



# AIR CANADA

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## **Air Canada announces pricing of senior secured first lien notes and senior secured second lien notes**

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- US\$600 million of 9.25% senior secured first lien notes due 2015
- C\$300 million of 10.125% senior secured first lien notes due 2015
- US\$200 million of 12% senior secured second lien notes due 2016

MONTREAL, July 27 /CNW Telbec/ - Air Canada announced today that its previously announced private offering of senior secured first lien notes, which priced today, has been supplemented by a concurrent offering of senior secured second lien notes, which also priced today. Air Canada has entered into purchase agreements with a syndicate of initial purchasers relating to (i) US\$600 million of 9.25% senior secured first lien notes due 2015 and C\$300 million of 10.125% senior secured first lien notes due 2015 (collectively, the "First Lien Notes"), and (ii) US\$200 million of 12% senior secured second lien notes due 2016 (the "Second Lien Notes"). Upon completion of the offerings, Air Canada intends to use the net proceeds for the repayment of all indebtedness under Air Canada's secured term credit facility entered into in July 2009 and the remaining net proceeds for general corporate purposes.

The First Lien Notes will be senior secured obligations of Air Canada, secured on a first-lien basis, subject to certain permitted liens, by accounts receivable, certain real estate interests, certain spare engines, ground equipment, certain airport slots and gate leaseholds, and certain Pacific routes and the airport slots and gate leaseholds utilized in connection with these Pacific routes and guaranteed on a senior secured basis by certain subsidiaries of Air Canada, subject to certain thresholds and exclusions. The terms of the Second Lien Notes will be substantially similar to the terms of the First Lien Notes, except that the Second Lien Notes will be effectively junior to the First Lien Notes and any other priority lien obligations, to the extent of the value of the collateral.

Each of the offerings is expected to close on August 3, 2010, subject to customary closing conditions. The offering of the Second Lien Notes is conditional on the closing of the offering of the First Lien Notes.

The notes have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold in the United States without registration or an applicable exemption from the registration requirements of the Securities Act. The notes have not been and will not be qualified for sale to the public under applicable Canadian securities laws and any offer and sale of the notes in Canada will be made on a basis that is exempt from the prospectus requirement of such securities laws. This press release shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the notes in any jurisdiction in which such offer, solicitation or sale would be unlawful.

The notes will be offered and sold in the United States only to qualified institutional buyers in accordance with Rule 144A under the Securities Act and outside the United States in accordance with Regulation S under the Securities Act. In Canada, the notes will be offered and sold on a private placement basis to accredited investors in one or more provinces of Canada.

### CAUTION REGARDING FORWARD-LOOKING INFORMATION

Air Canada's public communications may include written or oral forward-looking statements within the meaning of applicable securities laws. Forward-looking statements, by their nature, are based on assumptions and are subject to important risks and uncertainties. Any forecasts or forward-looking predictions or statements cannot be relied upon due to, amongst other things, changing external events and general uncertainties of the business. Actual results may differ materially from results indicated in forward-looking statements due to a number of factors, including without limitation, industry, market, credit and economic conditions, the ability to reduce operating costs and secure financing, pension issues, energy prices, currency exchange and interest rates, employee and labour relations, competition, war, terrorist acts, epidemic diseases, environmental factors (including weather systems and other natural phenomena, such as volcanic eruptions, and factors arising from man-made sources), insurance issues and costs, changes in demand due to the seasonal nature of the business, supply issues, changes in laws, regulatory developments or proceedings, pending and future litigation and actions by third parties as well as the factors identified throughout Air Canada's public disclosure file available at [www.sedar.com](http://www.sedar.com). In particular, the closing of each offering is subject to closing conditions and there are no assurances that any of the offerings will be completed or that the terms of the offerings will not be modified. The forward-looking statements contained in this news release represent Air Canada's expectations as of the date of this news release and are subject to change after such date. However, Air Canada disclaims any

intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required under applicable securities regulations.

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