



Certificate of Arrangement

Canada Business Corporations Act

Certificat d'arrangement

Loi canadienne sur les sociétés par actions

AIR CANADA

439662-6

Corporate name(s) of CBCA applicants / Dénomination(s)
sociale(s) de la ou des sociétés LCSA requérantes

Corporation number(s) / Numéro(s) de la ou
des sociétés

I HEREBY CERTIFY that the arrangement set out in the attached articles of arrangement has been effected under section 192 of the *Canada Business Corporations Act*.

JE CERTIFIE que l'arrangement mentionné dans les clauses d'arrangement annexées a pris effet en vertu de l'article 192 de la *Loi canadienne sur les sociétés par actions*.

Raymond Edwards

Director / Directeur

2019-05-08

Date of Arrangement (YYYY-MM-DD)
Date de l'arrangement (AAAA-MM-JJ)



**Canada Business Corporations Act (CBCA)
FORM 14.1
ARTICLES OF ARRANGEMENT
(Section 192)**

1 - Name of the applicant corporation(s) AIR CANADA	Corporation number 439662-6
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2 - Name of the corporation(s) the articles of which are amended, if applicable AIR CANADA	Corporation number 439662-6
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3 - Name of the corporation(s) created by amalgamation, if applicable	Corporation number
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4 - Name of the dissolved corporation(s), if applicable	Corporation number
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5 - Name of the other bodies corporate involved, if applicable	Corporation number or jurisdiction
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6 - In accordance with the order approving the arrangement, the plan of arrangement attached hereto, involving the above named body(ies) corporate, is hereby effected.

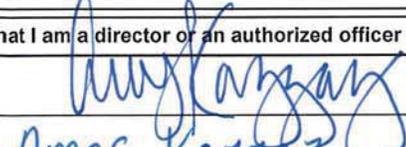
In accordance with the plan of arrangement,

a. the articles of the corporation(s) indicated in item 2, are amended.
If the amendment includes a name change, indicate the change below:

b. the following bodies corporate and/or corporations are amalgamated (for CBCA corporations include the corporation number):

c. the corporation(s) indicated in item 4 is(are) liquidated and dissolved:

7 - I hereby certify that I am a director or an authorized officer of one of the applicant corporations.

Signature: 

Print name: Amos Kazaz

Note: Misrepresentation constitutes an offence and, on summary conviction, a person is liable to a fine not exceeding \$5,000 or to imprisonment for a term not exceeding six months or to both (subsection 250(1) of the CBCA).

**PLAN OF ARRANGEMENT UNDER SECTION 192 OF THE
CANADA BUSINESS CORPORATIONS ACT**

**ARTICLE 1
INTERPRETATION**

1.1 Definitions.

In this Plan of Arrangement, unless there is something in the subject matter or context inconsistent therewith, the following words and terms shall have the meanings hereinafter set forth:

- (a) "**affiliation**" shall have the meaning set forth in Subsection 55(2) of the CTA or as specified in any regulation made thereunder, as the same may be amended, supplemented or replaced, from time to time;
- (b) "**air service**" shall have the meaning set forth in Subsection 55(1) of the CTA or as specified in any regulation made thereunder, as the same may be amended, supplemented or replaced, from time to time;
- (c) "**Arrangement**", "**herein**", "**hereof**", "**hereto**", "**hereunder**" and similar expressions mean and refer to the arrangement pursuant to Section 192 of the CBCA set forth in this Plan of Arrangement or made at the direction of the Court in the Final Order with the prior written consent of the Corporation, the whole as supplemented, modified or amended;
- (d) "**Arrangement Resolution**" means the special resolution approving this Plan of Arrangement to be considered at the Meeting by the Shareholders voting together as a single class;
- (e) "**Articles of Arrangement**" means the articles in respect of the Arrangement required under subsection 192(6) of the CBCA to be filed with the Director after the Final Order has been granted;
- (f) "**Articles**" means the restated articles of incorporation of the Corporation dated February 20, 2017, as amended from time to time;
- (g) "**Business Day**" means a day, other than a Saturday, Sunday or statutory holiday, when banks are generally open for business in the City of Montreal, in the Province of Quebec, for the transaction of banking business;
- (h) "**Canadian**" means:
 - (a) a Canadian citizen or a permanent resident as defined in subsection 2(1) of the *Immigration and Refugee Protection Act, S.C. 2001, c.27*,
 - (b) a government in Canada or an agent or mandatary of such a government, or
 - (c) a Corporation or entity that is incorporated or formed under the laws of Canada or a province, that is controlled in fact by Canadians and of which at least 51% of the voting interests are owned and controlled by Canadians and where:
 - (i) no more than 25% of the voting interests are owned directly or indirectly by any single non-Canadian, either individually or in affiliation with another person, and

- (ii) no more than 25% of the voting interests are owned directly or indirectly by one or more non-Canadians authorized to provide an air service in any jurisdiction, either individually or in affiliation with another person;
- (i) "**CBCA**" means the *Canada Business Corporations Act*, R.S.C., 1985, c. C-44;
- (j) "**Certificate**" means the certificate to be issued by the Director pursuant to subsection 192(7) of the CBCA giving effect to the Arrangement;
- (k) "**Class A Variable Voting Shares**" means the Class A variable voting shares in the share capital of the Corporation ;
- (l) "**Class B Voting Shares**" means the Class B voting shares in the share capital of the Corporation ;
- (m) "**Corporation**" means Air Canada, a corporation amalgamated under the laws of Canada;
- (n) "**Court**" means the Superior Court of Quebec;
- (o) "**CTA**" means the *Canada Transportation Act* (S.C. 1996, c. 10);
- (p) "**Director**" means the director appointed under Section 260 of the CBCA;
- (q) "**Effective Date**" means the date the Arrangement is effective under the CBCA, as endorsed by the Certificate;
- (r) "**Effective Time**" means 12:01 a.m. (Montreal time) on the Effective Date as endorsed by the Certificate;
- (s) "**Final Order**" means the final order of the Court approving the Arrangement as such order may be amended or varied by the Court (with the consent of the Corporation) at any time prior to the Effective Time or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or as amended (provided that such amendment is acceptable to the Corporation) on appeal;
- (t) "**Governmental Entity**" means (i) any international, multinational, national, federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau, commissioner, minister, cabinet, governor in council, ministry, agency or instrumentality, domestic or foreign, (ii) any subdivision or authority of any of the above, (iii) any quasigovernmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing or (iv) any stock exchange;
- (u) "**Interim Order**" means the interim order of the Court, in a form acceptable to the Corporation, concerning the Arrangement and providing for, among other things, declarations and directions with respect to the Arrangement and the holding of the Meeting, as such order may be amended by the Court with the consent of the Corporation;
- (v) "**Law**" means, with respect to any Person, any and all applicable laws (statutory, civil, common or otherwise), constitutions, treaties, conventions, ordinances, codes, rules, regulations, orders, injunctions, judgments, decrees, rulings or other similar requirements, whether domestic or foreign, enacted, adopted, promulgated or applied by

a Governmental Entity that is binding upon or applicable to such Person or its business, undertaking, property or securities, and to the extent that they have the force of law, policies, guidelines, notices and protocols of any Governmental Entity, as amended unless expressly specified otherwise;

- (w) "**Meeting**" means the annual and special meeting of the Shareholders, including any adjournment or postponement of such annual and special meeting, to be called and held in accordance with the Interim Order to consider the Arrangement Resolution;
 - (x) "**Non-Canadian**" means a Person who is not a Canadian;
 - (y) "**Non-Canadian Holder Authorized to Provide Air Service**" means one or more non-Canadian Shareholders authorized to provide an air service in any jurisdiction, either individually or in affiliation with any other person;
 - (z) "**Person**" includes an individual, limited or general partnership, limited liability Corporation, limited liability partnership, trust, joint venture, association, body corporate, trustee, executor, administrator, legal representative, government (including any Governmental Entity) or any other entity, whether or not having legal status;
 - (aa) "**Plan of Arrangement**" means this plan of arrangement under Section 192 of the CBCA, and any amendments or variations made in accordance therewith or made at the direction of the Court in the Final Order with the prior written consent of the Corporation;
 - (bb) "**Shares**" means the Class A Variable Voting Shares and the Class B Voting Shares of the Corporation;
 - (cc) "**Shareholders**" means the holders and the beneficial owners of the Class A Variable Voting Shares and the holders and the beneficial owners of the Class B Voting Shares of the Corporation;
 - (dd) "**Single Non-Canadian Holder**" means any single non-Canadian Shareholder, either individually or in affiliation with any other person; and
 - (ee) "**Transfer Agent**" means AST Trust Company (Canada).
- 1.2 **Headings, etc.** The division of this Plan of Arrangement into Articles and Sections and the insertion of headings are for convenient reference only and do not affect the construction or interpretation of this Plan of Arrangement.
- 1.3 **References.** Unless reference is specifically made to some other document or instrument, all references herein to articles and sections are to articles and sections of this Plan of Arrangement.
- 1.4 **Certain Phrases, etc.** Unless the context requires otherwise, words importing the singular number shall include the plural and vice versa; words importing any gender shall include all genders; and words importing persons shall include individual, limited or general partnership, limited liability Corporation, limited liability partnership, trust, joint venture, association, body corporate, trustee, executor, administrator, legal representative, government (including any Governmental Entity) or any other entity, whether or not having legal status
- 1.5 **Business Days.** In the event that the date on which any action is required to be taken hereunder is not a Business Day in the place where the action is required to be taken, such action shall be

required to be taken on the next succeeding day which is a Business Day in such place, except that the Effective Date can fall on a date that is not a Business Day.

- 1.6 **Computation of Time.** A period of time is to be computed as beginning on the day following the event that began the period and ending at 4:30 p.m. on the last day of the period, if the last day of the period is a Business Day, or at 4:30 p.m. on the next Business Day if the last day of the period is not a Business Day.
- 1.7 **Statutes.** References in this Plan of Arrangement to any statute or sections thereof shall include such statute as amended or substituted and any regulations promulgated thereunder from time to time in effect.
- 1.8 **Governing Law.** This Plan of Arrangement shall be governed by and construed in accordance with the laws of the Province of Québec and the laws of Canada applicable therein.
- 1.9 **Time References.** References to time herein are to local time, Montreal, Quebec.

ARTICLE 2 BINDING EFFECT

- 2.1 Upon the filing of the Articles of Arrangement and the issuance of the Certificate, this Plan of Arrangement shall become, at and after the Effective Time, effective and binding on: (i) all the Shareholders, (ii) the Corporation, (iii) the Transfer Agent, and (iv) all other Persons, without any further formality required on the part of any Person, except as expressly provided herein.

ARTICLE 3 THE ARRANGEMENT

- 3.1 At the Effective Time, the following events shall occur and shall be deemed to occur in the following order without any further authorization, act or formality on the part of any Person:
- (a) Schedule A of the Corporation's Articles shall be amended and replaced, and shall be deemed to be amended and replaced, with the form of Schedule A attached to this Plan of Arrangement as Exhibit I, to, among other things, modify the rights attached to the Shares in order to reflect the definition of "Canadian" in Section 55(1) of the CTA as amended pursuant to *The Transportation Modernization Act* (Bill C-49).
 - (b) the Articles of Arrangement in the form attached as Exhibit I to this Plan of Arrangement shall be adopted and the Corporation's Articles shall be amended accordingly; and
 - (c) the Corporation shall be authorized to amend the declaration and any form or other document to be completed from time to time by Shareholders to determine their status as Canadian, non-Canadian, Single Non-Canadian Holder and Non-Canadian Holder Authorized to Provide Air Service and to determine whether the Shareholder holds, is the beneficial owner of or has control over any Shares and whether the Shareholder is in affiliation with any Single Non-Canadian Holder or with any Non-Canadian Holder Authorized to Provide Air Service, and, in any such circumstance, the identity of such affiliated Shareholders, and declaring any further facts that the Corporation considers relevant, such amendments to be made in accordance with the authority granted to the directors in the Corporation's Articles by way of the Articles of Arrangement.
- 3.2 The Arrangement and the amendment of the Articles by way of Articles of Arrangement shall not trigger any right of dissent for the Shareholders, whether under the CBCA or otherwise.

- 3.3 Each Shareholder, with respect to each step set out in Section 3.1 applicable to such holder, shall be deemed, at the time such step occurs, to have executed and delivered all necessary or required consents, releases, assignments, instruments, certificates, powers of attorney and waivers, statutory or otherwise, relating to or in connection with the completion of such step.
- 3.4 The Articles of Arrangement and the Certificate shall be filed and issued, respectively, with regard to this Arrangement in its entirety. The Certificate shall be conclusive evidence that the Arrangement has become effective and that each of the provisions of Section 3.1 has become effective in the sequence and at the times set out therein.
- 3.5 Other than as expressly provided for herein, no portion of this Plan of Arrangement shall take effect with respect to any party or Person until the Effective Time.

ARTICLE 4 AMENDMENTS AND WITHDRAWAL

- 4.1 The Corporation may amend this Plan of Arrangement at any time, provided that each such amendment must be set out in writing and filed with the Court.
- 4.2 Any amendment, modification or supplement to this Plan of Arrangement may be made prior to the Effective Time by the Corporation without the approval of the Court or of the Shareholders, provided that it concerns a matter which, in the reasonable opinion of the Corporation, is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement or is not adverse to the financial or economic interests of any holder of Shares.
- 4.3 Subject to Section 4.2, any amendment to this Plan of Arrangement may be proposed by the Corporation at any time prior to or at the Meeting with or without any other prior notice or communication to Shareholders, and if so proposed and accepted by the Persons voting at the Meeting (other than as required by the Interim Order), shall become part of this Plan of Arrangement for all purposes.
- 4.4 Subject to Section 4.2, the Corporation may amend, modify and/or supplement this Plan of Arrangement at any time and from time to time after the Meeting and prior to the Effective Time with the approval of the Court, and, if and as required by the Court, after communication to Shareholders.
- 4.5 This Plan of Arrangement may be withdrawn and the Corporation may not proceed with this Plan of Arrangement prior to the Effective Time in accordance with the Arrangement Resolution.

ARTICLE 5 FURTHER ASSURANCES

- 5.1 Notwithstanding that the transactions and events set out herein shall occur and be deemed to occur in the order set out in in Section 3.1 and shall become effective without any further act or formality, the Corporation shall make, do and execute, or cause to be made, done and executed, all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by any of them in order to further document or evidence any of the transactions or events set out herein.

EXHIBIT I

See attached.

4 - The classes and any maximum number of shares that the corporation is authorized to issue

Unlimited number of Class A Variable Voting Shares; and
Unlimited number of Class B Voting Shares.

I. The Class A Variable Voting Shares shall have attached thereto the following rights, privileges, restrictions and conditions:

(a) Voting.

The holders of the Class A Variable Voting Shares shall be entitled to receive notice of, and to attend and vote at, all meetings of the shareholders of the Corporation, except where the holders of a specified class shall be entitled to vote separately as a class as provided in the CBCA.

The holders of Class A Variable Voting Shares shall be entitled to one vote per Class A Variable Voting Share unless any of the thresholds set forth in Sections I(a)(A), I(a)(B) or I(a)(C), as the case may be, would otherwise be surpassed at any time, in which case the vote attached to a Class A Variable Voting Share will decrease as described in this Section I(a) below.

(A) SINGLE NON-CANADIAN HOLDER

If at any time:

- (i) a single non-Canadian holder of Class A Variable Voting Shares (a "**Single Non-Canadian Holder**"), either individually or in affiliation with any other person, holds a number of Class A Variable Voting Shares outstanding that, as a percentage of the total number of all voting shares outstanding, exceeds 25% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of the Corporation), or
- (ii) the total number of votes that would be cast by or on behalf of a Single Non-Canadian Holder, either individually or in affiliation with any other person, at any meeting would exceed 25% (or any

different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of the Corporation) of the total number of votes cast at such meeting,

then the vote attached to each Class A Variable Voting Share held by such Single Non-Canadian Holder and by any person in affiliation with such Single Non-Canadian Holder, will decrease proportionately and automatically without further act or formality only to such extent that, as a result (x) the Class A Variable Voting Shares held by such Single Non-Canadian Holder and by any person in affiliation with such Single Non-Canadian Holder do not carry in the aggregate more than 25% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of the Corporation) of the Aggregate Votes attached to all issued and outstanding voting shares of the Corporation, and (y) the total number of votes cast by or on behalf of such Single Non-Canadian Holder and by any person in affiliation with such Single Non-Canadian Holder at any meeting do not exceed in the aggregate 25% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of the Corporation) of the total number of votes cast at such meeting.

For greater certainty, a single Non-Canadian Holder Authorized to Provide Air Service (as such term is defined in Section I(a)(B)(i)) shall also constitute a Single Non-Canadian Holder for purposes of Section I(a)(A).

(B) NON-CANADIAN HOLDER AUTHORIZED TO PROVIDE AIR SERVICE

If at any time:

- (i) one or more non-Canadians authorized to provide an air service in any jurisdiction (each, a "**Non-Canadian Holder Authorized to Provide Air Service**" and collectively, the "**Non-Canadian Holders Authorized to Provide Air Service**"), collectively hold, either individually or in affiliation with any other person, a number of Class A Variable Voting Shares outstanding that, as a percentage of the total number of all voting shares outstanding, after the application of the automatic proportionate decrease to the votes attached to all of the Class A Variable Voting Shares held by any Single Non-Canadian Holder and by any person in affiliation with such Single Non-Canadian Holder in accordance with Section I(a)(A) (if any, as may be required thereunder), exceeds 25% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of the Corporation), or

- (ii) the total number of votes that would be cast by or on behalf of Non-Canadian Holders Authorized to Provide Air Service and persons in affiliation with any Non-Canadian Holders Authorized to Provide Air Service at any meeting would, after the application of the automatic proportionate decrease to the votes attached to all of the Class A Variable Voting Shares held by any Single Non-Canadian Holder and by any person in affiliation with such Single Non-Canadian Holder in accordance with Section I(a)(A) (if any, as may be required thereunder), exceed 25% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of the Corporation) of the total number of votes cast at such meeting,

then the vote attached to each Class A Variable Voting Share held by all Non-Canadian Holders Authorized to Provide Air Service and by persons in affiliation with any Non-Canadian Holders Authorized to Provide Air Service will decrease proportionately and automatically without further act or formality only to such extent that, as a result (x) the Class A Variable Voting Shares held by all Non-Canadian Holders Authorized to Provide Air Service and by persons in affiliation with any Non-Canadian Holders Authorized to Provide Air Service do not carry in the aggregate more than 25% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of the Corporation) of the Aggregate Votes attached to all issued and outstanding voting shares of the Corporation, and (y) the total number of votes cast by or on behalf of all Non-Canadian Holders Authorized to Provide Air Service and by persons in affiliation with any Non-Canadian Holders Authorized to Provide Air Service at any meeting do not exceed in the aggregate 25% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of the Corporation) of the total number of votes cast at such meeting.

(C) GENERAL - ALL HOLDERS OF CLASS A VARIABLE VOTING SHARES

If at any time:

- (i) the number of Class A Variable Voting Shares outstanding, as a percentage of the total number of all voting shares outstanding, after the application of the automatic proportionate decrease to the votes attached to all of the Class A Variable Voting Shares held by any Single Non-Canadian Holder and by any person in affiliation with such Single Non-Canadian Holder in accordance with Section I(a)(A) and after the application of the automatic proportionate decrease to the votes attached to all of the Class A Variable Voting Shares held by Non-Canadian Holders Authorized to Provide Air Service and by persons in affiliation with any Non-Canadian Holders Authorized to Provide Air Service in accordance with Section I(a)(B) (in each case, if any, as

may be required under such Sections), exceeds 49% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of the Corporation), or

- (ii) the total number of votes that would be cast by or on behalf of holders of Class A Variable Voting Shares at any meeting would, after the application of the automatic proportionate decrease to the votes attached to all of the Class A Variable Voting Shares held by any Single Non-Canadian Holder and by any person in affiliation with such Single Non-Canadian Holder in accordance with Section I(a)(A) and after the application of the automatic proportionate decrease to the votes attached to all of the Class A Variable Voting Shares held by Non-Canadian Holders Authorized to Provide Air Service and by persons in affiliation with any Non-Canadian Holders Authorized to Provide Air Service in accordance with Section I(a)(B) (in each case, if any, as may be required under such Sections), exceed 49% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of the Corporation) of the total number of votes cast at such meeting,

then the vote attached to each Class A Variable Voting Share will decrease proportionately and automatically without further act or formality only to such extent that, as a result (i) the Class A Variable Voting Shares do not carry more than 49% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of the Corporation) of the Aggregate Votes attached to all issued and outstanding voting shares of the Corporation, and (ii) the total number of votes cast by or on behalf of holders of Class A Variable Voting Shares at any meeting do not exceed 49% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of the Corporation) of the total number of votes cast at such meeting.

References in Section I(a) to the Class A Variable Voting Shares that a person "holds" or "held" shall refer to and include the Class A Variable Voting Shares held, beneficially owned or controlled, directly or indirectly by such person.

(b) Dividends and Distributions.

Subject to the rights, privileges, restrictions and conditions attaching to the shares of the Corporation of any other class ranking prior to the Class A Variable Voting Shares, the holders of Class A Variable Voting Shares shall, at the discretion of the directors, be entitled to receive, out of monies, assets or property of the Corporation properly applicable to the payment of dividends or distributions, any dividends or distributions declared and payable by the

Corporation on the Class A Variable Voting Shares. The Class A Variable Voting Shares and the Class B Voting Shares shall rank equally as to dividends and distributions on a share for share basis and all dividends and distributions declared in any fiscal year of the Corporation shall be declared in equal or equivalent amounts per share on all Class A Variable Voting Shares and Class B Voting Shares at the time outstanding, without preference or distinction.

(c) **Subdivision or Consolidation.**

No subdivision or consolidation of the Class A Variable Voting Shares or the Class B Voting Shares shall occur unless, simultaneously, the shares of the other class are subdivided or consolidated in the same manner, so as to maintain and preserve the relative rights of the holders of the shares of each of the said classes.

(d) **Liquidation, Dissolution or Winding-up.**

Subject to the rights, privileges, restrictions and conditions attaching to the shares of the Corporation ranking prior to the Class A Variable Voting Shares, upon liquidation, dissolution or winding-up of the Corporation or other distribution of the Corporation's assets among its shareholders for the purpose of winding up its affairs, the holders of the Class A Variable Voting Shares and the holders of the Class B Voting Shares shall be entitled to receive the remaining property of the Corporation and shall be entitled to share equally, share for share, in all distributions of such assets.

(e) **Conversion.**

(A) **AUTOMATIC**

Each issued and outstanding Class A Variable Voting Share shall be converted into one Class B Voting Share, automatically and without any further act of the Corporation or of the holder, if (i) such Class A Variable Voting Share becomes held, beneficially owned and controlled, directly or indirectly, otherwise than by way of security only, by a Canadian; or (ii) the provisions contained in the CTA relating to foreign ownership restrictions are repealed and not replaced with other similar provisions.

(B) UPON AN OFFER

In the event that an offer is made to purchase Class B Voting Shares and the offer is one which is required, pursuant to applicable securities legislation or the rules of a stock exchange on which the Class B Voting Shares are then listed, to be made to all or substantially all the holders of Class B Voting Shares in a province of Canada to which the requirement applies, each Class A Variable Voting Share shall become convertible at the option of the holder into one (1) Class B Voting Share at any time while the offer is in effect until one (1) day after the time prescribed by applicable securities legislation for the offeror to take up and pay for such shares as are to be acquired pursuant to the offer. The conversion right may only be exercised in respect of Class A Variable Voting Shares for the purpose of depositing the resulting Class B Voting Shares in response to the offer and the Transfer Agent shall deposit the resulting Class B Voting Shares on behalf of the holder.

To exercise such conversion right, the holder or his attorney duly authorized in writing shall:

- (1) give written notice to the Transfer Agent of the exercise of such right and of the number of Class A Variable Voting Shares in respect of which the right is being exercised;
- (2) deliver to the Transfer Agent the share certificate or certificates representing the Class A Variable Voting Shares in respect of which the right is being exercised; and
- (3) pay any applicable stamp tax or similar duty on or in respect of such conversion.

No share certificates representing the Class B Voting Shares resulting from the conversion of the Class A Variable Voting Shares will be delivered to the holders on whose behalf such deposit is being made.

If (i) Class B Voting Shares resulting from the conversion and deposited pursuant to the offer are withdrawn by the holder or are not taken up by the offeror; or (ii) the offer is abandoned or withdrawn by the offeror or the offer otherwise expires without such Class B Voting Shares being taken up and paid for, the Class B Voting Shares resulting from the conversion will be re-converted into Class A Variable Voting Shares and a share certificate representing the Class A Variable Voting Shares will be sent to the holder by the Transfer Agent. Class B Voting Shares resulting from the conversion and taken up and paid for by the offeror shall be re-converted into Class A Variable Voting Shares at the time the offeror

is required under the relevant securities legislation to take up and pay for such shares if the offeror is not a Canadian.

In the event that the offeror takes up and pays for the Class B Voting Shares resulting from conversion, the Transfer Agent of the Corporation shall deliver to the holders thereof the consideration paid for such shares by the offeror.

There will be no right to convert the Class A Variable Voting Shares into Class B Voting Shares in the following cases:

- (i) the offer to purchase Class B Voting Shares is not required under applicable securities legislation or the rules of a stock exchange on which the Class B Voting Shares are then listed to be made to all or substantially all of the holders of Class B Voting Shares in a province of Canada to which the requirement applies, that is, the offer is an "exempt take-over bid" within the meaning of the foregoing securities legislation; or
- (ii) an offer to purchase Class A Variable Voting Shares is made concurrently with the offer to purchase Class B Voting Shares and the two offers are identical in respect of price per share, percentage of outstanding shares for which the offer is made, and in all other material respects, including in respect of the conditions attaching thereto. The offer to purchase the Class A Variable Voting Shares must be unconditional, subject to the exception that the offer for the Class A Variable Voting Shares may contain a condition to the effect that the offeror is not required to take up and pay for Class A Variable Voting Shares deposited to the offer if no shares are purchased pursuant to the contemporaneous offer for the Class B Voting Shares; or
- (iii) holders of Class B Voting Shares representing, in the aggregate, more than sixty-six and two thirds percent (66 2/3%) of the then outstanding Class B Voting Shares (excluding shares owned immediately prior to the offer by the offeror and any joint actor) certify to the Transfer Agent and to the secretary of the Corporation that they will not deposit any shares in response to the offer for the Class B Voting Shares.

II. The Class B Voting Shares shall have attached thereto the following rights, privileges, restrictions and conditions:

(a) Voting.

The holders of Class B Voting Shares shall be entitled to receive notice of, and to attend and vote at, all meetings of the shareholders of the Corporation, except where the holders of a specified class shall be entitled to vote separately as a class as provided in the CBCA. Each Class B Voting Share shall confer the right to one (1) vote in person or by proxy at all meetings of shareholders of the Corporation.

(b) Dividends and Distributions.

Subject to the rights, privileges, restrictions and conditions attaching to the shares of the Corporation of any other class ranking prior to the Class B Voting Shares, the holders of Class B Voting Shares shall, at the discretion of the directors, be entitled to receive, out of monies, assets or property of the Corporation properly applicable to the payment of dividends or distributions, any dividends or distributions declared and payable by the Corporation on the Class B Voting Shares. The Class B Voting Shares and the Class A Variable Voting Shares shall rank equally as to dividends and distributions on a share for share basis and all dividends and distributions declared in any fiscal year of the Corporation shall be declared in equal or equivalent amounts per share on all Class B Voting Shares and Class A Variable Voting Shares at the time outstanding, without preference or distinction.

(c) Subdivision or Consolidation.

No subdivision or consolidation of the Class B Voting Shares or the Class A Variable Voting Shares shall occur unless, simultaneously, the shares of the other class are subdivided or consolidated in the same manner, so as to maintain and preserve the relative rights of the holders of the shares of each of the said classes.

(d) Liquidation, Dissolution or Winding-up.

Subject to the rights, privileges, restrictions and conditions attaching to the shares of the Corporation ranking prior to the Class B Voting Shares upon liquidation, dissolution or winding-up of the Corporation or other distribution of the Corporation's assets among its shareholders for the purpose of winding up its affairs, the holders of the Class B Voting Shares and the holders of Class A Variable Voting Shares shall be entitled to receive the remaining property of the

Corporation and shall be entitled to share equally, share for share, in all distributions of such assets.

(e) **Conversion.**

(A) AUTOMATIC

Unless the foreign ownership restrictions of the CTA are repealed and not replaced with other similar restrictions, an issued and outstanding Class B Voting Share shall be converted into one Class A Variable Voting Share, automatically and without any further act of the Corporation or the holder, if such Class B Voting Share becomes held, beneficially owned or controlled, directly or indirectly, otherwise than by way of security only, by a person who is not a Canadian.

(B) UPON AN OFFER

In the event that an offer is made to purchase Class A Variable Voting Shares and the offer is one which is required, pursuant to applicable securities legislation or the rules of a stock exchange on which the Class A Variable Voting Shares are then listed, to be made to all or substantially all the holders of Class A Variable Voting Shares, each Class B Voting Share shall become convertible at the option of the holder into one (1) Class A Variable Voting Share at any time while the offer is in effect until one (1) day after the time prescribed by applicable securities legislation for the offeror to take up and pay for such shares as are to be acquired pursuant to the offer. The conversion right may only be exercised in respect of Class B Voting Shares for the purpose of depositing the resulting Class A Variable Voting Shares in response to the offer and the Transfer Agent shall deposit the resulting Class A Variable Voting Shares on behalf of the holder.

To exercise such conversion right, the holder or his attorney duly authorized in writing shall:

- (1) give written notice to the Transfer Agent of the exercise of such right and of the number of Class B Voting Shares in respect of which the right is being exercised;
- (2) deliver to the Transfer Agent the share certificate or certificates representing the Class B Voting Shares in respect of which the right is being exercised; and
- (3) pay any applicable stamp tax or similar duty on or in respect of such conversion.

No share certificates representing the Class A Variable Voting Shares resulting from the conversion of the Class B Voting Shares will be delivered to the holders on whose behalf such deposit is being made.

If (i) Class A Variable Voting Shares resulting from the conversion and deposited pursuant to the offer are withdrawn by the holder or are not taken up by the offeror; or (ii) the offer is abandoned or withdrawn by the offeror or the offer otherwise expires without such Class A Variable Voting Shares being taken up and paid for, the Class A Variable Voting Shares resulting from the conversion will be re-converted into Class B Voting Shares and a share certificate representing the Class B Voting Shares will be sent to the holder by the Transfer Agent. Class A Variable Voting Shares resulting from the conversion and taken up and paid for by the offeror shall be re-converted into Class B Voting Shares at the time the offeror is required under the relevant securities legislation to take up and pay for such shares if the offeror is a Canadian.

In the event that the offeror takes up and pays for the Class A Variable Voting Shares resulting from conversion, the Transfer Agent of the Corporation shall deliver to the holders thereof the consideration paid for such shares by the offeror.

There will be no right to convert the Class B Voting Shares into Class A Variable Voting Shares in the following cases:

- (i) the offer to purchase Class A Variable Voting Shares is not required under applicable securities legislation or the rules of a stock exchange on which the Class A Variable Voting Shares are then listed to be made to all or substantially all of the holders of Class A Variable Voting Shares, that is, the offer is an "exempt take-over bid" within the meaning of the foregoing securities legislation; or
- (ii) an offer to purchase Class B Voting Shares is made concurrently with the offer to purchase Class A Variable Voting Shares and the two offers are identical in respect of price per share, percentage of outstanding shares for which the offer is made, and in all other material respects, including in respect of the conditions attaching thereto. The offer to purchase the Class B Voting Shares must be unconditional, subject to the exception that the offer for the Class B Voting Shares may contain a condition to the effect that the offeror is not required to take up and pay for Class B Voting Shares deposited to the offer if no shares are purchased pursuant to the contemporaneous offer for the Class A Variable Voting Shares; or

- (iii) holders of Class A Variable Voting Shares representing, in the aggregate, more than sixty-six and two thirds percent (66 2/3%) of the then outstanding Class A Variable Voting Shares (excluding shares owned immediately prior to the offer by the offeror and any joint actor) certify to the Transfer Agent and to the secretary of the Corporation that they will not deposit any shares in response to the offer for the Class A Variable Voting Shares.

III. Constraints on Ownership of Shares

(a) Class A Variable Voting Shares.

The Class A Variable Voting Shares may only be held, beneficially owned or controlled, directly or indirectly, by persons who are not Canadians.

(b) Class B Voting Shares.

The Class B Voting Shares may only be held, beneficially owned and controlled, directly or indirectly, by Canadians.

(c) CBCA Constraints.

In the event that any law or regulation of Canada applicable to the Corporation should become prescribed for the purposes of Subsection 46(1) or Subsection 174(1)(c) of the CBCA, these Articles shall be read as if they included constraints in order to assist the Corporation or any of its affiliates or associates (as such terms are defined in the CBCA) to qualify under such prescribed law or regulation to receive licenses, permits, grants, payments or other benefits by reason of attaining or maintaining a specified level of Canadian ownership or control and such specified level of Canadian ownership or control shall be the level of Canadian ownership or control designated by such prescribed law or regulation of Canada.

(d) Joint Ownership.

For the purposes of this Schedule "A", where voting shares of the Corporation are held, beneficially owned or controlled by several persons jointly, the number of voting shares held, beneficially owned or controlled by any one such person shall include the number of voting shares held, beneficially owned or controlled jointly with such other persons.

Where one or more of the joint holders, beneficial owners or persons controlling the voting shares is not a Canadian, the voting shares held, beneficially owned or

controlled jointly are deemed to be held, beneficially owned or controlled, as the case may be, by such person who is not a Canadian.

(e) **Exceptions.**

Nothing in this Section III shall be construed to apply in respect of voting shares of the Corporation that:

- (i) are held by one or more underwriters solely for the purpose of distributing the shares to the public; or
- (ii) are held by any person that is acting in relation to the shares solely in its capacity as an intermediary in the payment of funds or the delivery of securities, or both, in connection with trades in securities and that provides centralized facilities for the clearing of trades in securities.

The constraints imposed pursuant this Section III do not apply to the extent that a person who is not a Canadian holds voting shares by way of security only and such holding by way of security only is evidenced in such form as may be prescribed by the by-laws or resolutions adopted by the shareholders or directors of the Corporation and filed by such holder with the Corporation.

(f) **By-Laws.**

Subject to the CBCA and the CBCA Regulations, the directors of the Corporation may make, amend or repeal any by-laws or other documents required to administer the constrained share provisions set out in these articles including by-laws or other documents:

- (i) to require any person in whose name voting shares of the Corporation are registered to furnish a statutory declaration declaring whether:
 - (A) the shareholder holds, is the beneficial owner of and has control over the voting shares of the Corporation;
 - (B) the shareholder is a Canadian;
 - (C) the shareholder is a Single Non-Canadian Holder;

- (D) the shareholder is a Non-Canadian Holder Authorized to Provide Air Service; and
- (E) the shareholder is in affiliation with any Single Non-Canadian Holder or with any Non-Canadian Holder Authorized to Provide Air Service, and, in any such circumstance, the identity of all such affiliated shareholders;

and declaring any further facts that the directors consider relevant;

- (ii) to require any person seeking to have a transfer of a voting share registered in his name or to have a voting share issued to him to furnish a declaration similar to the declaration a shareholder may be required to furnish under paragraph (i) above; and
- (iii) to determine the circumstances in which any declarations are required, their form and the times when they are to be furnished.

Where a person is required to furnish a declaration pursuant to a by-law or other document made under this Section III(f) the directors may refuse to register a transfer of a voting share in his name or to issue a voting share to him until that person has furnished the declaration.

(g) **Powers of Directors**

- (i) In the administration of this Section III, the directors of the Corporation shall enjoy, in addition to the powers set forth herein, all of the powers necessary or desirable, in their opinion, to carry out the intent and purpose hereof, including but not limited to all powers contemplated by the provisions relating to constrained share corporations in the CBCA and the CBCA Regulations.
- (ii) In administering the provisions of this Section III the directors of the Corporation may rely on:
 - (A) a statement made in a declaration referred to in Section III(f); and
 - (B) the knowledge of a director, officer, employee or agent of the Corporation.

- (iii) Where the directors are required to determine the total number of voting shares of the Corporation held by or on behalf of persons who are not Canadians, including by or on behalf of any Single Non-Canadian Holders or Non-Canadian Holders Authorized to Provide Air Service, including any shareholders in affiliation therewith, the directors may rely upon (i) the share register of the Corporation or (ii) any other register held, or any declaration of residence collected by, the transfer agent of the Corporation or any depository, such as CDS & Co., as of any date, provided that such date is not more than four months before the day on which the determination is made.
- (iv) Wherever in this Section III it is necessary to determine the opinion of the directors of the Corporation, such opinion shall be expressed and conclusively evidenced by a resolution of the directors of the Corporation duly adopted, including a resolution in writing executed pursuant to Section 117 of the CBCA.
- (v) Neither any shareholder of the Corporation nor any other interested person shall have any claim or action against the Corporation or against any director or officer of the Corporation nor shall the Corporation have any claim or action against any director or officer of the Corporation arising out of any act (including any omission to act) performed pursuant to or in intended pursuance of the provisions of this Section III or any breach or alleged breach of such provisions.

(h) **Disclosure Required**

Each of the following documents issued or published by the Corporation shall indicate conspicuously the general nature of the constraints on issue, transfer and ownership of its voting shares contained herein:

- (i) a certificate representing a voting share;
- (ii) a management proxy circular; and
- (iii) a prospectus, statement of material facts, registration statement or similar document.

IV. DEFINITIONS

For purposes of this Schedule "A", the following terms have the following meanings:

"**affiliation**" shall, for purposes of Sections I(a)(A), I(a)(B), I(a)(C), III(f)(i)(E) and III(g)(iii) of this Schedule "A", have the meaning set forth in Subsection 55(2) of the CTA or as specified in any regulation made thereunder, as the same may be amended, supplemented or replaced, from time to time;

"**Aggregate Votes**" means the aggregate of the votes attached to all voting shares of the Corporation that may ordinarily be cast to elect directors of the Corporation;

"**air service**" shall have the meaning set forth in Subsection 55(1) of the CTA or as specified in any regulation made thereunder, as the same may be amended, supplemented or replaced, from time to time;

"**Canadian**" shall have the meaning set forth in Subsection 55(1) of the CTA or as specified in any regulation made thereunder, as the same may be amended, supplemented or replaced, from time to time;

"**CBCA**" means the *Canada Business Corporations Act*, as amended;

"**CBCA Regulations**" means the Regulations made under the CBCA;

"**CTA**" means the *Canada Transportation Act*, as amended;

"**Non-Canadian Holder(s) Authorized to Provide Air Service**" shall have the meaning set forth in Section I(a)(B)(i);

"**person**" includes an individual, corporation, body corporate, partnership, unincorporated organization, government or agency thereof, trustee, executor, administrator and other legal representative, and when used in this Schedule "A", references to "person" in the singular shall be deemed to include the plural and vice versa;

"**Single Non-Canadian Holder**" shall have the meaning set forth in Section I(a)(A)(i);

"**Transfer Agent**" means the transfer agent in respect of the Class A Variable Voting Shares and the Class B Voting Shares; and

"**voting share**" means a share carrying voting rights under all circumstances or under some circumstances that have occurred and are continuing and includes a security currently convertible into such a share and currently exercisable options and rights to acquire such a share or such a convertible security.

All terms used in this Schedule "A" that are not defined in these Articles but are defined in the CBCA have the meanings ascribed thereto in the CBCA. Any provision of this Schedule "A" that may be read in a manner that is inconsistent with the CBCA shall be read so as to be consistent therewith.