air Canada will give written notice of its determination to defer filing and of the fact that the Valid Business Reason for such deferral no longer exists, in each case, promptly after the occurrence thereof. If at any time prior to receiving written notice that a Valid Business Reason for a deferral no longer exists, the participating Investor Group Member(s) advises Air Canada in writing that it has determined to withdraw such request for a Demand Registration, then such Demand Registration and the request therefor will be deemed to be withdrawn and such request will be deemed not to have been given for purposes of determining whether the Investor Group has exercised its right to a Demand Registration pursuant to this Section 2.1.

(d) Any Demand Registration pursuant to Section 2.1(a) shall:

(i) specify the number of Qualifying Securities which the participating Investor Group Member(s) intends to Distribute, provided that subject to Sections 2.1(b) and 2.1(c)(iv), the participating Investor Group Member(s) may change the number of Qualifying Securities proposed to be Distributed at any time prior to the earlier of (x) the entering into of a definitive underwriting agreement, if any, and (y) the filing of the final Prospectus in connection with such Distribution;

(ii) describe the nature or methods of the proposed Distribution and the provinces and territories of Canada in which such Distribution shall be made;

(iii) contain an undertaking of the participating Investor Group Member(s) to provide all such information regarding its holdings and the proposed manner of Distribution thereof as may be reasonably required in order to permit Air Canada to comply with all Applicable Securities Laws;

(iv) specify whether such Distribution shall be made by an underwritten or marketed public offering, and whether by way of Bought Deal or otherwise; and

(v) be carried out in accordance with the procedures set forth in Schedule A to this Agreement.

(e) In the case of an underwritten Demand Registration, the participating Investor Group Member(s) shall have the right to select, with the approval of Air Canada, acting reasonably, the managing or lead underwriter or underwriters to effect the Distribution in connection with such Demand Registration. Air Canada shall have the right to retain counsel of its choice to assist it in fulfilling its obligations under this Section 2.1.

(f) Notwithstanding anything to the contrary contained herein, a Demand Registration will not be considered as having been effected until a receipt has been issued for a final Prospectus by the Canadian Securities Regulatory Authorities or a Shelf Prospectus Supplement to a Base Shelf Prospectus has been filed with the Canadian Securities Regulatory Authorities in accordance with NI 44-102, in each case, pursuant to which the Qualifying Securities are to be sold.

(g) In the case of an underwritten Demand Registration, the participating Investor Group Member(s) and its representatives may participate in the negotiations of the terms of any underwriting agreement, and each amendment or supplement thereto. Such participation in, and Air Canada's completion of, the underwritten Demand Registration is conditional upon Air Canada and the participating Investor Group Member(s) agreeing that the terms of any underwriting agreement (and each amendment or supplement thereto) are satisfactory to it, acting reasonably.

(h) The participating Investor Group Member(s) may withdraw its request for Demand Registration at any time by advising Air Canada in writing that it has determined to withdraw such request provided that (i) such request for withdrawal is made prior to the execution of a binding bought deal letter or the filing of a preliminary Prospectus (or, in the case of a marketed Distribution being conducted by way of Shelf Prospectus Supplement to a Base Shelf Prospectus, prior to the filing of any draft Shelf Prospectus Supplement with the Canadian Securities Regulatory Authorities) unless such Investor Group Member withdraws such requests after having learned of a material adverse change in the condition, business or prospects of Air Canada (which, for greater certainty, would not include a change that is exclusively a change in market demand for the Common Shares or in the market price of the Common Shares without an underlying material adverse change in the condition, business or prospects of Air Canada) which is unknown to the participating Investor Group Member(s) at the time of its request for a Demand Registration or as a result of a material breach by Air Canada under this Agreement or under an underwriting agreement or other enforceable agreement with the underwriters in respect of a Distribution (each such withdrawal, a "**Specified Withdrawal**") in which case such request for withdrawal may be made at any time prior to closing such Distribution, and (ii) such withdrawal shall be irrevocable and, after making such withdrawal, the participating Investor Group Member(s) shall no longer have any right to include its Qualifying Securities in the Distribution pertaining to which such withdrawal was made. So long as a withdrawal of a request for Demand Registration is made in compliance with the foregoing, such Demand Registration and the request therefor will be deemed to be withdrawn, and such request will be deemed not to have been given for purposes of determining whether the Investor Group has exercised its right to a Demand Registration pursuant to this Section 2.1.

(i) Notwithstanding anything to the contrary contained herein, the right of the Investor Group to Demand Registrations pursuant to this Section 2.1 shall not confer at any time upon the Investor Group the right to require Air Canada to prepare and file one or more Base Shelf Prospectuses under NI 44-102, provided however for greater certainty that if Air Canada prepares and files a Base Shelf Prospectus under NI 44-102 of its own accord, the Investor Group may exercise its Demand Registration rights in respect of a Distribution to be conducted under a Shelf Prospectus Supplement to such a Base Shelf Prospectus.

2.2 Piggy-Back Registration Rights

(a) Following the expiry of the Commitment Period, if Air Canada intends to prepare and file a Prospectus in Canada in connection with a Distribution for its own account or for the account of other securityholders whether pursuant to the exercise of registration rights granted to such securityholders or otherwise, Air Canada will promptly give the Investor Group written notice of the proposed Distribution, including proposed pricing (the "**Piggy-Back Notice**") prior to the anticipated filing date of such Prospectus (or (x) in the case of a Bought Deal, the launch thereof or (y) in the case of an offering via a Shelf Prospectus Supplement to a Base Shelf Prospectus, the pricing thereof).

(b) Upon the written request of one or more Investor Group Member(s) that such Investor Group Member(s) wishes to include a specified number of Qualifying Securities in the Distribution, given within five (5) Business Days after the receipt of the Piggy-Back Notice (provided that if such proposed Distribution is effected as a Bought Deal, Air Canada shall have provided notice thereof to the Investor Group as promptly as practicable in the circumstances, in which case such Investor Group Member(s) shall be required to respond in a manner consistent with the time periods typical for transaction of such nature, and in any event no less than two (2) Business Days prior to the launch of such Bought Deal), Air Canada will use commercially reasonable efforts to, in conjunction with the proposed Distribution and in accordance with the procedures set forth in Schedule A to this Agreement, cause to be qualified in such Distribution the Qualifying Securities requested to be qualified by the participating Investor Group Member(s) in the Distribution (a "**Piggy-Back Registration**"), provided that if the managing underwriter or underwriters of such proposed Distribution, acting in good faith, advise(s) Air Canada (in the case of a Distribution initiated by Air Canada for its own account) or such other securityholders of Air Canada (if such Distribution is initiated by any other securityholder of Air Canada) in writing that, in its or their judgment, the inclusion of the Qualifying Securities held by the participating Investor Group Member(s) in the proposed Distribution should be limited because the aggregate number of Common Shares proposed to be Distributed, including the Qualifying Securities offered by the participating Investor Group Member(s) for its own account, as applicable, may have an adverse effect on the Distribution or sale price of the Common Shares being offered unless the number of such Common Shares is reduced, then the maximum number of Common Shares that the managing underwriter advises or managing underwriters advise should be Distributed will be allocated as follows: (i) first, to the number of Common Shares that Air Canada proposes to Distribute for its own account; and (ii) second, subject to the preceding sentence, to the number of Qualifying Securities requested to be qualified by the participating Investor Group Member(s) pursuant to this Section 2.2 and/or the securities requested to be qualified by any other securityholder of Air Canada participating in such Distribution whether pursuant to the exercise of registration rights granted to such securityholders or otherwise, on a pro rata basis.

(c) In the case of an underwritten Piggy-Back Registration, the participating Investor Group Member(s) and its representatives may participate in the negotiations of the terms of any underwriting agreement, and each amendment or supplement thereto, solely with respect to such terms that impose obligations on such participating Investor Group Member(s). Such participation in the underwritten Piggy-Back Registration is conditional upon Air Canada and the participating Investor Group Member(s) agreeing that the applicable terms of any underwriting agreement (and each amendment or supplement thereto) are satisfactory to it, acting reasonably.

(d) Notwithstanding the foregoing, Air Canada shall be entitled to postpone or terminate any Distribution associated with a Piggy-Back Registration at any time prior to a receipt having been issued for a final Prospectus by the Canadian Securities Regulatory Authorities or a Shelf Prospectus Supplement to a Base Shelf Prospectus being filed with the Canadian

Securities Regulatory Authorities, without any obligation or liability towards the Investor Group. Further, Air Canada shall not be required to effect a Piggy-Back Registration in respect of or related to any Distribution being conducted in connection with an acquisition, merger, arrangement or similar transaction involving Air Canada or any of its Subsidiaries if the managing underwriter or underwriters for such Distribution, acting in good faith, advise Air Canada in writing that, in its or their judgment, the inclusion of the Qualifying Securities held by the participating Investor Group Member(s) in the proposed Distribution could adversely affect the Distribution related to such acquisition, merger, arrangement or similar transaction.

(e) If the proposed Distribution is not completed within 180 days of a notice of a Piggy-Back Registration, the related notice of a Piggy-Back Registration delivered by the participating Investor Group Member(s) hereunder shall be deemed to be withdrawn.

(f) The participating Investor Group Member(s) may withdraw its request for a Piggy-Back Registration at any time by advising Air Canada in writing that it has determined to withdraw such request provided that (i) such request for withdrawal is made prior to the execution of a binding bought deal letter or the filing of a preliminary Prospectus (or, in the case of a marketed Distribution being conducted by way of Shelf Prospectus Supplement to a Base Shelf Prospectus, prior to the filing of any draft Shelf Prospectus Supplement with the Canadian Securities Regulatory Authorities) and (ii) such withdrawal shall be irrevocable and, after making such withdrawal, the Investor Group shall no longer have any right to include is Qualifying Securities in the Distribution pertaining to which such withdrawal was made.

2.3 Registration in the United States

If Air Canada proposes to file a registration statement for the distribution of Common Shares to the public in the United States, the Parties shall, prior to such distribution taking place, supplement this Agreement so as to provide the Investor Group with registration rights enabling the distribution of Common Shares to the public in the United States that are no less favorable than the registration rights provided under this Agreement, including, without limitation, demand registration rights and piggyback registration rights upon terms and conditions no less favorable than the terms and conditions set forth in Sections 2.1 and 2.2.

2.4 Cooperation with respect to Block Trades

(a) Following the expiry of the Commitment Period and subject to Section 2.4(b), upon written notice (a "**Block Trade Notice**") of one or more Investor Group Members, made at any time and from time to time, requesting Air Canada's cooperation in connection with a Block Trade, if so reasonably requested by such Investor Group Member(s) or any registered dealer acting as an underwriter or agent for such Block Trade (each such registered dealer, a "**Dealer**"), Air Canada agrees to cooperate in a timely manner with such Investor Group Member and any Dealer involved in such Block Trade by:

(i) subject to the participating Investor Group Member(s) and any Dealers involved in the Block Trade entering into customary confidentiality agreements satisfactory to Air Canada, the participating Investor Group Member(s) and such Dealers, each acting reasonably:

(A) allowing the participating Investor Group Member(s) and any such Dealers and their counsel to conduct all reasonable and customary due diligence which the participating Investor Group Member(s) and the Dealers, if any, and their respective counsel, may reasonably require; and

(B) making available its senior management to answer any questions in one or more customary due diligence sessions;

(ii) entering into a customary "clear market" or "blackout" agreement (for the purposes of this Section 2.4, a "**Blackout Agreement**") with the Dealers for such Block Trade, in each case providing that, for a period commencing with the offering and ending 90 days following the closing of such Block Trade, Air Canada will not, directly or indirectly, sell, offer to sell, grant any option for the sale of, or otherwise dispose of any securities that are the same or similar to the Investment Securities being Transferred (or securities convertible into or exchangeable or exercisable for such securities) (subject to customary exceptions) and will not enter into derivative transactions with similar economic effect; and

(iii) using its commercially reasonable efforts to furnish on the date that the Qualifying Securities that are the subject of the Block Trade are delivered to the Dealer for sale in connection with such Block Trade such corporate certificates, satisfactory to the participating Investor Group Member(s), acting reasonably, and addressed to the participating Investor Group Member(s) and the Dealer, if any, for such Block Trade, as are customarily furnished in securities offerings, and in each case, covering substantially the same matters as are covered in such documents in the relevant jurisdiction to the extent applicable in the context of the Block Trade.

(b) Air Canada will not be required to comply with Section 2.4(a) in the event that:

(i) Air Canada has announced an offering of any securities that are the same or similar to the Investment Securities being Transferred (or securities convertible into or exchangeable or exercisable for such securities) (subject to customary exceptions) prior to its receipt of a Block Trade Notice (a "**Concurrent Offering**"); or

(ii) Air Canada is contemplating commencing a bona fide Concurrent Offering within 30 days of the date it receives the Block Trade Notice (the "**Concurrent Offering Period"**),

in which case Air Canada's compliance with Section 2.4(a) will be deferred until the earlier of: (i) completion of the Concurrent Offering, and (ii) in the case of a contemplated Concurrent Offering described in Section 2.4(b)(ii), (X) the date Air Canada has determined it will not be commencing such Concurrent Offering within the Concurrent Offering Period or (Y) if such Concurrent Offering has not been commenced by the end of the Concurrent Offering Period, the Business Day following the end of such Concurrent Offering Period (a "**Deferral Period**"). In each case Air Canada shall give written notice to the Investor Group of its determination to defer its obligation under Section 2.4(a) and of completion of the Deferral Period, in each case promptly after the occurrence thereof.

(c) All fees and out-of-pocket expenses incurred by the participating Investor Group Member(s) or Air Canada in connection with satisfying Air Canada's obligations under Section 2.4 shall be borne by the Investor Group (excluding fees and disbursements of counsel for Air Canada incurred in connection therewith, which shall be borne by Air Canada).

2.5 Suspension and Termination of Registration Rights and Block Trade Obligations

(a) If on a given date the Investor Percentage of Outstanding Common Shares ceases to be more than 5%, then:

(i) if there are unvested Warrants outstanding on such date, the Demand Registration rights and Piggy-Back Registration rights granted to the Investor pursuant to this Article 2 shall be suspended and be of no further force or effect until the earlier of (A) the date on which the Investor Percentage of Outstanding Common Shares increases to more than 5% as a result of the vesting of Warrants, in which case any such suspension will cease on such date, or (B) the date on which there are no longer any unvested Warrants outstanding, in which case such rights shall be definitively terminated in accordance paragraph (ii) below; or

(ii) if there are no unvested Warrants outstanding on such date, the Demand Registration rights and Piggy-Back Registration rights granted to the Investor pursuant to this Article 2 shall be definitively terminated and be of no further force or effect.

(b) If on a given date the Investor Percentage of Outstanding Common Shares ceases to be more than 2.5%, then:

(i) if there are unvested Warrants outstanding on such date, Air Canada's obligations under Section 2.4 shall be suspended and be of no further force or effect until the earlier of (A) the date on which the Investor Percentage of Outstanding Common Shares increases to more than 5% as a result of the vesting of Warrants, in which case any such suspension will cease on such date, or (B) the date on which there are no longer any unvested Warrants outstanding, in which case such obligations shall be definitively terminated in accordance paragraph (ii) below; or

(ii) if there are no unvested Warrants outstanding on such date, Air Canada's obligations under Section 2.4 shall be definitively terminated and be of no further force or effect.

ARTICLE 3
COVENANTS

3.1 Hold Applicable to Investment Shares Period During the Commitment Period

(a) During the Commitment Period, an Investor Group Member shall not sell, transfer, assign, pledge, encumber, hypothecate, mortgage, exchange, tender, convey or otherwise dispose of (including through the sale or purchase of options or other derivative instruments, hedging activities or otherwise) or agree or commit to do any of the foregoing, directly or indirectly, through one or more related transactions (each, a "**Transfer**"), the Investment Securities.

(b) The restrictions set forth in Section 3.1(a) shall not apply to any Transfer of Investment Securities made:

(i) to an Affiliate of the Investor or an Investor Group Member or between Investor Group Members; or

(ii) made pursuant to a take-over bid for the Common Shares that the Board has recommended that holders of Common Shares accept or by operation of a statutory amalgamation, statutory arrangement or other statutory procedure involving, and approved or recommended by the Board of, Air Canada.

3.2 Restrictions on Transfer of Investment Shares After the End of the Commitment Period

(a) After the end of the Commitment Period, an Investor Group Member shall not Transfer (whether in one or more related transactions) any Investment Securities to any Person who, to the knowledge of such Investor Group Member after reasonable inquiry, is (or is acting jointly or in concert with such a Person engaging in any of the actions set out in clauses (i) to (v) of Section 3.5(a)):

(i) an Airline Operator or any Affiliate of an Airline Operator;

(ii) a Specified Person or any Affiliate of a Specified Person; or

(iii) a Significant Investor.

(b) The restrictions set forth in Section 3.2(a) shall not apply to any Transfer of Investment Securities made:

(i) to an Affiliate of the Investor or an Investor Group Member or between Investor Group Members;

(ii) through the facilities of any securities exchange, market or trading or quotation facility on which the Common Shares are now or are then listed or quoted, including the TSX, excluding any intentional cross or pre-arranged trades;

(iii) pursuant to Distribution made further to the exercise of Demand Registration rights or Piggy-Back Registration rights by the Investor;

(iv) pursuant to a bona fide underwritten public offering (which, for greater certainty, may be by way of to a block trade with a registered dealer that is not qualified by a Prospectus, provided such dealer is informed of the restrictions in Section 3.2(a));

(v) pursuant to a take-over bid for the Common Shares that the Board has recommended that holders of Common Shares accept or by operation of a statutory amalgamation, statutory arrangement or other statutory procedure involving, and approved or recommended by the Board of, Air Canada; or

(vi) from or after the date on which any obligations owing to an Investor Group Member under a Credit Agreement are accelerated following the occurrence of an Event of Default thereunder.

3.3 Transfer of Warrants

The rights and restrictions regarding any Transfer of Warrants shall be governed by Sections 3.1 and Section 3.2 and the applicable provisions of the Warrant Certificate.

3.4 Transfer Null Ab Initio

Any Transfer or attempted Transfer of Investment Securities in violation of Section 3.1 or Section 3.2 or, solely in respect of the Warrants, the provisions of the Warrant Certificate, as applicable, shall, to the fullest extent permitted by Law, be null and void *ab initio*, and Air Canada shall not, and shall instruct its transfer agent and other third parties not to, record or recognize any such purported transaction on the share register or other books and records of Air Canada.

3.5 Standstill

(a) Subject to Section 3.5(b) and 3.5(c), during the Standstill Commitment Period, an Investor Group Member will not, directly or indirectly, whether alone or by acting jointly or in concert with any other Person in respect to any of the actions set out in clauses (i) to (ix) below, without the express written consent of the Board:

(i) acquire or agree to acquire or make any proposal to acquire any securities of Air Canada (including any rights, contractual or otherwise, any convertible securities or options to acquire any securities of Air Canada);

(ii) effect, seek, offer, negotiate or propose any acquisition, amalgamation, merger, arrangement, business combination, take-over bid or similar transaction involving Air Canada and/or any of its Subsidiaries or any of their property or assets;

(iii) effect, seek, offer, negotiate or propose any recapitalization, restructuring, liquidation, dissolution, or other extraordinary transaction with respect to Air Canada or any of its Subsidiaries or any of their property or assets;

(iv) "solicit" any "proxies" (as such terms are defined in the Securities Act (Ontario)) in order to vote the securities of Air Canada or any of its Subsidiaries held by other Persons (excluding any other Investor Group Member) for which "proxies" are obtained as a result of such solicitation, or to advise or influence other Persons (excluding any other Investor Group Member) with respect to the voting of any securities of Air Canada or any of its Subsidiaries held by them;

(v) attempt to influence the conduct of the holders (excluding any other Investor Group Member) of voting securities of Air Canada or take any other action to obtain representation on the Board;

(vi) enter into a credit or similar agreement (a “**loan agreement**”), or an amendment to any existing loan agreement, that is entered into for the express purpose of providing financing to any Person that is, to the knowledge of such Investor Group Member, after reasonable enquiry, to be used by such Person, directly, to make a take-over bid or engage in any of the actions set out in clause (iii) above, in each case only to the extent that (x) such activity is not supported, recommended or otherwise consented to by Air Canada or the Board and (y) the Investor Group Member would be not permitted to engage in such activities itself in the absence of any such consent;

(vii) engage in short selling of Air Canada's securities;

(viii) publicly seek any modification to, or waiver of, the Investor Group's obligations under this Agreement; or

(ix) advise, assist or knowingly encourage any other Person (excluding any other Investor Group Member) with respect to any of the foregoing actions or make any public disclosure of any consideration, intention, plan or arrangement to do or take any of the foregoing.

(b) Section 3.5(a) shall not preclude an Investor Group Member from (i) making a non-public, confidential proposal to the Board; (ii) acquiring Warrant Shares as a result of the exercise of the Warrants or otherwise exercise its rights under the Warrants or this Agreement; (iii) participating in rights offerings conducted by Air Canada; (iv) receiving dividends or other distributions made to all or substantially all of the shareholders of Air Canada in respect of the Common Shares or any other securities of Air Canada or its Subsidiaries that are held by an Investor Group Member; (v) tendering Investment Securities into any issuer bid; (vi) tendering Investment Securities to a take-over bid, or participating in or voting in respect of any acquisition, amalgamation, merger, arrangement, business combination, restructuring, liquidation, dissolution or other extraordinary transaction of Air Canada (A) that the Board has affirmatively approved or recommended; (B) that is made or proposed by a Person other than Investor Group Members or any of their respective Affiliates or any person acting jointly or in concert with any Investor Group Members or any of their respective Affiliates and provided that the Investor Group Member is in compliance with 3.5(a) or (C) by operation of Law; (vii) exercising any rights or remedies in respect of obligations owing to an Investor Group Member under a Credit Agreement; or (viii) subject to compliance with Section 3.5(a)(vi), providing financing in the ordinary course of the Investor Group Member's business. For greater certainty, nothing in Section 3.5(a) shall operate so as to prevent or limit (X) an Investor Group Member from voting, in its sole and absolute discretion, any Common Shares of Air Canada or its Subsidiaries that are held by an Investor Group Member, or (Y) any adjustment to the Share Rate or the Exercise Price (each as defined in the Warrants) pursuant to the terms of the Warrants.

(c) Section 3.5(a) shall not apply from and after the date that the obligations owing to the Investor or any Investor Group Member under a Credit Agreement are accelerated following the occurrence of an Event of Default thereunder.

3.6 Insider Trading

The Investor hereby acknowledges and agrees that Applicable Securities Laws may prohibit any Person who has material non-public information concerning a reporting issuer, such as Air Canada, from purchasing or selling securities of Air Canada or from communicating such information to any other Person.

3.7 Reporting Issuer Status and Listing of Common Shares

(a) Air Canada shall not take any action which would reasonably be expected to result in the delisting or suspension of the Common Shares on or from any securities exchange, market or trading or quotation facility on which the Common Shares are now or are then listed or quoted, including the TSX, and Air Canada shall comply with the rules and regulations thereof, provided that this covenant shall not apply to any merger, amalgamation, arrangement, take-over bid, going private transaction or other similar transaction involving the purchase or sale of all of the outstanding Common Shares.

(b) Air Canada shall use its commercially reasonable efforts to maintain its status as a "**reporting issuer**" in each of the provinces and territories of Canada and Air Canada shall comply with all Applicable Securities Laws, provided that the covenant to remain a "**reporting issuer**" shall not apply to any merger, amalgamation, arrangement, take-over bid, going private transaction or other similar transaction involving the purchase or sale of all of the outstanding Common Shares.

ARTICLE 4
TERMINATION; SURVIVAL

4.1 Termination

Subject to Section 4.2, the term of this Agreement shall commence on the date of this Agreement and shall continue in force until the later of (i) the date on which all of the rights granted to the Investor Group under Article 2 definitively terminate in accordance with Section 2.5; or (ii) the expiry of the Standstill Commitment Period.

4.2 Survival

Notwithstanding Section 4.1 of this Agreement, this Section 4.2 (Survival), Article 1 (Interpretation), Article 6 (General Matters) and the indemnification provided for under Article 2 of Schedule A shall survive the expiration or other termination of this Agreement and shall remain in full force and effect.

ARTICLE 5
NOTICES

5.1 Notices

Any notices, demands or other communications to be given or delivered under or by reason of the provisions of this Agreement (a "**Notice**") shall be in writing and shall be deemed to have been given when delivered personally, by courier or by e-mail; provided, however, that in the case of e-mail delivery (i) no "bounceback" or notice of non-delivery is received by the sender, (ii) solely with respect to Notice delivered to Air Canada, the Investor will use commercially reasonable efforts to accompany such email with concurrent delivery of Notice by facsimile, to the extent a fax machine is available to the Investor, to the address set out below, and (iii) each Notice delivered by email (and any accompanying facsimile) shall include "Air Canada – Investor Rights Agreement" in the subject line (provided that the any failure to include such specified subject line shall not in any way affect the sufficiency or validity of the Notice). Such Notices will be delivered to the Parties at the respective addresses, facsimile numbers or e-mails indicated below:

(a) if to Air Canada:

Air Canada
Air Canada Centre
7373 Côte-Vertu Boulevard West,
Saint-Laurent, Québec H4S 1Z3

Attention: Executive Vice President and Chief Financial Officer and the Vice President and General Counsel and Vice President and Corporate Secretary

Email: **[Redacted]**

Facsimile: **[Redacted]**

with a copy (which shall not constitute notice) to:

Stikeman Elliott LLP
1155 René-Lévesque Blvd. West, 41st floor
Montreal, Québec H3B 3V2

Attention: **[Redacted]**
Email: **[Redacted]**

(b) if to the Investor:

Canada Enterprise Emergency Funding Corporation
1240 Bay Street, Suite 302
Toronto, Ontario M5R 2A7

Attention: **[Redacted]**
Email: **[Redacted]**

with a copy (which shall not constitute notice) to:

Davies Ward Philips & Vineberg LLP
155 Wellington Street West, 40th Floor
Toronto, Ontario M5V 3J7

Attention: **[Redacted]**
Email: **[Redacted]**

Any Notice delivered or transmitted to a Party as provided above shall be deemed to have been given and received on the day it is delivered or transmitted, provided that it is delivered or transmitted on a Business Day prior to 5:00 p.m. local time in the place of delivery or receipt. However, if the Notice is delivered or transmitted after 5:00 p.m. local time or if such day is not a Business Day then the Notice shall be deemed to have been given and received on the next Business Day. Notwithstanding anything to the contrary set out in this Section 5.1, in the event any Notice is sent by email to Air Canada, the Investor will use commercially reasonable efforts to concurrently deliver to Air Canada a copy of such Notice by facsimile, to the extent a fax machine is available to the Investor, as set forth above; provided, however, that the failure to so deliver such facsimile copy shall not affect the sufficiency of the electronic transmittal of the Notice by email and shall not in any way impair or affect the validity of such Notice.

ARTICLE 6
GENERAL MATTERS

6.1 Public Notices

Each of Air Canada and the Investor shall consult with the other Party prior to the filing or release of any written public announcement, press release or other written public statement with respect to the existence or terms of this Agreement or the transactions provided for herein (in each case a "**Written Public Statement**"); provided, that each Party has the right to determine, in its sole discretion, whether to accept any comments provided by the other Party on such Written Public Statements and shall not be obligated to accept any comments provided by the other Party thereon. Notwithstanding the foregoing, the Investor hereby acknowledges and agrees that Air Canada may publicly disclose the terms of this Agreement as required by Applicable Securities Laws; provided, however, that Air Canada will allow the Investor reasonable opportunity to comment on such disclosures in advance of their being made and will consider, acting reasonably and in good faith, any request by the Investor for redactions to such materials to the extent permitted under Applicable Securities Laws, provided that Air Canada has the right, acting reasonably and in good faith, to determine whether to accept any comments provided by the Investor. Air Canada hereby acknowledges and agrees that the Investor may (i) make such insider and early warning filings under Applicable Securities Laws, and (ii) make such filings as required by Applicable Securities Laws with respect to their ownership of the Investment Securities as reasonably determined by outside counsel to the Investor. Notwithstanding the foregoing, the Parties' consultation obligations set out in this Section 6.1 shall not apply to (a) any Written Public Statement made by Air Canada or the Investor which is not inconsistent with prior disclosure and does not contain any material information relating to the transactions contemplated hereby that has not been previously included in a Written Public Statement or the Corporation Information Record (b) any disclosure made to its auditors, attorneys, accountants, financial advisors, current or prospective Affiliates. Further, for certainty: (i) the Parties' consultation obligations set out in this Section 6.1 shall not apply to any verbal or oral public announcement or public statement made by Air Canada or the Investor; and (ii) neither Party is obligated pursuant to this Section 6.1 to obtain the prior consent or approval of the other Party prior to the filing or release of any Written Public Statement.

6.2 Assignment; No Third-Party Beneficiaries

(a) This Agreement and any right, benefit or obligation resulting herefrom may not be assigned by a Party without the prior written consent of the other Party.

(b) Except as provided in Article 4 of Schedule A, this Agreement is for the sole benefit of the Parties and their permitted successors and assigns and nothing in this Agreement, express or implied, is intended to or shall confer upon any other Person any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

6.3 Further Assurances

Each of the Parties shall promptly do, make, execute, deliver, or cause to be done, made, executed or delivered, all such further acts, documents and things as the other Party may reasonably require from time to time for the purpose of giving effect to this Agreement and shall use reasonable efforts and take all such steps as may be reasonably within its power to implement to their full extent the provisions of this Agreement.

6.4 Amendments

No modification or amendments to this Agreement shall be valid or binding unless set forth in writing and duly executed by the Parties and no waiver of any breach of any term or provision of this Agreement shall be effective or binding unless made in writing and signed by the Party purporting to give the same and, unless otherwise provided, shall be limited to the specific breach waived.

6.5 Waivers

No waiver by any of the Parties of the conditions, or of the breach of any term, covenant, representation or warranty contained in this Agreement, whether by conduct or otherwise, in any one or more instances, shall be deemed to be or construed as a further or continuing waiver of any such condition or breach or as a waiver of any condition nor of the breach of any other term, covenant, representation or warranty contained in this Agreement.

6.6 Successors and Assigns

This Agreement will inure to the benefit of and be binding upon the respective successors (including successors by reason of amalgamation) and permitted assigns of the Parties.

6.7 Time of the Essence

Time is of the essence in the performance of the Parties' respective obligations under this Agreement.

6.8 Injunctive Relief

Except as otherwise provided herein, any and all remedies herein expressly conferred upon a Party will be deemed cumulative with and not exclusive of any other remedy conferred hereby, or by Law or equity upon such Party, and the exercise by a Party of any one remedy will not preclude the exercise of any other remedy. The Parties hereto hereby agree that irreparable damage may occur in the event that any provision of this Agreement were not performed in accordance with its specific terms or were otherwise breached, and that money damages or other legal remedies may not be an adequate remedy for any such damages. Accordingly, the Parties hereto acknowledge and hereby agree that a breach of a provision of this Agreement, without prejudice to any other recourse or remedy provided by this Agreement or by Law, may give rise to a recourse for injunctive relief or to any other recourse intended to stop the breach and to specifically enforce the terms and provisions of this Agreement and to prevent breaches or threatened breaches of, or to enforce compliance with, the covenants and obligations of the other under this Agreement. Each of the Parties hereto hereby agrees not to raise any objections to the availability of the equitable remedy of specific performance to prevent or restrain breaches or threatened breaches of this Agreement by it, and to specifically enforce the terms and provisions of this Agreement to prevent breaches or threatened breaches of, or to enforce compliance with, the covenants and obligations of the other Party under this Agreement.

6.9 Expenses

Except as otherwise specifically provided in this Agreement, each Party shall bear any costs and expenses incurred in connection with exercising its rights and performing its obligations under this Agreement. Treatment of costs and expenses related to the entering into of this Agreement shall be governed by Section 10.10 of the Subscription Agreement.

6.10 Counterparts

This Agreement may be signed in counterparts, which may be delivered by facsimile or in electronic form (including electronic PDF format) or with electronic signatures, and each such counterpart shall constitute an original document and such counterparts, taken together, shall constitute one and the same instrument.

6.11 No Liability

No director or officer of a Party shall have any personal liability whatsoever to the other Party under this Agreement or any other document delivered in connection with the transactions contemplated hereby and thereby on behalf of a Party.

[Signature page follows]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed on the date first written above.

CANADA ENTERPRISE EMERGENCY FUNDING CORPORATION

By: *(Signed) Zoltan Ambrus*
Name: Zoltan Ambrus
Title: President and Chief Executive Officer

AIR CANADA

By: *(Signed) Amos Kazzaz*
Name: Amos Kazzaz
Title: Executive Vice President and Chief Financial Officer

SCHEDULE A

Registration Rights

1. Registration Procedures

In connection with the Investor Group's Demand Registration and Piggy-Back Registration rights pursuant to this Agreement, Air Canada will use commercially reasonable efforts in accordance with this Agreement to effect the qualification of Common Shares in connection with a Distribution of Qualifying Securities of the participating Investor Group Member(s) in one or more Canadian jurisdictions in which Air Canada is a reporting issuer, as directed by the participating Investor Group Member(s) in the case of a Demand Registration, and pursuant thereto:

(a) Air Canada shall prepare and file as expeditiously as practicable (and, in any event, not later than 25 days after the receipt of a Demand Notice in the case of a Demand Registration other than by way of a Bought Deal) a Prospectus (or if after the filing of a Base Shelf Prospectus, the participating Investor Group Members require the filing of a Shelf Prospectus Supplement, file a Shelf Prospectus Supplement within ten (10) days after the receipt of a Demand Notice) in the English language and, if required, French language, with the appropriate Canadian Securities Regulatory Authorities complying with Applicable Securities Laws of the applicable Canadian jurisdictions relating to such Demand Registration or Piggy-Back Registration and all such other related documents required by the applicable Canadian Securities Regulatory Authorities and in so doing, act as expeditiously as is practicable and in good faith to settle all deficiencies and obtain those receipts and clearances and provide those customary undertakings and commitments as may be reasonably required by any applicable Canadian Securities Regulatory Authority, all as may be necessary to permit the Distribution of the Qualifying Securities in compliance with Applicable Securities Laws of the applicable Canadian jurisdictions. Notwithstanding the foregoing, in the event the Distribution is to be made pursuant to a Bought Deal in accordance with this Agreement, Air Canada shall attend to such preparations and filings as soon as is practical in the circumstances taking into account the speed and urgency under which Bought Deals are conducted;

(b) prior to the filing of a Prospectus and up to the date of completion of the Distribution of the Qualifying Securities, Air Canada shall:

  (i) permit the participating Investor Group Member(s) and its counsel to review and participate in the preparation of the Prospectuses and any related offering materials or filings, and each amendment thereof or supplement thereto;

  (ii) subject to the participating Investor Group Member(s) and any underwriters involved in the Distribution entering into customary confidentiality agreements satisfactory to Air Canada, the participating Investor Group Member(s) and such underwriters, each acting reasonably, allow the participating Investor Group Member(s) and any such underwriters and their counsel to conduct all reasonable and customary due diligence which the participating Investor Group Member(s) and the underwriters or underwriter, if any, and their respective counsel, may reasonably require in order to conduct a reasonable investigation for purposes of establishing a due diligence defence as contemplated by Applicable Securities Laws, including to enable any such Persons to execute any certificate required to be executed by it under Applicable Securities Laws; and

  (iii) make available its senior management and use its commercially reasonable efforts to make available its auditors and legal counsel to answer any questions in one or more customary due diligence sessions;

(c) Air Canada shall prepare and file with the applicable Canadian Securities Regulatory Authorities such amendments and supplements to the preliminary Prospectus and final Prospectus, in the English and, if required, French languages, as may be necessary to complete the Distribution of all such Qualifying Securities and as required under any applicable provisions of Applicable Securities Laws of the applicable Canadian jurisdictions relating to such Demand Registration or Piggy-Back Registration;

(d) Air Canada shall use commercially reasonable efforts, as soon as possible after any comments of the applicable Canadian Securities Regulatory Authorities have been satisfied with respect thereto, to prepare and file under Applicable Securities Laws of the applicable Canadian jurisdictions relating to such Demand Registration or Piggy-Back Registration a final Prospectus in the English and, if required, French languages, and receive a receipt therefor;

(e) Air Canada shall notify the participating Investor Group Member(s) and the managing underwriters or underwriters, if any, and (if requested) confirm such advice in writing, as soon as practicable after notice thereof is received by Air Canada (i) when the Prospectus or any amendment thereto has been filed or been receipted, (ii) of any request by the applicable Canadian Securities Regulatory Authorities for amendments to the Prospectus or for additional information, (iii) of the issuance by the applicable Canadian Securities Regulatory Authorities of any stop order or cease trade order relating to the Prospectus or any order preventing or suspending the use of any Prospectus or the initiation or, to the knowledge of Air Canada, threatening of any proceedings for such purposes, and (iv) of the receipt by Air Canada of any notification with respect to the suspension of the qualification of the Qualifying Securities for offering, sale in any jurisdiction or the initiation or, to the knowledge of Air Canada, threatening of any proceeding for such purpose;

(f) during the period from the date of initiation of the Distribution and up to the date of completion of the Distribution of the Qualifying Securities, Air Canada shall promptly notify the participating Investor Group Member(s) in writing of any filing made by Air Canada of information relating to the Distribution with any Canadian Securities Regulatory Authority and any correspondence with any Canadian Securities Regulatory Authority regarding the Distribution, and shall include in such notice provided to the participating Investor Group Member(s) copies of any such filings or correspondence;

(g) during the period from the date of initiation of the Distribution and up to the date of completion of the Distribution of the Qualifying Securities, Air Canada shall promptly notify the participating Investor Group Member(s) and the managing underwriter or underwriters, if any, at any time during such period, when Air Canada becomes aware of the occurrence of any event as a result of which the Prospectus contains any untrue statement of a material fact or omits to state a material fact necessary to make the statement therein (in the case of the Prospectus in light of the circumstances under which they were made) when such Prospectus was delivered not misleading, fails to constitute full, true and plain disclosure of all material facts regarding the Qualifying Securities when such Prospectus was delivered or, if for any other reason it will be necessary during such time period to amend or supplement the Prospectus in order to comply with Applicable Securities Laws and, in either case as promptly as practicable, and in any event within any applicable time limitation under Applicable Securities Laws, Air Canada shall comply with all applicable filings and other requirements under Applicable Securities Laws as a result of such event, and shall prepare and file with the applicable Canadian Securities Regulatory Authorities and furnish to the participating Investor Group Member(s), and the managing underwriter or underwriters, if any, a supplement or amendment to such Prospectus which will correct such statement or omission or effect such compliance, and shall provide each participating Investor Group Member(s) with a reasonable opportunity in advance to review and provide comments on such supplement or amendment, provided that Air Canada shall not file any amendment to the Prospectus or other document without first complying with its obligations in this Section 1(g) of Schedule A;

(h) Air Canada and the participating Investor Group Member(s) shall, in good faith, discuss any fact or change in circumstances (actual, anticipated, contemplated or threatened, financial or otherwise) which is of such a nature that there is reasonable doubt whether notice need be given under Section 1(g) of this Schedule A;

(i) Air Canada shall furnish to the participating Investor Group Member(s) and the underwriters, if any, (i) such number of commercial copies of any Prospectus as such Persons may reasonably request in order to facilitate the Distribution of the Qualifying Securities (it being understood that Air Canada consents to the use of the Prospectus or any amendment thereto by the participating Investor Group Member(s) and the underwriters, if any, in connection with the offering and sale, in accordance with Applicable Securities Laws, of the Qualifying Securities covered by the Prospectus or any amendment or supplement thereto); and (ii) all documents as they may reasonably request in order to facilitate the Distribution of the Qualifying Securities;

(j) during the period from the date of initiation of the Distribution and up to the date of completion of the Distribution of the Qualifying Securities, use commercially reasonable efforts to qualify, and cooperate with the participating Investor Group Member(s), the managing underwriter and the underwriters, if any, and their respective counsel in connection with the qualification of such Qualifying Securities for offer and sale under the Applicable Securities Laws of each province and territories of Canada as directed by such Person, in the case of a Demand Registration, or as any such Person reasonably requests in the case of a Piggy-Back Registration, provided that in each case Air Canada will not be required to qualify generally to do business in any jurisdiction where it is not then so qualified or to take any action which would subject it to general service of process in any such jurisdiction where it is not then so subject;

(k) if an underwritten Distribution is contemplated, Air Canada shall execute and perform the obligations under an underwriting agreement in a form reasonably satisfactory to the participating Investor Group Member(s) containing customary representations, warranties and indemnities for the benefit of the participating Investor Group Member(s), Air Canada and the underwriter(s), including but not limited to provisions for the indemnification by the underwriter or underwriters in favour of Air Canada with respect to untrue statements or omissions, or alleged untrue statements or omissions, made in the Prospectus included in reliance upon and in conformity with written information furnished to Air Canada by any underwriter in writing, and provided that the participating Investor Group Member(s) shall not be required, in connection with any underwriting agreement entered into in connection with an underwritten public offering, to make any representations or warranties or provide indemnification except as they relate to the participating Investor Group Member(s)' ownership of Qualifying Securities and authority to enter into the underwriting agreement;

(l) if an underwritten Distribution is contemplated in the case of a Demand Registration, Air Canada shall, to the extent reasonably required by the managing underwriter or underwriters as a necessary condition for proceeding with such underwritten distribution, also (i) enter into a customary "clear market" agreement or "blackout" agreement with the underwriters for such offering and (ii) require that each officer and director of Air Canada enter into customary “lock-up” agreements, in each case providing that, for a period commencing with the offering and ending 90 days following the closing of that offering, they will not, subject to customary exceptions, directly or indirectly, sell, offer to sell, grant any option for the sale of, or otherwise dispose of any securities that are the same or similar to the Qualifying Securities being offered (or securities convertible into or exchangeable or exercisable for such securities) in such Distribution;

(m) subject to Applicable Securities Laws, Air Canada shall keep the Prospectus effective until the participating Investor Group Member(s) has completed the sale of Qualifying Securities under the Prospectus, but no longer than 60 days from the date of the Prospectus, provided that the participating Investor Group Member(s) uses commercially reasonable efforts to complete such sale as soon as reasonably practicable;

(n) Air Canada shall take such other customary actions and execute and deliver such other customary documents as may be reasonably necessary to give full effect to the rights of the Investor Group Member(s) under this Agreement;

(o) Air Canada shall, as promptly as practicable after filing with the applicable Canadian Securities Regulatory Authorities, any document that is incorporated by reference into the Prospectus, provide copies of such document to each participating Investor Group Member and its counsel and to the managing underwriter or underwriters, if any, provided that Air Canada may discharge such obligation by making any such document publicly available on its profile on SEDAR prior to the filing of the applicable Prospectus with the Canadian Securities Regulatory Authorities;

(p) Air Canada shall provide and cause to be maintained a transfer agent and registrar for the Common Shares not later than the date a receipt is issued for the final Prospectus by the applicable Canadian Securities Regulatory Authority and use its commercially reasonable efforts to list the Qualifying Securities on each securities exchange or quotation system on which Common Shares are then-listed or quoted, if such Common Shares are not already so listed or quoted;

(q) Air Canada shall use commercially reasonable efforts to prevent the issuance of any stop order, cease trade order or other order suspending the use of any Prospectus or suspending any qualification of the Qualifying Securities and, if any such order is issued, to obtain the withdrawal of any such order;

(r) Air Canada shall use commercially reasonable efforts to make available, to the extent required and for a period not to exceed five (5) Business Days, its senior executives for participation in a customary offering marketing process, including investor meetings, conference calls, a "road show" and other marketing efforts and otherwise provide reasonable assistance to the managing underwriter or underwriters, taking into account the requirements of the marketing process, in marketing the Qualifying Securities;

(s) Air Canada shall use its commercially reasonable efforts to furnish, at the request of the participating Investor Group Member(s), on the date that such Common Shares are delivered to the underwriters for sale in connection with the Distribution:

(i) an opinion, dated such date, of Air Canada's counsel for the purposes of such Distribution, in form and substance as is customarily given to underwriters in an underwritten public offering, addressed to the participating Investor Group Member(s) and the underwriters, if any;

(ii) comfort letter(s) from Air Canada's auditors, in form and substance as is customarily given by auditors to underwriters in an underwritten public offering, addressed to the participating Investor Group Member(s) and the underwriters, if any;

(iii) such corporate certificates, satisfactory to the participating Investor Group Member(s), acting reasonably, and addressed to the participating Investor Group Member(s), as are customarily furnished in securities offerings, and in each case, covering substantially the same matters as are covered in such documents in the relevant jurisdictions; and

(iv) if a Prospectus is filed in Québec, opinions of Québec counsel for Air Canada and the auditors of Air Canada addressed to the participating Investor Group Members and the underwriters, if any, and such other Person as the participating Investor Group Member(s) may reasonably specify, and relating to the translation of the preliminary Prospectus, the final Prospectus and the respective documents incorporated by reference therein, such opinion being dated the dates of the preliminary Prospectus, the final Prospectus and closing.

2. Rights and Obligations of the Investor Group

(a) The participating Investor Group Member(s) will furnish to Air Canada such information and execute such documents (including any certificate forming part of the Prospectuses, if any are required pursuant to Applicable Securities Laws) regarding the Qualifying Securities and the intended method of disposition thereof as Air Canada may reasonably request in order to effect the requested qualification for sale or other disposition in accordance with this Agreement and Applicable Securities Laws. The participating Investor Group Member(s) will promptly notify Air Canada when such Investor Group Member becomes aware of the occurrence of any event (insofar as it relates to such Investor Group Member or information furnished by it in writing for inclusion in the applicable Prospectus) as a result of which a Prospectus contains any untrue statement of a material fact or omits to state a material fact necessary to make the statement therein not misleading in light of the circumstances under which they were made or, if for any other reason it will be necessary during such time period to amend or supplement a Prospectus (insofar as it relates to such Investor Group Member or information furnished by it in writing for inclusion in the applicable Prospectus) in order to comply with Applicable Securities Laws.

(b) In the case of an underwritten Demand Registration or Piggy-Back Registration pursuant to Sections 2.1 or 2.2 in which one or more Investor Group Member(s) participates as a selling securityholder, to the extent reasonably requested by the managing underwriter or underwriters, the participating Investor Group Member(s) shall also enter into a customary lock-up agreement.

3. Expenses of Registration

(a) Without limitation of Section 3(b) of this Schedule A, all Registration Expenses incurred in connection with a Demand Registration or a Piggy-Back Registration shall be borne by Air Canada, provided however that the participating Investor Group Member(s) shall be required to reimburse Air Canada for any reasonable out-of-pocket expenses incurred by Air Canada in connection with a Demand Registration if the Demand Registration is subsequently withdrawn at the request of the participating Investor Group Member(s), unless the withdrawal is a Specified Withdrawal (in which case such request will be deemed not to have been given for purposes of determining whether the Investor Group has exercised its right to a Demand Registration pursuant to Section 2.1).

(b) The Investor Group will be solely responsible for the Selling Expenses attributable to the Common Shares to be sold by an Investor Group Member in a Demand Registration or a Piggy-Back Registration, as the case may be.

(c) The Investor Group will be solely responsible for any fees relating to its counsel incurred in connection with a Demand Registration or a Piggy-Back Registration that exceed the cap set out in the definition of "Registration Expenses".

4. Indemnification

(a) In connection with any Demand Registration or Piggy-Back Registration, Air Canada will indemnify and hold harmless each Investor Group Member, each of their Affiliates, each of their respective officers, employees, directors and agents and each underwriter, if any, from and against all expenses, claims, losses (excluding loss of profits), damages, liabilities or actions, including any amounts paid in settlement of any investigation, order, litigation, proceeding or claim, commenced or threatened, joint or several, and reasonable legal and any other expenses incurred in connection with investigating, preparing for or defending any expense, claim, loss, damage, liability or action, incurred and (i) arising out of or based upon any untrue statement or alleged untrue statement of a material fact contained in any Prospectus, or in any amendment or supplement thereto, or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances in which they were made, or (ii) arising out of or based upon any failure to comply by Air Canada with Applicable Securities Laws (other than failure to comply with Applicable Securities Laws by the participating Investor Group Member(s), its Affiliates or underwriter), provided that Air Canada will not be liable under this Section 4(a) of this Schedule A, in respect of each Investor Group Member, each of their Affiliates, each of their respective officers, employees, directors and agents or a given underwriter, for any settlement of any action effected without its written consent, which consent will not be unreasonably withheld, conditioned or delayed; provided further that Air Canada will not be liable under this Section 4(a) of this Schedule A in respect of the Investor Group, its Affiliates or a given underwriter but only to the extent that any such expense, claim, loss, damage, liability or action arises out of or is based on any untrue statement or omission or alleged untrue statement or omission made in the Prospectus in reliance upon and in conformity with any information relating solely to the participating Investor Group Member(s) or the underwriter, which information has been provided to Air Canada in writing by the participating Investor Group Member(s) or the underwriter, respectively, for the purpose of including such information in such Prospectus or any amendment or supplement thereto.

(b) In connection with any Demand Registration and Piggy-Back Registration, each Investor Group Member will indemnify and hold harmless Air Canada, its Affiliates, each of their respective directors and officers, and each underwriter, if any, against all expenses, claims, losses (excluding loss of profits), damages and liabilities or actions, including any amounts paid in settlement of any investigation, order, litigation, proceeding or claim, commenced or threatened, joint or several, and reasonable legal and any other expenses incurred in connection with investigating, preparing for or defending any expense, claim, loss, damage, liability or action, incurred and (i) arising out of or based upon any untrue statement or alleged untrue statement of a material fact contained in any Prospectus, or any amendment or supplement thereto, or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances in which they were made or (ii) arising out of or based upon any failure or alleged failure to comply by an Investor Group Member, with any restrictions under Applicable Securities Laws on pre-marketing the Qualifying Securities, provided that no Investor Group Member will be liable under Section 4(b)(i) of this Schedule A in respect of Air Canada, its Affiliates or a given underwriter except to the extent that any such expense, claim, loss, damage, liability or action arises out of or is based on any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with any information relating solely to such participating Investor Group Member(s), which information has been provided to Air Canada by the participating Investor Group Member(s) in writing for the purpose of including such information in such Prospectus or any amendment or supplement thereto; provided that no Investor Group Member will be liable under this Section 4(b) of this Schedule A, in respect of Air Canada, its Affiliates or a given underwriter, for any settlement of any action effected without its written consent, which consent will not be unreasonably withheld, conditioned or delayed; provided further that the indemnity provided for in this Section 4(b) of this Schedule A shall not apply to any expense, claim, loss, damage, liability or action to the extent arising out of or based upon an untrue statement or omission or alleged untrue statement or omission contained in any Prospectus relating to a Demand Registration and a Piggy-Back Registration with respect to any Person who purchased Qualifying Securities and to whom there was not sent or who was not given a copy of any amended, supplemented or final Prospectus, as applicable, with respect to such Qualifying Securities if such expense, claim, loss, damage, liability or action results from an untrue statement or an omission or alleged untrue statement or omission contained in any preliminary or other Prospectus that was corrected in such amended, supplemented or final Prospectus. The liability of each Investor Group Member shall be several and not joint among the applicable Investor Group Members will be several in proportion to the amount that the net proceeds of the offering actually received by such Investor Group Member bears to the total proceeds of the offering received by all Investor Group Members, and not joint. The liability of each Investor Group Member for indemnification under this Section 4(b) of this Schedule A will not exceed the net proceeds from the offering actually received by such Investor Group Member.

(c) Each party entitled to indemnification under this Section 4 of this Schedule A (the "**Indemnified Party**") will give written notice to the Party required to provide indemnification (the "**Indemnifying Party**") promptly after such Indemnified Party has actual knowledge of any claim as to which indemnity may be sought, but the failure of any Indemnified Party to give notice as provided herein will not relieve the Indemnifying Party of its obligations under this Section 4 of this Schedule A except to the extent of any damage or prejudice actually suffered by the Indemnifying Party as a result of such failure in notification. At its expense, the Indemnifying Party will assume the defense of any such claim or any litigation resulting therefrom, provided that counsel for the Indemnifying Party, who will conduct the defense of such claim or litigation, will be approved by the Indemnified Party (whose approval will not be unreasonably withheld, conditioned or delayed), and the Indemnified Party may participate in such defense at such party's expense. An Indemnified Party will have the right to retain its own counsel, with reasonable fees and expenses to be paid by the Indemnifying Party, if (i) the employment of such counsel is authorized in writing by the Indemnifying Party in connection with the defense of such action, (ii) the Indemnifying Party will not have employed counsel to take charge of the defense of such action, or (iii) representation of such Indemnified Party by the counsel retained by the Indemnifying Party would be inappropriate due to actual or potential conflicting interests between such Indemnified Party and any other party represented by such counsel in such proceeding (in which case the Indemnifying Party will not have the right to direct the defense of such action on behalf of the Indemnified Party); provided that the Indemnifying Party shall under no circumstances be required to pay legal fees and expenses of more than one law firm acting as legal counsel with respect to all of the Indemnified Parties in accordance herewith. No Indemnifying Party, in the defense of any such claim or litigation, will, except with the consent of each Indemnified Party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect to such claim or litigation. No Indemnified Party shall settle any claim or litigation resulting therefrom without the prior written consent of the Indemnifying Party, not to be unreasonably withheld, conditioned or delayed.

(d) If the indemnification provided for in this Section 4 of this Schedule A is unavailable to a party that would have been an Indemnified Party under this Section 4 of this Schedule A with respect to any expense, claim, loss, damage, liability or action referred to therein, then each party that would have been an Indemnifying Party hereunder will, in lieu of indemnifying such Indemnified Party hereunder, contribute to the amount paid or payable by such Indemnified Party as a result of such expense, claim, loss, damage, liability or action in such proportion as is appropriate to reflect the relative fault of the Indemnifying

Party on the one hand and of the Indemnified Party on the other in connection with the statements or omissions that resulted in such expense, claim, loss, damage, liability or action as well as any other relevant equitable considerations, provided, however, that the obligations to contribute of each Investor Group Member shall be several and not joint among the applicable Investor Group Members in proportion to the amount that the net proceeds of the offering actually received by such Investor Group Member bears to the total proceeds of the offering received by all Investor Group Members, and not joint. The obligation to contribute of each Investor Group Member under this Section 4(d) of this Schedule A will not exceed the net proceeds from the offering actually received by such Investor Group Member. The relative fault of the Indemnified Party and the Indemnifying Party will be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Indemnifying Party or such Indemnified Party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission, provided however, that in any such case, no Person guilty of misrepresentation within the meaning of Applicable Securities Laws shall be entitled to contribution from any Person who was not guilty of misrepresentation. The amount paid or payable by a Party under this Section 4(d) of this Schedule A as a result of the expenses, claims, losses, damages, liabilities or actions referred to above shall be deemed to include any reasonable legal or other fees or expenses reasonably incurred by such Party in connection with any investigation, order, litigation, proceeding or claim. Air Canada and the Investor agree that it would not be just and equitable if contribution pursuant to this Section 4(d) of this Schedule A were determined by pro rata allocation or by any other method of allocation which does not take into account the equitable considerations referred to above in this Section 4(d) of this Schedule A.

(e) Air Canada hereby acknowledges and agrees that, with respect to this Article 4 of this Schedule A, each Investor Group Member is contracting on its own behalf and as agent for the other Persons who may be indemnified pursuant to Section 4(a) of this Schedule A. In this regard, each Investor Group Member will act as trustee for such indemnified Persons, other than other Investor Group Members, of the covenants of Air Canada under this Article 4 of this Schedule A with respect to such indemnified Persons, accepts these trusts and will hold and enforce those covenants on behalf of such indemnified Persons.

(f) The Investor hereby acknowledges and agrees that, with respect to this Article 4 of this Schedule A, Air Canada is contracting on its own behalf and as agent for the other Persons who may be indemnified pursuant to Section 4(b) of this Schedule A. In this regard, Air Canada will act as trustee for such indemnified Persons of the covenants of the Investor under this Article 4 of this Schedule A with respect to such indemnified Persons, accepts these trusts and will hold and enforce those covenants on behalf of such indemnified Persons.