

## MATERIAL CHANGE REPORT

**Section 118(1) of the *Securities Act* (Alberta)**  
**Section 67(1) of the *Securities Act* (British Columbia)**  
**Section 76(2) of the *Securities Act* (Newfoundland)**  
**Section 81(2) of the *Securities Act* (Nova Scotia)**  
**Section 75(2) of the *Securities Act* (Ontario)**  
**Section 84(1) of *The Securities Act, 1988* (Saskatchewan)<sup>1</sup>**

### Item 1 - Reporting Issuer

Canadian Airlines Corporation (the "Corporation")  
1601 Airport Road NE, Suite 200  
Calgary, Alberta, T2E 6Z8  
Telephone: (403) 294-2000  
Facsimile: (403) 294-6885

### Item 2 - Date of Material Change

February 1, 2000.

### Item 3 - Press Releases

A news release describing the material change was issued through the facilities of Canadian Corporate News Inc. on Wednesday, February 2, 2000.

### Item 4 - Summary of Material Change

See item 5 below.

### Item 5 - Full Description of Material Change:

Canadian Airlines Corporation announced that its Board of Directors had approved a Debt Restructuring and Moratorium Plan (the "Plan"). The approval of the Plan follows the acquisition on January 4, 2000 of 82 percent of the outstanding shares of Canadian Airlines Corporation by 853350 Alberta Ltd. ("853350"), a company owned in part by Air Canada. The Plan is also consistent with past statements by 853350 and Air Canada that, following the acquisition of control of Canadian Airlines Corporation, a restructuring of the debt and other obligations of Canadian Airlines would be commenced in order to ensure that Canadian Airlines can be returned to profitability on a sustainable basis.

As part of the Plan, Canadian Airlines will be asking certain creditors for concessions reflecting current market values and the enhanced credit rating of Air Canada, which completion of the Plan will make available to Canadian.

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<sup>1</sup> Reference is made herein to Form 27 under the *Securities Regulations* (Alberta), *Securities Regulations* (British Columbia), *Securities Regulations* (Nova Scotia) and *Securities Regulations* (Ontario), Form 26 under the *Securities Regulations* (Newfoundland), and Form 25 under the *Securities Regulations* (Saskatchewan).

The Plan contemplates that Canadian will become a wholly owned subsidiary of Air Canada upon completion. As the Plan contemplates certain creditor concessions, it is likely that shareholder claims will also be compromised. As such, there can be no assurances as to what level of consideration, if any, will be offered to shareholders of Canadian Airlines Corporation in the Plan.

Effective immediately, Canadian Airlines plans to suspend payments of about \$135 million to lenders and aircraft lessors. The amounts will be repaid on a basis to be negotiated. The normal payment schedule is expected to resume in late April 2000, following approval of the Plan by all interested parties. The deferral of payments will, together with funding currently being provided by Air Canada, provide Canadian with liquidity to bridge its requirements during the restructuring process.

The payment deferral affects approximately 50 banks, trading companies and leasing companies worldwide. For the duration of the payment deferral it will be business as usual for the customers and employees of Canadian Airlines. The deferral does not affect any aspect of the airline's operation, nor does it affect suppliers who are providing goods and services necessary for the operation of the airline, such as travel agencies, fuel, catering and materials.

**Item 6 - Reliance on Section 118(2) of the *Securities Act* (Alberta) or Equivalent Provisions**

Not applicable.

**Item 7 - Omitted Information**

Not applicable.

**Item 8 - Senior Officer**

For further information concerning the material change described herein, please contact Mr. Douglas A. Carty Senior Vice-President & Chief Financial Officer of the Corporation at (403) 294-2057.

**Item 9 - Statement of Senior Officer**

*The foregoing accurately discloses the material change referred to in this report.*

DATED at the City of Calgary, in the Province of Alberta, as of the 4th day of February 2000.

**CANADIAN AIRLINES CORPORATION**

Per: \_\_\_\_\_  
(signed) Douglas A. Carty  
Senior Vice President & Chief Financial Officer