ACE AVIATION

NOTICE OF

2005 ANNUAL AND SPECIAL

MEETING OF SHAREHOLDERS

AND MANAGEMENT PROXY CIRCULAR

ACE AVIATION

WHAT'S INSIDE

ACE AVIATION

Letter from the Chairman, President and Chief Executive Officer
and the Lead Director

Dear Shareholders:

You are cordially invited to attend the first annual and special meeting of shareholders of ACE Aviation Holdings Inc. It will be held on Thursday, November 10, 2005 at 9:30 a.m. (Eastern time), at Fairmont The Queen Elizabeth, 900 René-Lévesque Boulevard West, Montréal, Québec.

As a shareholder of ACE Aviation, you have the right to vote your shares on all items that come before the meeting. You can vote your shares either by proxy or in person at the meeting. This management proxy circular will provide you with information about these items and how to exercise your right to vote. It will also tell you about the nominated directors, the auditors, the compensation of directors and certain officers, our corporate governance practices and special items of business to be addressed at the meeting.

With a new corporate structure and a new business plan in place, ACE Aviation is well-positioned to face the demands of a challenging market and to create value for shareholders. In all aspects of our business, we have focused on four corporate goals -- ensuring safety and security, achieving growth and success, delivering a great customer experience, and achieving best-in-class profitability.

While our corporate goals are vitally important, the way we conduct business is equally important to us. We understand and value the strong link between sound, ethical business practices and the creation of shareholder value. We have adopted governance principles that ensure ACE Aviation has a Board of Directors with a majority of independent directors and an independent Lead Director, who are well equipped to represent the interests of all shareholders.

Corporate governance is of key importance to shareholders and market regulators. In Canada and several foreign jurisdictions, regulators have established guidelines to address concerns about the financial, business and ethical practices of public companies. We believe that these guidelines are in the best interests of shareholders and are the foundation of our corporate governance philosophy.

We look forward to seeing you at our first annual and special meeting of shareholders. If you are unable to attend the meeting in person, please complete and return a proxy by the date indicated on your form.

Sincerely,

Robert A. Milton
Chairman, President and Chief Executive Officer

Michael Green
Lead Director

ACE AVIATION

NOTICE OF 2005 ANNUAL AND SPECIAL SHAREHOLDER MEETING

When

November 10, 2005 at 9:30 a.m. (Montréal time)

Where

Fairmont The Queen Elizabeth
900 René-Lévesque Blvd. West
Montréal, Québec
H3B 4A5

Webcast

A webcast replay of management's presentation at the meeting will be made available at a later date on our website at www.aircanada.com/investors.

Business of the 2005 Annual and Special Shareholder Meeting

Six items will be covered at the meeting:

1. placement before shareholders of the consolidated financial statements of ACE Aviation Holdings Inc. for the year ended December 31, 2004, including the auditors' report thereon;

2. election of directors who will serve until the end of the next annual shareholder meeting or until their successors are appointed;

3. appointment of auditors;

4. consideration and, if thought appropriate, passing of a special resolution authorizing the directors to effect a reduction of the stated capital account of each of the Class A variable voting shares, the Class B voting shares and the preferred shares of ACE Aviation, the complete text of which resolution is set out as Schedule "A" hereto;

5. consideration and, if thought appropriate, passing of an ordinary resolution to increase the number of shares that are available for issuance under the stock option plan of ACE Aviation, the complete text of which resolution is set out as Schedule "B" hereto; and

6. consideration of such other business, if any, that may properly come before the meeting or any adjournment thereof.

You are entitled to receive notice of, and vote at, our annual and special shareholder meeting or any adjournment thereof if you were a shareholder on September 16, 2005.

Your vote is important

As a shareholder of ACE Aviation Holdings Inc., it is very important that you read this material carefully and vote your shares, either by proxy or in person at the meeting.

The following pages tell you more about how to exercise your right to vote your shares and provide additional information relating to the matters to be dealt with at the meeting.

By Order of the Board of Directors,

Chairman, President and Chief Executive Officer

Montréal, Québec
September 16, 2005

ACE AVIATION

MANAGEMENT PROXY CIRCULAR

In this management proxy circular ("**circular**"), *you* and *your* refer to the shareholder. *We*, *us*, *our*, *ACE Aviation* and the *Corporation* refer to ACE Aviation Holdings Inc. Unless otherwise stated, all dollar amounts contained in this circular are expressed in Canadian dollars.

This circular is for our annual and special shareholder meeting to be held on November 10, 2005 ("**meeting**"). As a shareholder of ACE Aviation, you have the right to vote your shares on the election of the directors, the appointment of the auditors, the reduction of the stated capital account of each of the Class A variable voting shares, the Class B voting shares and the preferred shares of ACE Aviation, the increase in the number of shares that are available for issuance under the stock option plan of ACE Aviation and on any other items that may properly come before the meeting or any adjournment thereof.

To help you make an informed decision, please read this circular. This circular tells you about the meeting, the nominee directors, the proposed auditors, the special matters to be considered, our corporate governance practices, the compensation of directors and certain officers and certain other matters. The information in this document was current as at September 16, 2005, unless otherwise indicated. Financial information on ACE Aviation and its subsidiaries is provided in its consolidated financial statements and management's discussion and analysis for the year ended December 31, 2004.

Your proxy is solicited by or on behalf of the management of ACE Aviation for use at the meeting. In addition to solicitation by mail, our employees or agents may solicit proxies by telephone or by other means. The cost of any such solicitation will be borne by the Corporation. The Corporation may also reimburse brokers and other persons holding shares in their names, or in the names of nominees, for their costs incurred in sending proxy materials to beneficial owners and obtaining their proxies or voting instructions. We have also retained Georgeson Shareholder Communications Canada Inc. ("**Georgeson Shareholder**") to solicit proxies on behalf of management of ACE Aviation in Canada and the United States at an estimated cost of $40,000.

If you have any questions about any of the information in this circular, please call Georgeson Shareholder toll free at 1-877-288-2611 for service in English or in French.

Approval of this circular

The board of directors of ACE Aviation ("**Board**") approved the contents of this circular and authorized it to be sent to each shareholder who is eligible to receive notice of and vote his or her shares at our annual and special shareholder meeting, as well as to each director and to the auditors.

Chairman, President and Chief Executive Officer

Montréal, Québec
September 16, 2005

VOTING YOUR SHARES

Your vote is important

As a shareholder of ACE Aviation, it is very important that you read the following information on how to vote your shares and then vote your shares, either by proxy or in person at the meeting.

These securityholder materials are being sent to both registered and non-registered shareholders of ACE Aviation. If you are a non-registered shareholder, and ACE Aviation or its agent has sent these materials directly to you, your name and address and information about your holdings of securities, have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf.

By choosing to send these materials directly to registered shareholders and certain non-registered shareholders, ACE Aviation or its agent (and not the intermediary holding on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your proxy as specified in this circular and in the form of proxy.

Voting

You can attend the meeting or you can appoint someone else to vote for you as your proxyholder. A shareholder entitled to vote at the meeting may by means of a proxy appoint a proxyholder or one or more alternate proxyholders, who are not required to be shareholders, to attend and act at the meeting in the manner and to the extent authorized by the proxy and with the authority conferred by the proxy. Voting by proxy means that you are giving the person named on your form of proxy ("**proxyholder**") the authority to vote your shares for you at the meeting or any adjournment thereof.

You can choose from among three different ways to vote your shares by proxy:

1. by telephone
2. on the Internet
3. by mail

The persons who are named on the form of proxy are directors or officers of the Corporation and will vote your shares for you. **You have the right to appoint someone else to be your proxyholder**. If you appoint someone else, he or she must attend the meeting to vote your shares.

How to vote – registered shareholders.

You are a registered shareholder if your name appears on your share certificate.

If you are not sure whether you are a registered shareholder, please contact CIBC Mellon Trust Company ("**CIBC Mellon**") at 1-800-387-0825.

By proxy

By telephone

Voting by proxy using the telephone is only available to shareholders located in Canada and the United States. Call 1-866-271-1207 (toll-free in Canada and the United States) from a touchtone telephone and follow the instructions provided. Your voting instructions are then conveyed by using touchtone selections over the telephone.

You will need your 13 digit Control Number. You will find this number on your form of proxy or in the e-mail addressed to you if you chose to receive this circular electronically.

If you choose the telephone, you cannot appoint any person other than the directors or officers named on your form of proxy as your proxyholder.

The cut-off time for voting by telephone is 11:59 p.m. (Montréal time) on November 7, 2005.

On the Internet

Go to the website www.eproxyvoting.com/aceaviation and follow the instructions on the screen. Your voting instructions are then conveyed electronically over the Internet.

You will need your 13 digit Control Number. You will find this number on your form of proxy or in the e-mail addressed to you if you chose to receive this circular electronically.

If you choose the Internet, you cannot appoint any person other than the directors or officers named on your form of proxy as your proxyholder.

The cut-off time for voting over the Internet is 11:59 p.m. (Montréal time) on November 7, 2005.

By mail

Complete your form of proxy and return it in the envelope we have provided or by delivery to one of CIBC Mellon's principal Corporate Trust Offices in Halifax, Montréal, Toronto, Vancouver, Calgary or Winnipeg **for receipt before 4:00 p.m. (Montréal time) on November 8, 2005 or with the Secretary of the meeting prior to commencement of the meeting on the day of the meeting or on the day of any adjournment thereof.** A list of addresses for the principal Corporate Trust Offices of CIBC Mellon is set forth on page 41 of this circular.

If you return your proxy by mail, you can appoint a person other than the directors or officers named in the form of proxy to go to the meeting and vote your shares for you. This person does not have to be a shareholder. Fill in the name of the person you are appointing in the blank space provided on the form of proxy. Complete your voting instructions, and date and sign the form. Make sure that the person you appoint is aware that he or she has been appointed and attends the meeting.

Please see the section titled "Completing the form of proxy " for more information.

<u>In person at the meeting</u>

You do not need to complete or return your form of proxy.

You will receive an admission ticket at the meeting upon registration at the registration desk.

<u>How to vote – non-registered shareholders</u>

You are a non-registered shareholder if your bank, trust company, securities broker or other financial institution ("**your nominee**") holds your shares for you.

If you are not sure whether you are a non-registered shareholder, please contact CIBC Mellon at 1-800-387-0825.

<u>By proxy</u>

Your nominee is required to ask for your voting instructions before the meeting. Please contact your nominee if you did not receive a request for voting instructions in this package.

In most cases, non-registered shareholders will receive a voting instruction form which allows you to provide your voting instructions on the Internet or by mail. You will need your 12 digit control number found on your voting instruction form, if you choose to vote on the Internet. Alternatively, non-registered shareholders may complete the voting instruction form and return it by mail, as directed in the voting instruction form.

<u>In person at the meeting</u>

You can vote your shares in person at the meeting if you have instructed your nominee to appoint you as proxyholder.

To do this, write your name in the space provided on the voting instruction form and otherwise follow the instructions of your nominee.

<u>How to vote – employees holding shares under the Employee Share Purchase Plan of ACE Aviation</u>

Shares purchased by employees of ACE Aviation or its subsidiaries under the Employee Share Purchase Plan of ACE Aviation ("**Employee Shares**") are registered in the name of Computershare Trust Company of Canada ("**Computershare**"), as trustee in accordance with the provisions of such plan unless the employees have withdrawn their shares from the plan.

If you are not sure whether you are an employee holding your shares through Computershare, please contact Computershare at 1-877-982-8766.

In the event that an employee holds any shares other than Employee Shares, he or she must also complete a form of proxy or voting instruction form with respect to such additional shares in the manner indicated above for registered shareholders or non-registered shareholders, as applicable.

<u>By voting instruction form</u>

A voting instruction form is enclosed with this circular which allows you to provide your voting instructions on the Internet or by mail.

On the Internet

Go to the website at www.computershare.com/ca/proxy and follow the instructions on the screen. Your voting instructions are then conveyed electronically over the Internet.

You will need the Control Number, Holder Account Number and Access Number found on your voting instruction form.

If you choose the Internet, you cannot appoint any person other than the directors or officers named on your voting instruction form as your proxyholder.

The cut-off time for voting over the Internet is 11:59 p.m. (Montréal time) on November 7, 2005.

By mail

Alternatively you may vote your shares by completing the voting instruction form as directed on the form and returning it in the business reply envelope provided **for receipt before 2:00 p.m. (Montréal time) on November 8, 2005**.

In person at the meeting

To appoint yourself as proxyholder, write your name in the space provided on the voting instruction form and follow the instructions otherwise provided in the voting instruction form.

Completing the form of proxy

You can choose to vote "For" or "Withhold" with respect to the election of the directors and the appointment of the auditors, “For” or “Against” with respect to the reduction of the stated capital of each of the Class A variable voting shares, Class B voting shares and the preferred shares of ACE Aviation and “For” or “Against” with respect to the increase in the number of shares that are available for issuance under the stock option plan of ACE Aviation. If you are a non-registered shareholder voting your shares, or an employee voting your Employee Shares held pursuant to the Employee Share Purchase Plan of ACE Aviation, please follow the instructions provided in the voting instruction form provided.

When you sign the form of proxy without appointing an alternate proxyholder, you authorize Robert A. Milton, Michael Green or Sydney John Isaacs, who are directors or officers of ACE Aviation, to vote your shares for you at the meeting in accordance with your instructions. **If you return your proxy without specifying how you want to vote your shares, your vote will be counted FOR electing the nominee directors who are named in this circular, FOR appointing PricewaterhouseCoopers LLP as auditors, FOR authorizing the directors to effect a reduction of the stated capital of each of the Class A variable voting shares, the Class B voting shares and the preferred shares of ACE Aviation and FOR increasing the number of shares that are available for issuance under the stock option plan of ACE Aviation.**

Management is not aware of any other matters which will be presented for action at the meeting. If, however, other matters properly come before the meeting, the persons designated in the enclosed form of proxy will vote in accordance with their judgment, pursuant to the discretionary authority conferred by the proxy with respect to such matters.

You have the right to appoint someone other than the management proxy nominees to be your proxyholder. If you are appointing someone else to vote your shares for you at the meeting, fill in the name of the person voting for you in the blank space provided on the form of proxy.

If you do not specify how you want your shares voted, your proxyholder will vote your shares in favour of each item scheduled to come before the meeting and as he or she sees fit on any other matter that may properly come before the meeting.

A proxyholder has the same rights as the shareholder by whom it was appointed to speak at the meeting in respect of any matter, to vote by way of ballot at the meeting and, except where a proxyholder has conflicting instructions from more than one shareholder, to vote at the meeting in respect of any matter by way of any show of hands.

If you are an individual shareholder, you or your authorized attorney must sign the form. If you are a corporation or other legal entity, an authorized officer or attorney must sign the form.

You must also complete the Declaration of Canadian Status contained in the form of proxy (or voting instruction form) and in the telephone and Internet voting instructions to inform the Corporation whether you are Canadian or not in order to enable ACE Aviation to comply with the restrictions imposed by the *Canada Transportation Act* on the ownership and voting of its voting securities. If you do not complete such declaration or if it is determined by ACE Aviation or its transfer agent that you incorrectly indicated (through inadvertence or otherwise) that the shares represented by the proxy are owned and controlled by a Canadian, you will be deemed to be a non- Canadian for purposes of voting at the meeting. If you need assistance completing your form of proxy (or voting instruction form), please contact Georgeson Shareholder toll-free at 1-877-288-2611 for service in English or in French.

Changing your vote

In addition to revocation in any other manner permitted by law, a shareholder giving a proxy and submitting it by mail may revoke it by an instrument in writing executed by the shareholder or the shareholder's attorney authorized in writing and deposited either at the Montréal office of ACE Aviation's transfer agent, CIBC Mellon, 2001 University Street, Suite 1600, Montréal, Québec, or at ACE Aviation's registered office, 5100 de Maisonneuve Boulevard West, Montréal, Québec, at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used, or with the chair of the meeting on the day of the meeting, or any adjournment thereof. If the voting instructions were conveyed by telephone or over the Internet, conveying new voting instructions by any of these two means or by mail within the applicable cut-off times will revoke the prior instructions.

Voting requirements

The appointment of auditors and the increase in the number of shares that are available for issuance under the stock option plan of ACE Aviation will each be determined by a majority of votes cast at the meeting by proxy or in person. The special resolution authorizing the directors to effect a reduction of the stated capital of each of the Class A variable voting shares, the Class B voting shares and the preferred shares of ACE Aviation must be approved by at least two-thirds of votes cast at the meeting by proxy or in person. If there is a tie, the chair of the meeting is not entitled to a second or casting vote. CIBC Mellon counts and tabulates the votes.

Voting shares and quorum

As of September 16, 2005, there were 24,281,591 Class B voting shares,77,018,091 Class A variable voting shares and 12,500,000 preferred shares outstanding. Shareholders of record on September 16, 2005 are entitled to receive notice of and vote at the meeting. The list of shareholders entitled to vote at the meeting will be available for inspection on and after September 26, 2005 during usual business hours at the Montréal office of the Corporation's transfer agent, CIBC Mellon, 2001 University Street, Suite 1600, Montréal, Québec and at the meeting.

A quorum is present at the meeting if the holders of not less than 25% of the shares entitled to vote at the meeting are present in person or represented by proxy, irrespective of the number of persons actually at the meeting. If a quorum is present at the opening of the meeting, the shareholders present or represented by proxy may proceed with the business of the meeting notwithstanding that a quorum is not present throughout the meeting. If a quorum is not present at the opening of the meeting, the shareholders present or represented by proxy may adjourn the meeting to a fixed time and place but may not transact any other business.

If a body corporate or association is a shareholder of the Corporation, the Corporation shall recognize any individual authorized by a resolution of the directors or governing body of the body corporate or association to represent it at the meeting. An individual thus authorized may exercise on behalf of the body corporate or association all the powers it could exercise if it were an individual shareholder.

If two or more persons hold shares jointly, one of those holders present at the meeting may in the absence of the others vote the shares, but if two or more of those persons who are present, in person or by proxy, vote, they shall vote as one on the shares jointly held by them.

Restrictions on voting securities

The applicable provisions of the *Canada Transportation Act* require that national holders of domestic, scheduled international and non-scheduled international licences be Canadian. In the case of each licence holder, this requires that it be controlled in fact by Canadians and that at least 75% of its voting interests be owned and controlled by Canadians. The articles of the Corporation contain restrictions to ensure that ACE Aviation remains Canadian under the *Canada Transportation Act*. The definition of the term "Canadian" under section 55(1) of the *Canada Transportation Act* may be summarized as follows:

(a) a Canadian citizen or a permanent resident within the meaning of the *Immigration and Refugee Protection Act* (Canada);

(b) a government in Canada or an agent of such a government; or

(c) a corporation or other 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 75%, or such lesser percentage as the Governor in Council may by regulation specify, of the voting interests are owned and controlled by Canadians.

ACE Aviation has three classes of shares: (i) Class B voting shares, (ii) Class A variable voting shares, and (iii) preferred shares.

The Class B voting shares may only be held, beneficially owned and controlled by Canadians. 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 ACE 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. Each Class B voting share confers the right to one vote.

The Class A variable voting shares may only be held, beneficially owned and controlled by persons who are not Canadians. An issued and outstanding Class A variable voting share shall be converted into one Class B voting share, automatically and without any further act of ACE Aviation or the holder, if such variable voting share becomes held, beneficially owned and controlled, directly or indirectly, otherwise than by way of security only, by a Canadian.

Each Class A variable voting share confers the right to one vote unless (i) the number of Class A variable voting shares outstanding (including the preferred shares, on an as-converted basis, if they are held, beneficially owned or controlled by persons who are not Canadians), as a percentage of the total number of voting shares outstanding of ACE Aviation exceeds 25%, or (ii) the total number of votes cast by or on behalf of holders of Class A variable voting shares (including the preferred shares, on an as-converted basis, if they are held, beneficially owned or controlled by persons who are not Canadians) at any meeting exceeds 25% of the total number of votes that may be cast at such meeting. If either of the above noted thresholds would otherwise be surpassed at any time, the vote attached to each Class A variable voting share will decrease proportionately such that (i) the Class A variable voting shares as a class (including the preferred shares, on an as-converted basis, if they are held, beneficially owned or controlled by persons who are not Canadians) do not carry more than 25% of the aggregate votes attached to all issued and outstanding voting shares of ACE Aviation and (ii) the total number of votes cast by or on behalf of holders of Class A variable voting shares (including the preferred shares, on an as-converted basis, if they are held, beneficially owned and controlled by persons who are not Canadians) at any meeting do not exceed 25% of the votes that may be cast at such meeting.

The holders of preferred shares are entitled to vote on an as-converted basis with the Class A variable voting shares to the extent that they are not Canadians and with the Class B voting shares to the extent that they are Canadians. If such preferred shares are held by persons who are not Canadians, they shall be subject to the same proportional reduction in voting percentage as if, for voting purposes only, the preferred shares had been converted into Class A variable voting shares. As of September 16, 2005, all of the preferred shares were held by Promontoria Holding III B.V., a non-Canadian.

The holders of Class A variable voting shares, Class B voting shares and preferred shares will vote together at the meeting and no separate meeting is being held for any such class of shares.

Shareholders who wish to vote at the meeting either by completing and delivering a proxy or a voting instruction form or by attending and voting at the meeting will be required to complete a Declaration of Canadian Status in order to enable ACE Aviation to comply with the restrictions imposed by the *Canada Transportation Act* on the ownership and voting of its voting securities. If you do not complete such declaration or if it is determined by ACE Aviation or its transfer agent that you incorrectly indicated (through inadvertence or otherwise) that the shares represented by the proxy are owned and controlled by a Canadian, you will be deemed to be a non- Canadian for purposes of voting at the meeting. Such declaration is contained in the accompanying form of proxy (or in the voting instruction form provided to you if you are a non-registered shareholder or an employee voting shares under the Employee Share Purchase Plan of ACE Aviation) and in the telephone and Internet voting instructions.

The Corporation has adopted various procedures and processes to ensure that the non-Canadian ownership restriction of voting shares is respected.

ACE AVIATION

Principal shareholders

As of September 16, 2005, to the knowledge of the officers or directors of the Corporation, the following entity beneficially owned, directly or indirectly, or exercised control or direction over, shares carrying more than 10% of the votes attached to any class of shares entitled to vote in connection with any matters being proposed for consideration at the meeting.

Name of shareholder	Number of preferred shares	% of all outstanding preferred shares
Promontoria Holding III B.V.	12,500,000(1)	100%

(1) Promontoria Holding III B.V. will be entitled to vote its preferred shares on an as-converted basis with the Class A variable voting shares and shall be subject to the same proportional reduction in voting percentage to which the Class A variable voting shares may be subject. For more information, please refer to the section titled "Restrictions on voting securities".

BUSINESS OF THE MEETING

Six items will be covered at the meeting:

1. placement before shareholders of the consolidated financial statements of ACE Aviation Holdings Inc. for the year ended December 31, 2004, including the auditors' report thereon;

2. election of directors who will serve until the end of the next annual shareholder meeting or until their successors are appointed;

3. appointment of auditors;

4. consideration and, if thought appropriate, passing of a special resolution authorizing the directors to effect a reduction of the stated capital account of each of the Class A variable voting shares, the Class B voting shares and the preferred shares of ACE Aviation, the complete text of which resolution is attached as Schedule "A" hereto;

5. consideration and, if thought appropriate, passing of an ordinary resolution to increase the number of shares that are available for issuance under the stock option plan of ACE Aviation, the complete text of which resolution is attached as Schedule "B" hereto; and

6. consideration of such other business, if any, that may properly come before the meeting or any adjournment thereof.

As of the date of this circular, management is not aware of any changes to these items, and does not expect any other items to be brought forward at the meeting. If there are changes or new items, your proxyholder can vote your shares on these items as he or she sees fit.

1. Placement of ACE Aviation's financial statements

The consolidated financial statements for the year ended December 31, 2004, including the auditors' report thereon, are included in our 2004 annual report and are available on Sedar at www.sedar.com. Copies of such statements will also be available at the meeting.

2. Election of directors

Eleven (11) directors are to be elected to the Board. Please see "The Nominated Directors" for more information. Directors elected at the meeting will serve until the end of the next annual shareholder meeting or until their successors are appointed.

All of the individuals to be nominated as directors are currently members of the Board and were appointed on September 30, 2004, except for Mr. Donaway who was appointed on December 15, 2004, Mr. McCoy who was appointed on August 3, 2005 and Messrs. Milton and Yontef who were appointed on June 29, 2004.

If you do not specify how you want your shares voted, the persons named as proxyholders will cast the votes represented by proxy at the meeting <u>FOR</u> the election as directors of the nominee directors who are named in this circular.

3. Appointment of auditors

The Board, on the advice of the Audit, Finance and Risk Committee of the Board ("Audit Committee"), recommends that PricewaterhouseCoopers LLP, Chartered Accountants, be reappointed as auditors. PricewaterhouseCoopers LLP were first appointed as auditors of Air Canada on April 26, 1990. ACE Aviation is the successor to Air Canada pursuant to a consolidated plan of reorganization, compromise and arrangement which became effective on September 30, 2004. The auditors appointed at the meeting will serve until the end of the next annual shareholder meeting or until their successors are appointed.

If you do not specify how you want your shares voted, the persons named as proxyholders will cast the votes represented by proxy at the meeting <u>FOR</u> the appointment of PricewaterhouseCoopers LLP as auditors.

4. Reduction of Stated Capital and Special Distribution(s)

Background

The stated capital of the shares of ACE Aviation is relevant, primarily, for legal, accounting and income tax purposes in that the amount of such capital will affect ACE Aviation's ability to pay dividends, effect other distributions or purchase its own shares. The Canadian income tax consequences of receiving a distribution by way of a reduction of stated capital may be more favourable than receiving a similar distribution by way of a dividend (please see "Certain Canadian Federal Income Tax Consequences of a Special Distribution" below).

The directors of ACE Aviation are proposing a special resolution to the shareholders which will give them the authority, if deemed appropriate by them without further act on the part of the shareholders, to make one or more special distribution(s) to the shareholders by way of a reduction of the stated capital maintained in respect of the Class A variable voting shares, Class B voting shares and preferred shares. The directors will have the authority to make such one or more special distribution(s) and a reduction of stated capital in an amount of up to $300 million in the aggregate.

This reduction of capital will not be effective unless approved at the meeting by a special resolution of the shareholders, by two-thirds of the votes cast in person or by proxy, and it will be effective at such time(s), if any, as the directors determine to effect a transaction for which the reduction in capital would be helpful. The purpose of this special resolution is to give ACE Aviation the flexibility to make one or more special distribution(s) to its shareholders, or effect value enhancing transactions, in a tax efficient manner.

The directors of ACE Aviation have not determined at this time to make any particular distribution(s) to shareholders or to pursue any course of action which could utilize the flexibility such a pre-approved reduction of capital would provide. There is no guarantee that the directors will act on the authority granted to them by the shareholders, assuming the special resolution is adopted, or that a reduction of capital will actually be effected or that one or more distribution(s) will be made to shareholders. Although the reduction of capital would permit the payment of distributions in cash or in securities of a publicly traded entity, determining to proceed with any such action would involve a careful review of ACE Aviation's financial position and liquidity requirements, and a number of other considerations. In view of ACE Aviation's liquidity position at the present time, and the success to date of value surfacing transactions like the initial public offering of units of Aeroplan Income Fund, it is felt prudent to consider one or more special distribution(s) to shareholders, or other value enhancing transactions, from time to time in the near and medium term, and to prepare for them by having a pre-approved reduction of capital.

Special Resolution

On September 13, 2005, the Board concluded that the passing of the special resolution is in the best interests of ACE Aviation and recommends that the shareholders vote FOR the approval of the special resolution. The reduction of the stated capital shall not be effective immediately upon the approval of the special resolution by the shareholders at the meeting. The special resolution gives the authority to the directors to effect, at such time(s), if any, that they shall deem appropriate, a reduction of the stated capital in respect of each of the Class A variable voting shares, Class B voting shares and preferred shares in an aggregate amount of up to $300 million for the three classes. The special resolution also authorizes the directors to determine the exact amount of the reduction and the corresponding distribution(s) which amount shall not exceed (but would not necessarily amount to) $300 million in the aggregate. If the directors actually effect the reduction in stated capital, a corresponding distribution(s) in cash or securities of a publicly traded entity shall be also declared and made.

Attached as Schedule "A" is the special resolution which will be proposed at the meeting and which approves the proposed stated capital reduction. To be passed, the special resolution needs to be approved by at least two-thirds of the votes cast at the meeting by proxy or in person.

If you do not specify how you want your shares voted, the persons named as proxyholders will cast the votes represented by proxy at the meeting FOR the passing of the special resolution attached as Schedule "A" hereto authorizing the directors to effect a reduction of stated capital.

Certain Canadian Federal Income Tax Consequences of a Special Distribution

This summary is based upon the current provisions of the *Income Tax Act* (Canada) (the "**Tax Act**") and the regulations thereunder in force as of the date hereof (the "**Regulations**"), and counsel's understanding of the current administrative practices of the Canada Revenue Agency (the "**CRA**"). This summary takes into account all specific proposals to amend the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Proposed Amendments**") and assumes that all Proposed Amendments will be enacted in the form proposed. However, there can be no assurance that the Proposed Amendments will be enacted in their current form or at all. This summary does not otherwise take into account or anticipate any changes in the law or administrative practice whether by legislative, regulatory, administrative, or judicial action, nor does it take into account tax legislation or considerations of any province, territory, or foreign jurisdiction, which may differ significantly from those discussed herein. This summary is of a general nature only and is not intended to be legal or tax advice to any particular holder. This summary is not exhaustive of all federal income tax considerations. Accordingly, holders of Class A variable voting shares, Class B voting shares and preferred shares (collectively "**ACE Shares**") should consult their own tax advisors having regard to their own particular circumstances.

Generally, when a public corporation, as defined in the Tax Act, reduces the paid-up capital in respect of a class of its shares, the amount paid on such reduction is deemed to be a dividend. However, where the paid-up capital of the issuer exceeds the amount of the proposed distribution (which is the case for ACE Aviation in respect of a special distribution), a distribution not in excess of the amount by which the paid-up capital is reduced may be treated as a tax-free return of capital (subject to the comments below concerning the reduction of the adjusted cost base of the shares) and not as a dividend where (i) the distribution is made on the winding-up, discontinuance or reorganization of its business or (ii) under the Proposed Amendments where the amount of the distribution is derived from proceeds realized from certain non-ordinary course transactions. More specifically, under the Proposed Amendments, where an amount is paid on a reduction of "paid-up capital" as defined in the Tax Act, the amount will be treated as a return of capital where: (i) the amount may reasonably be considered to be a distribution of proceeds realized from a transaction or event that did not occur in the ordinary course of business and (ii) the proceeds were received from a transaction or event that occurred no more than 24 months before the return of capital.

ACE Aviation intends to apply for an opinion from the CRA confirming that a special distribution made by ACE Aviation on a reduction of its paid-up capital will be treated as a tax-free return of capital and not as a deemed dividend under the Proposed Amendments assuming the special distribution complies with the conditions outlined in the Proposed Amendments as summarized above. No assurance can be given that a favorable opinion will be obtained from the CRA. At the time of payment of the special distribution, we will inform holders whether we have received a favorable opinion from the CRA.

If the special distribution is treated as a return of capital, the adjusted cost base of each share to a shareholder that holds shares as capital property would be reduced by an amount equal to the amount per share received on account of the special distribution. If such amount exceeds the adjusted cost base, such shareholder would be deemed to have realized a capital gain equal to such excess.

If the special distribution is treated as a deemed dividend, the tax consequences of such dividend would be the same as those applicable to ordinary course dividends paid on our shares described below.

A holder of ACE Shares who, at all relevant times, is resident or deemed to be resident in Canada for the purposes of the Tax Act (a "**Resident Holder**") will be required to include in computing its income for a taxation year any dividends received or deemed to be received, by such holder on the shares. In the case of a Resident Holder who is an individual (other than certain trusts), such dividends will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations. A dividend received or deemed to be received by a Resident Holder that is a corporation will generally be deductible in computing the corporation's taxable income. A "private corporation" as defined in the Tax Act, or any other corporation controlled, whether because of a beneficial interest in one or more trusts or otherwise, by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts) will generally be liable to pay a refundable tax of 33⅓% under Part IV of the Tax Act on dividends received or deemed to be received on the ACE Shares to the extent such dividends are deductible in computing taxable income for the year. In the case of a Resident Holder that is a corporation, it is possible that in certain circumstances, all or part of the amount deemed to be a dividend will be treated as a capital gain and not as a dividend, except to the extent that the corporation was subject to Part IV tax in respect of the dividend or deemed dividend as described herein.

Dividends received or deemed to be received on the shares by a holder who, at all relevant times, for purposes of the Tax Act and any applicable income tax convention, is not, and is not deemed to be, resident in Canada and does not use or hold, and is not deemed to use or hold, ACE Shares in a business carried on in Canada (a "**Non-resident Holder**") will be subject to a Canadian withholding tax under the Tax Act. The rate of withholding tax is 25%, although such rate may be reduced under the provisions of an applicable income tax convention between Canada and the Non-resident Holder's country of residence.

United States Federal Income Tax Consequences of a Special Distribution

United States Holders (as defined below) deciding whether to vote for the special resolution approving the reduction in stated capital should be aware that the receipt of the special distribution will be taxable as a dividend for U.S. federal income tax purposes to the extent it is paid out of current or accumulated earnings and profits of ACE Aviation. Furthermore, if ACE Aviation is classified as a passive foreign investment company (or has been so classified during a United States Holder's holding period of ACE Shares), that United States Holder may be subject to adverse consequences upon the receipt of the special distribution under the passive foreign investment company rules. United States Holders are urged to read the discussion of these matters below and to consult their own tax advisors concerning the U.S. federal income tax consequences in light of their particular situations.

This discussion is of a general nature only and is not exhaustive of all U.S. federal income tax implications, and it is not intended to be, nor should it be construed to be, legal or tax advice to any particular holder of ACE Shares. No opinion or representation with respect to U.S. federal income tax consequences to any such holder is made. Accordingly, holders of ACE Shares are urged to consult their own tax advisors to determine the U.S. federal, state, local and foreign income and other tax consequences of the special distribution on ACE Shares, as well as the effect of tax laws of the jurisdictions of which they are citizens, residents or domiciliaries or in which they conduct business.

The following is a discussion of certain U.S. federal income tax consequences of the special distribution on the ACE Shares, but it does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a particular person's holdings of ACE Shares. The discussion applies only to United States Holders who hold ACE Shares as capital assets for U.S. federal income tax purposes, and it does not address foreign, state, local or other non-U.S. federal income tax consequences. Furthermore, it does not describe all of the tax consequences that may be relevant to holders subject to special rules, such as: certain financial institutions and insurance companies; dealers and traders in securities or foreign currencies; persons holding ACE Shares as part of a hedge, straddle or conversion transaction; persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar, partnerships or other entities classified as partnerships for U.S. federal income tax purposes; persons liable for the alternative minimum tax; tax-exempt organizations; or persons holding ACE Shares that own or are deemed to own ten percent or more of ACE Aviation's voting stock.

This discussion is based on the Internal Revenue Code of 1986, as amended, (the "**Code**") administrative pronouncements, judicial decisions and final, temporary and proposed Treasury regulations, all as currently in effect. These laws are subject to change, possibly on a retroactive basis. United States Holders are urged to consult their own tax advisors concerning the U.S. federal, state, local and foreign tax consequences of the special distribution with respect to their particular circumstances.

As used herein, the term "**United States Holder**" means a beneficial owner of ACE Shares that is, for U.S. federal income tax purposes: a citizen or resident of the United States; a corporation, or other entity characterized as a corporation for U.S. federal income tax purposes and which is created or organized in or under the laws of the United States or any political subdivision thereof; an estate, the income of which is subject to U.S. federal income taxation regardless of its source, or a trust if (i) a court within the United States is able to exercise primary supervision over the administration of the trust, and one or more U.S. persons have the authority to control all substantial decisions of the trust or (ii) the trust was in existence on August 20, 1996 and properly elected to be treated as a U.S. person.

If a partnership, including for this purpose any entity treated as a partnership for U.S. federal income tax purposes, is a holder of ACE Shares, the U.S. federal income tax treatment of a partner in such partnership will generally depend upon the status of such partner and the activities of the partnership.

In compliance with United States Treasury Department Circular 230, holders of ACE Shares are hereby notified that: (A) any discussion of United States federal tax issues in this section of the circular is not intended nor written to be relied upon, and cannot be relied upon, by any particular holder of ACE Shares for the purpose of avoiding penalties that may be imposed on such holder under the Code; (B) such discussion is included herein in connection with the promotion or marketing (within the meaning of Circular 230) of the special distribution; and (C) holders of ACE Shares should seek advice based on their particular circumstances from an independent tax advisor.

Special Distribution on ACE Shares

Subject to the discussion under "Passive Foreign Investment Company Rules" below, the gross amount of distributions paid to United States Holders, including the special distribution, paid on ACE Shares, will be included in the gross income of such United States Holder, as a dividend, to the extent paid out of current or accumulated earnings and profits of ACE Aviation (as determined under U.S. federal income tax principles). The amount of a dividend will include any amounts withheld by ACE Aviation or any paying agent in respect of Canadian taxes.

The amount of the dividend will be treated as foreign source dividend income to United States Holders and will not be eligible for the dividends received deduction generally allowed to U.S. corporations under the Code.

Generally, such dividends will constitute passive income for foreign tax credit purposes.

To the extent that the amount of any special distribution exceeds ACE Aviation's current or accumulated earnings and profits for a taxable year, as determined under U.S. federal income tax principles, the special distribution will first be treated as a tax-free return of capital, causing a reduction in the adjusted tax basis of the ACE Shares with regard to which the distribution was made, and to the extent in excess of such basis, will be treated as gain from the sale or exchange of such ACE Shares. ACE Aviation will not calculate its earnings and profits under U.S. federal income tax rules. Therefore, ACE Aviation will not provide United States Holders with such information. United States Holders should consult their own tax advisors regarding the amount of the special distribution that will be treated as a dividend for U.S. federal income tax purposes.

Dividends received by non-corporate United States Holders may be subject to U.S. federal income tax at lower rates than other types of ordinary income (generally 15%) in taxable years beginning on or before December 31, 2008 if certain conditions are met. These conditions include ACE Aviation not being classified as a PFIC (as defined below), its being eligible for benefits under the income tax treaty between Canada and the United States, the United States Holder's satisfaction of a holding period requirement and the United States Holder not treating the dividend as "investment income" for purposes of the investment interest deduction rules. Furthermore, if the dividend is an "extraordinary dividend", certain losses that would otherwise be characterized as short-term capital loss will be treated as long-term capital loss. A United States Holder should consult its own tax advisor regarding the application of these rules.

Dividends paid in Canadian dollars will be included in a United States Holder's income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the date of receipt of the dividend, regardless of whether the Canadian dollars are converted into U.S. dollars. If the dividend is converted into U.S. dollars on the date of receipt, United States Holders generally should not be required to recognize foreign currency gain or loss in respect of the dividend income; however, a conversion at a later date may have U.S. tax consequences.

Canadian taxes withheld from dividends on ACE Shares generally will be creditable against a United States Holder's U.S. federal income tax liability, subject to applicable limitations that vary depending upon the United States Holder's particular circumstances. Instead of claiming a credit, a United States Holder may, at its election, deduct such otherwise creditable Canadian taxes in computing its taxable income, subject to generally applicable limitations under U.S. law. **The rules governing the foreign tax credit are complex and United States Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.**

Passive Foreign Investment Company Rules

ACE Aviation does not believe that it is currently, or is likely to become, a passive foreign investment company ("**PFIC**") for U.S. federal income tax purposes. A corporation organized outside the United States generally will be classified as a PFIC for U.S. federal income tax purposes in any taxable year in which either: (a) at least 75 percent of its gross income is "passive income", or (b) on average at least 50 percent of the gross value of its assets is attributable to assets (such as cash) that produce "passive income" or are held for the production of passive income. Passive income for this purpose generality includes dividends, interest, royalties, rents and gains from commodities and securities transactions. In determining whether it is a PFIC, a foreign corporation is required to take into account a pro rata portion of the income and assets of each corporation in which it owns, directly or indirectly, at least a 25 percent interest.

Since the PFIC status of ACE Aviation during a taxable year that includes a United States Holder's holding period depends upon the composition of its income and assets and the market value of its assets from time to time (including the remainder of the taxable year after the special distribution), there can be no assurance that ACE Aviation will not be considered a PFIC for any taxable year. If ACE Aviation is treated as a PFIC for any taxable year during which a United States Holder holds ACE Shares, certain adverse consequences, including not being eligible for the reduced rate of tax on certain dividends described above, could apply to the United States Holder.

We urge you to consult your tax advisors concerning the status of ACE Aviation as a PFIC and the tax considerations relevant to the special distribution.

Information Reporting and Backup Withholding

Payment of dividends that are made within the United States or through certain U.S.-related financial intermediaries generally are subject to information reporting to the Internal Revenue Service and to backup withholding unless the United States Holder (i) is a corporation or other exempt recipient or (ii) in the case of backup withholding, provides a correct taxpayer identification number and certifies that no loss of exemption from backup withholding has occurred.

The amount of any backup withholding from a payment to a United States Holder will be allowed as a credit against the U.S. federal income tax liability of the United States Holder and may entitle the United States Holder to a refund, provided that the required information is furnished to the Internal Revenue Service.

5. Stock Option Plan

ACE Aviation has reserved for issuance pursuant to its stock option plan ("**Option Plan**") 5,052,545 shares which represented approximately 5% of ACE Aviation's fully diluted equity at the time the Option Plan was adopted. Of this amount, 3,692,509 shares are currently subject to outstanding options. For more information on the Option Plan please see the "Report on Executive Compensation by the Governance Committee."

The Board has determined it to be appropriate to maintain the 5% threshold on a fully diluted basis in reserve. This would involve an increase in the number of shares that are available for issuance under the Option Plan to reflect a greater number of shares outstanding as a result of a new issue of shares and convertible debt in early 2005. The approval of shareholders is required before any such increase can be effective. The Board has authorized an increase of the number of shares available for issuance under the Option Plan from 5,052,545 to 6,078,882 (representing approximately 5% of the fully diluted equity of ACE Aviation and approximately 6% of the non-diluted equity of ACE Aviation) subject to obtaining shareholder approval at the meeting.

Attached as Schedule "B" is the ordinary resolution which will be proposed at the meeting and which approves the proposed increase in the number of shares that are available for issuance under the Option Plan. To be passed, the ordinary resolution needs to be approved by a majority of the votes cast at the meeting by proxy or in person.

If you do not specify how you want your shares voted, the persons named as proxyholders will cast the votes represented by proxy at the meeting <u>FOR</u> the passing of the ordinary resolution set out as Schedule "B" hereto authorizing the increase in the number of shares that are available for issuance under the Option Plan.

6. Consideration of other business

We will:

- report on other items that are significant to our business; and
- invite questions and comments from shareholders.

If you are not a registered shareholder or proxyholder, you may be allowed into the meeting after speaking with a representative of CIBC Mellon and if the chair of the meeting allows it.

THE NOMINATED DIRECTORS

Eleven (11) directors are to be elected at the meeting, each of whom is to hold office until the end of the next annual meeting of shareholders or until their successors are appointed. Pursuant to an investment agreement dated June 23, 2004, Promontoria Holding III B.V., the holder of all of the preferred shares of ACE Aviation, has the right to designate three nominees for election to the Board. In this regard, Promontoria Holding III B.V. has designated Michael Green, W. Brett Ingersoll and Carlton D. Donaway. Pursuant to the investment agreement, Promontoria Holding III B.V. shall maintain the right to designate three nominees for election to the Board until September 30, 2006. Thereafter, the right to designate nominees to the Board shall depend on the percentage of the preferred shares held by Promontoria Holding III B.V. All nominees have established their eligibility and willingness to serve as directors. If prior to the meeting, any of the listed nominees would become unavailable to serve, proxies will be voted for any other nominee or nominees at the discretion of the proxyholder. The table below sets out, among other things, the names of the proposed nominees for election as directors, together with their municipality of residence, the date they became directors, their principal occupation and other principal directorships and committee memberships. Also indicated is the number of shares beneficially owned, directly or indirectly, or over which control was exercised as of September 16, 2005 (including securities of subsidiaries) and the number of options held by each director as of the same date under the Option Plan of ACE Aviation.

BERNARD ATTALI
Paris, France

ACE Aviation director since September 30, 2004

Bernard Attali is the Honorary Chairman of Air France Groupe (airline group) and Country Advisor (France) for Texas Pacific Group France (private equity investment firm). Mr. Attali is also a director of Aeroplan Holding GP Inc., Jazz Air General Partner Inc., and a member of the Governance and Corporate Matters Committee of Aeroplan Holding GP Inc. He was also Vice-Chairman of Deutsche Bank Europe Investment Banking from 1999 to 2000. Mr. Attali has also served as Chairman and Chief Executive Officer of Air France as well as Chairman of IATA and AEA. Mr. Attali is an Officier de la Légion d'Honneur and Titulaire de la Médaille de l'Aéronautique.

Member of the Governance and Corporate Matters Committee of the Board ("Governance Committee").

5,000 Class A variable voting shares

500 units of Aeroplan Income Fund

ACE AVIATION

ROBERT E. BROWN
Montréal, Québec

ACE Aviation director since September 30, 2004

Robert E. Brown is President and Chief Executive Officer of CAE Inc. (training solutions for civil aviation and defence customers). Mr. Brown is a director of Nortel Networks Corporation, Lyrtech, Inc. and Vanguard Aviation Corporation. Mr. Brown is also a director of Aeroplan Holding GP Inc. and Chairman of the Governance and Corporate Matters Committee of Aeroplan Holding GP Inc. Mr. Brown was Chairman of Air Canada from 2003 to 2004 and President and Chief Executive Officer of Bombardier Inc. (aerospace and transportation) from 1999 to 2002. Mr. Brown also held various senior positions in federal ministries with economic vocations, including the position of Associate Deputy Minister in the Department of Regional Industrial Expansion, his last position before leaving public office.

Member of the Governance Committee.

10,000 Class B voting shares

11,000 units of Aeroplan Income Fund

CARLTON D. DONAWAY
Redmond, Washington

ACE Aviation director since December 15, 2004

Carlton D. Donaway is Senior Advisor-Operations for Cerberus Capital Management, L.P. (private equity investment firm) and has over 27 years of experience in the air-express, logistics, ocean-freight and overland-transportation industries. Mr. Donaway is also a director of ACTS General Partner Inc. Mr. Donaway was Executive Chairman of DHL Holdings USA (shipping) from 2003 to 2004, Chairman, President and Chief Executive Officer of Airborne Inc. (shipping) from 2002 to 2003 and President and Chief Executive Officer of ABX Air Inc. (shipping, charter services and aircraft maintenance) from 1992 to 2003.

Member of the Governance Committee.

Nil shares held

MICHAEL GREEN
Radnor, Pennsylvania

ACE Aviation director since September 30, 2004

Michael Green is Managing Director and President-Operations for Cerberus Capital Management, L.P. (private equity investment firm). Mr. Green is a director of SSA Global, Teleglobe, Anchor Glass Container and several companies which are privately held by Cerberus. Mr. Green has a multi-industry operations background in aerospace, transportation, telecommunications and software systems. Prior to joining Cerberus, Mr. Green was the General Managing Partner of Tenx Capital Management. Prior to Tenx, Mr. Green was the Chief Executive Officer of several privately held companies, Trispan Solutions and Naviant Technology. Mr. Green began his career at General Electric Company where he worked in several operating departments and held positions in engineering, manufacturing, sales, marketing and general management.

Lead Director of the Board and Chair of the Governance Committee.

Nil shares held

10,000 units of Aeroplan Income Fund

W. BRETT INGERSOLL
New York, New York

ACE Aviation director since September 30, 2004

W. Brett Ingersoll is the Managing Director of Cerberus Capital Management, L.P. (private equity investment firm), a senior member of its Private Equity Practice and a member of its Investment Committee. Mr. Ingersoll is also a director of Aeroplan Holding GP Inc. and a member of the Governance and Corporate Matters Committee of Aeroplan Holding GP Inc. Prior to joining Cerberus in 2002, Mr. Ingersoll was a Partner at JPMorgan Partners (formerly Chase Capital Partners) from 1993 to 2002 (private equity investment firm). Mr. Ingersoll is a director of various public and private companies including Coram Health Care, IAP Worldwide Services, Inc., Talecris Bio Therapeutics, Inc., and Endura Care, LLC.

Member of the Audit Committee.

Nil shares held

PIERRE MARC JOHNSON
Montréal, Québec

ACE Aviation director since September 30, 2004

Pierre Marc Johnson is of Counsel to the offices of the Canadian law firm Heenan Blaikie LLP and advises various Governments and International Organizations. Mr. Johnson is a director of St-Lawrence Cement (Ciment St-Laurent) Inc., Vincor International Inc., Orthosoft Inc. and First National AlarmCap Income Fund. He is also a trustee of Aeroplan Income Fund and a member of its Governance and Corporate Matters Committee. During his career in Public Office, Mr. Johnson became Québec's Premier in 1985 and then Leader of the Opposition. He had previously been Minister of Labor and Manpower, Financial Institutions, Social Affairs, Intergovernmental Affairs and Attorney General.

Member of the Governance Committee.

5,000 Class B voting shares

5,000 units of Aeroplan Income Fund

RICHARD H. McCOY
Toronto, Ontario

ACE Aviation director since August 3, 2005

Richard H. McCoy is a corporate director. Mr. McCoy is a director of Rothmans Inc., Aberdeen Asia-Pacific Income Fund Ltd., ID Biomedical Corp., Canadian Mini Warehouse Properties and the Canadian Stage Company. Mr. McCoy has over 35 years experience in the investment industry. From May 1997 to October 31, 2003, Mr. McCoy was Vice-Chairman, Investment Banking at TD Securities. Prior to joining TD Securities in 1997, Mr. McCoy was deputy Chairman of CIBC Wood Gundy Securities.

Member of the Governance Committee.

2,000 Class B voting shares

JOHN T. McLENNAN
Mahone Bay, Nova Scotia

ACE Aviation director since September 30, 2004

John T. McLennan is a corporate director. Mr. McLennan is a director of Hummingbird Ltd., Amdocs Ltd., Emera, Manitoba Telephone Systems (Vice-Chairman) and Medisys Health Services. Mr. McLennan is also a trustee of Aeroplan Income Fund and a member of the Governance and Corporate Matters Committee of Aeroplan Holding GP Inc. Mr. McLennan was recently Vice-Chairman and Chief Executive Officer of Allstream. Prior to that position, he served as AT&T Canada's Vice Chairman and Chief Executive Officer. He was also the founding President of Jenmark Consulting Inc., President and Chief Executive Officer of Bell Canada, President of Bell Ontario as well as Chairman, President and Chief Executive Officer of BCE Mobile Communications Inc. Mr. McLennan has served as President and Chief Executive Officer of Cantel Wireless and Executive Vice President of Mitel Communications Inc.

Member of the Audit Committee.

10,000 Class B voting shares

20,000 units of Aeroplan Income Fund

ROBERT A. MILTON
Westmount, Québec

ACE Aviation director since June 29, 2004

Robert A. Milton is Chairman, President and Chief Executive Officer of ACE Aviation and Chairman of Air Canada. Mr. Milton is also the Chairman of Aeroplan Holding GP Inc. and Chairman of Jazz Air General Partner Inc. and ACTS General Partner Inc. Mr. Milton was previously President and Chief Executive Officer of Air Canada. Having joined Air Canada in 1992, Mr. Milton moved from Senior Director of Scheduling to Vice-President, Scheduling and Product Management, Senior Vice-President, Marketing and In-Flight Service, Executive Vice-President and finally Chief Operating Officer in 1999.

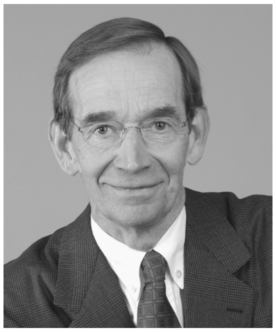
1,552 Class B voting shares

1,010,509 options

5,000 units of Aeroplan Income Fund

DAVID I. RICHARDSON
Grafton, Ontario

ACE Aviation director since September 30, 2004



Mr. Richardson is a corporate director. Mr. Richardson is a director and Chairman of the audit committee of Husky Injection Holding Systems Ltd. Mr. Richardson is also a director of Air Canada and Jazz Air General Partner Inc., a trustee of Aeroplan Income Fund and a member of the Audit, Finance and Risk Committee of Aeroplan Holding GP Inc. Mr. Richardson is the former Chairman of Ernst & Young Inc. (Canada) and a former Executive Partner of Ernst & Young LLP. Mr. Richardson joined its predecessor Clarkson, Gordon & Co. in 1963 and was appointed President of The Clarkson Company Limited in 1982. Mr. Richardson was also a member of the Management and Executive Committees of Ernst & Young LLP, national managing partner of the firm's Corporate Finance practice and the senior partner in the Corporate Recovery and Restructing practice until retirement from the partnership in 2002.

Chair of the Audit Committee.

10,000 Class B voting shares

15,000 units of Aeroplan Income Fund

MARVIN YONTEF
Toronto, Ontario

ACE Aviation director since June 29, 2004

Marvin Yontef is a senior partner with the Canadian law firm Stikeman Elliott LLP acting on a wide range of commercial activities including mergers and acquisitions, corporate finance and corporate reorganizations. Mr. Yontef is also a director of Air Canada, Aeroplan Holding GP Inc., ACTS General Partner Inc. and a member of the Governance and Corporate Matters Committee of Aeroplan Holding GP Inc.

Member of the Governance Committee.

5,000 Class B voting shares

5,000 units of Aeroplan Income Fund

Remuneration of directors

The Board's compensation is designed to attract and retain highly talented and experienced directors, leading to the long-term success of the Corporation. This requires that directors be adequately and competitively compensated.

Non-executive directors of ACE Aviation receive a retainer of $75,000 per year. The Chair of the Audit Committee and the Chair of the Governance Committee, respectively, receive an additional retainer of $20,000 and $10,000 per year. The members of the Audit Committee and the members of the Governance and Corporate Matters Committee, respectively, receive an additional retainer of $10,000 and $5,000 per year. The Lead Director of the Board receives an additional retainer of $37,500 per year.

Directors of ACE Aviation who are also directors of Air Canada receive an additional retainer of $20,000 per year. Non-executive directors of Air Canada who are not directors of ACE Aviation receive an annual retainer of $35,000.

Directors of ACE Aviation who are also trustees of Aeroplan Income Fund or directors of Aeroplan Holding GP Inc. receive an additional retainer of $20,000 per year. Non-executive directors of Aeroplan Holding GP Inc. who are not directors of ACE Aviation receive an annual retainer of $30,000. They also receive an additional retainer of $15,000 and $7,500, respectively, if they chair the Audit, Finance and Risk Committee or the Governance and Corporate Matters Committee of Aeroplan Holding GP Inc. Members of the Audit, Finance and Risk Committee and of the Governance and Corporate Matters Committee of Aeroplan Holding GP Inc. receive, respectively, an additional retainer of $5,000 and $2,500.

Directors of ACE Aviation who are directors of Jazz Air General Partner Inc. or ACTS General Partner Inc. receive an additional retainer of $10,000 per year. Non-executive directors of such companies who are not directors of ACE Aviation receive an annual retainer of $25,000.

Transportation privileges are granted to directors of ACE Aviation in line with industry practice.

Certain Proceedings

To the knowledge of ACE Aviation, each of the following proposed nominees for election as directors of ACE Aviation had, in the last 10 years, been a director of a company that, while the nominee was acting in that capacity, made a proposal under legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors:

(i) Following the acquisition of Canadian Airlines International Ltd. ("**CAIL**") by Air Canada in 2000, Robert A. Milton became a director of CAIL. Thereafter, CAIL restructured under the *Companies' Creditors Arrangement Act* (Canada) ("**CCAA**") pursuant to a plan of compromise which became effective on July 5, 2000. CAIL's common shares and non-voting shares were suspended from trading by the Toronto Stock Exchange ("**TSX**") on June 27, 2000 and delisted on July 6, 2000. Mr. Milton was also President and Chief Executive Officer of Air Canada when it filed for protection under the CCAA on April 1, 2003;

(ii) Pierre Marc Johnson was a director of Air Canada when it filed for protection under the CCAA on April 1, 2003;

(iii) Robert E. Brown was a director of Air Canada when it filed for protection under the CCAA on April 1, 2003. Mr. Brown was also a director of Nortel Networks Corporation when, on or about May 31, 2004, cease trade orders were issued against directors, officers and certain other current and former employees of Nortel Networks Corporation and Nortel Networks Limited (collectively, "**Nortel Networks**"). The management cease trade orders were imposed in response to the failure by Nortel Networks to file certain financial statements with the Canadian securities regulators; and

(iv) John T. McLennan was the Chief Executive Officer of AT&T Canada when it filed for protection under the CCAA on October 15, 2002.

STATEMENT OF GOVERNANCE PRACTICES

The Board has adopted comprehensive governance practices, including the creation of structures and the implementation of processes that enable the Board to carry out its responsibilities effectively.

The Board has adopted a written charter whereby it assumes, among other things, the following responsibilities: (i) the stewardship of the Corporation and its business and is accountable to shareholders for the performance of the Corporation, (ii) selecting, monitoring, evaluating and compensating the Chief Executive Officer and other senior executives, (iii) reviewing and approving management's strategic and business plans, (iv) reviewing and approving the Corporation's financial objectives, plans and actions, (v) monitoring corporate performance against strategic business plans and (vi) ensuring ethical behaviour and compliance with laws and regulations. In addition, specific guidelines defining the scope and duties of the Board and those of management have been adopted. The charter of the Board establishes which decisions require prior Board approval, such as the approval of interim and annual financial statements, strategic and business plans, the raising of capital, major organizational restructurings, material acquisitions and divestitures and major corporate policies.

In the period from September 30, 2004 to December 31, 2004, the Board met six (6) times.

National Policy 58-201 *Corporate Governance Guidelines* and National Instrument 58-101 *Disclosure of Corporate Governance Practices* came into force on June 30, 2005. The Governance Committee and the Board are in the process of reviewing our corporate governance practices with a view to being compliant in accordance with the transition periods provided in such instruments.

The Board has extensively reviewed the Corporation's governance practices and concludes that we comply with the TSX guidelines for corporate governance. The table below lists the TSX guidelines and tells you how we are meeting each one.

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1. The Board should explicitly assume responsibility for stewardship of the Corporation and specifically for:

   (a) Adoption of a strategic planning process.

In 2004, Air Canada was restructured pursuant to a consolidated plan of reorganization, compromise and arrangement under the *Companies' Creditors Arrangement Act* (Canada), the *Canada Business Corporations Act* and the *Business Corporations Act* (Alberta) ("**Plan**"). The Plan was approved by Air Canada's creditors and became effective on September 30, 2004. Pursuant to the Plan, ACE Aviation became the holding company under which Air Canada and its subsidiaries are held.

As part of the restructuring process, management developed a new business strategy for ACE Aviation which consists of the following:

(i) a competitive cost structure;

(ii) redesign of the network, including flying to new international destinations and improving aircraft utilization;

(iii) a new revenue model based on simplified low fares;

(iv) development of newly established stand-alone entities to their fullest individual potential including,

		where appropriate, through the pursuit of third party sources of business. Furthermore, pursuant to its charter, the Board assumes the responsibility of reviewing and approving management's strategic and business plans.
(b)	Identification of the principal risks of the Corporation's business and ensuring implementation of appropriate systems to manage these risks.	The Audit Committee assumes the responsibility of identifying and addressing material financial and other risks of the business and affairs of the Corporation and makes recommendations to the Board. The Audit Committee also reviews and discusses with management, the internal audit department and the external auditor, all major financial risk exposures and the steps management takes to monitor/control those exposures.
(c)	Succession planning, including appointing, training and monitoring senior management	The Governance Committee assumes the responsibility of reviewing on an ongoing basis management's organization plans and essential elements of succession plans for executive management so as to ensure that successors have been identified and that their career development is appropriate in the context of the challenges facing the organization. To this end, the Governance Committee meets from time to time with potential successors to all new positions and addresses the retention of key successors.
(d)	Communications policy	The Corporation has a Public Disclosure Policy. The policy addresses, *inter alia*, disclosure of information to the financial community, basic disclosure guidelines, and mandatory and voluntary disclosure of information as well as electronic communications. The Audit Committee reviews on an ongoing basis the public disclosure policy and ensures its consistency with current developments and best practices. The Corporation communicates regularly with the media and the financial community to discuss its results. This communication takes the form of press releases, conference calls, conferences and meetings.
(e)	Integrity of internal control and management information systems	The Audit Committee assumes the responsibility of monitoring the performance of the internal financial and accounting controls of the Corporation. The Audit Committee also obtains from the internal audit department and the external auditor internal control recommendations and reviews the response of management to those recommendations.

2. A majority of directors should be "unrelated":	The Board has adopted the policy that it shall at all times be constituted of a majority of individuals who are independent. Based on the information received from each director and having taken into account the independence criteria set forth below, the Board concluded that all directors of the Corporation, with the exception of the Chairman, President and Chief Executive Officer, Robert A. Milton and Marvin Yontef are independent and unrelated.
3. The Board has responsibility for applying the definition of "unrelated director" to each individual director and for disclosing annually the analysis of the application of the principles supporting this definition and whether the Board has a majority of unrelated directors.	The Board defines an "independent director" as a director who is: (a) not a member of management and is free from any interest and any business, family or other relationship which could reasonably be perceived to materially interfere with the director's ability to act with a view to the best interests of the Corporation, other than interests and relationships arising solely from holdings in the Corporation, (b) not currently, or has not been (and who does not have an immediate family member who is currently or has been) within the last three years, an officer, employee of or material service provider to the Corporation or any of its subsidiaries or affiliates; and (c) not a director, officer, employee or significant shareholder of an entity that has a material business relationship with the Corporation.
4. The Board should appoint a committee of directors composed exclusively of outside directors, a majority of whom are "unrelated" directors, with responsibility for proposing new nominees to the board and for assessing directors on an ongoing basis.	The Governance Committee is composed exclusively of outside directors (i.e. non-management) who, based on the independence criteria set forth above, are all independent, except for Marvin Yontef. The Governance Committee assumes the responsibility of recommending the slate of candidates for directors to be nominated for election by shareholders at annual meetings.
5. The Board should implement a process, to be carried out by an appropriate committee, for assessing the effectiveness of the Board, its committees and the contribution of individual directors.	The Governance Committee assumes the responsibility of assessing the effectiveness of the Board, the committees of the Board and the contribution of individual directors on an annual basis.
6. The Board should provide an orientation and education program for new directors.	The Governance Committee put in place an orientation and continuing education program for new directors on the Board. More specifically, new directors are invited to attend orientation sessions with group branch executives of the Corporation as well as with the Chairman, President and Chief Executive Officer to improve their understanding of the Corporation's business.
7. The Board should examine its size and undertake, where appropriate, a program to establish the size of the Board which facilitates effective decision-making.	The size of the Board was examined in 2004 as part of the Plan. The Board believes that its present size is appropriate and contributes to its effectiveness. Furthermore, the Governance Committee reviews on an ongoing basis

	criteria regarding the composition of the Board and committees of the Board, such as size, proportion of inside to outside directors and qualifications including relatedness and independence and makes recommendations to the Board.
8. The Board should review the adequacy and form of compensation of directors in light of the risks and responsibilities involved in being an effective director.	The Governance Committee assumes the responsibility of reviewing the adequacy and form of compensation of directors in the context of the responsibilities and risks involved in being an effective director, including making recommendations to the Board with respect to the actual remuneration and benefits provided to directors.
9. Committees of the Board should generally be composed of outside directors, a majority of whom are unrelated although some board committees may include one or more inside directors.	The Audit Committee is composed entirely of outside directors who are independent. The Governance Committee is composed entirely of outside directors who are independent, except for Marvin Yontef.
10. The Board should assume responsibility for, or assign to a committee of directors responsibility for, developing the approach to corporate governance issues. This committee would, among other things, be responsible for the corporation's responses to these governance guidelines.	The Governance Committee has responsibility for the Corporation's responses to the TSX guidelines. The Governance Committee makes recommendations to the Board with respect to the monitoring, adoption and disclosure of corporate governance guidelines in effect from time to time and reviews those guidelines once a year. The Governance Committee is in the process of reviewing National Policy 58-201 *Corporate Governance Guidelines* and National Instrument 58-101 *Disclosure of Corporate Governance Practices* with a view to being compliant in accordance with the transition periods provided in such instruments and continues to be proactive in implementing good corporate governance practices.
11. The Board, together with the President and Chief Executive Officer, should develop position descriptions for the Board and for the Chief Executive Officer, including the definition of the limits to management's responsibilities. The Board should approve or develop corporate objectives which the President and Chief Executive Officer is responsible for meeting.	The Board has adopted a written charter which sets out its role and responsibilities and the decisions of management which require prior Board approval. The Governance Committee is in the process of developing a position description for the Chairman, President and Chief Executive Officer. The Governance Committee carries out an annual review of the Chief Executive Officer's performance during the year and establishes corporate objectives the Chief Executive Officer is responsible for meeting during the forthcoming year. Also, the Governance Committee, in consultation with the Chief Executive Officer, assesses the performance of management on an annual basis. The performance assessment is based *inter alia* on the accomplishment of objectives, the achievement of profit targets, the return on investment/equity, meeting consistent performance expectations, leadership and integrity.

12. The Board should implement structures and procedures which ensure that it can function independently of management.	The Governance Committee assumes the responsibility of ensuring that appropriate structures and procedures are in place so that the Board can function independently of management. The Board has concluded that the fact that Robert A. Milton occupies both the office of Chairman of the Board and the office of President and Chief Executive Officer of ACE Aviation does not impair the ability of the Board to act independently of management. Moreover, Michael Green, an outside and independent director, has been appointed as Lead Director to the Board. The Lead Director assumes responsibility, among other things, for: (i) ensuring that the relative responsibilities of the Board and management are clearly understood and respected, (ii) ensuring that the Board works as a cohesive team and providing the requisite leadership to achieve this, (iii) ensuring that the resources available to the Board are adequate to support its work, and (iv) adopting procedures to ensure that the Board can conduct its work effectively and efficiently. On the occasion of each Board meeting, non-management directors meet under the chairmanship of the Lead Director.
13. The audit committee should be composed of only unrelated directors. The Board should adopt a charter for the audit committee, which sets out the roles and responsibilities of the committee. The audit committee should have direct communication channels with the internal and the external auditors to discuss and review specific issues as appropriate. The audit committee duties should include oversight responsibility for management reporting on internal control. While it is management's responsibility to design and implement an effective system of internal control, it is the responsibility of the audit committee to ensure that management has done so.	The Audit Committee is composed entirely of independent directors in accordance with Multilateral Instrument 52-110 – *Audit Committees*. The Board has adopted a charter for the Audit Committee. The charter sets out the roles and responsibilities of the Audit Committee, including reviewing annual and other financial information, the services performed by the external auditors, the Corporation's accounting systems and internal controls, establishing policies and procedures regarding accounting practices and reporting to the Board. The charter contains a requirement for financial literacy and the Audit Committee has determined that all the members are financially literate and have accounting or related financial expertise. The Audit Committee is specifically mandated to oversee management's responsibility as to the adequacy of the supporting systems of internal financial and accounting controls and to provide independent communication between the Board and the external auditor.
14. The Board should implement a system to enable an individual director to engage an outside advisor at the Corporation's expense in appropriate circumstances. The engagement of the outside advisor should be subject to the approval of an appropriate committee of the Board.	The charter of each of the Audit Committee and the Governance Committee provides that such committees may retain independent advisors at the expense of the Corporation. These advisors are authorized to carry out investigations into any matter within the scope of the respective committee's responsibility.

COMMITTEES

The Board has two standing committees:

- the Audit Committee; and
- the Governance Committee.

This section includes reports from each committee, which tell you about its members, responsibilities and activities.

Audit Committee

ACE Aviation is required by law to have an audit committee. The objectives of the Audit Committee include the following:

- Assist the Board in the discharge of its responsibility to monitor the component parts of the Corporation's financial reporting and audit process.
- Maintain and enhance the quality, credibility and objectivity of the Corporation's financial reporting and to satisfy itself and oversee management's responsibility as to the adequacy of the supporting systems of internal financial and accounting controls.
- Assist the Board in its oversight of the independence, qualifications and appointment of the external auditor.
- Monitor the performance of the internal financial and accounting controls and of the internal and external auditors.
- Provide independent communication between the Board and the internal and external auditors.
- Facilitate in-depth and candid discussions between the Audit Committee and management and the external auditor regarding significant issues involving judgment and impacting quality of controls and reporting.

The Audit Committee's responsibilities include the following:

- Monitor and review the quality and integrity of the Corporation's accounting and financial reporting process through discussions with management, the external auditor and the internal auditor.
- Determine whether to recommend the approval by the Board of financial statements and the financial disclosure in any annual information forms, earnings press releases, prospectuses and other similar documents.
- Review and approve the release of the Corporation's quarterly financial statements.
- Review with management, the external auditor and legal counsel, the Corporation's procedures to ensure compliance with applicable laws and regulations.
- Meet with the Corporation's external auditor to review and approve their audit plan.
- Review and approve estimated audit and audit-related fees and expenses.
- Review and approve, prior to the commencement of such work, the nature of all non-audit services, as permitted by securities legislation and regulations, to be provided by the Corporation's external auditor.
- Evaluate the performance of the external auditor.
- Review the mandate of and the services provided by the internal audit department.
- Review significant emerging accounting and reporting issues.
- Review policies and procedures for the receipt, retention and treatment of complaints received by the Corporation from employees, shareholders and other stakeholders regarding accounting issues and financial reporting.
- Review risk management systems and controls, especially in relation to derivatives, foreign currency exposure, hedging and insurance.
- Review and approve the Corporation's Public Disclosure Policy.
- Identify and address material financial and other risks to the business and affairs of the Corporation and make recommendations in that regard to the Board.

- Review and approve policies relating to the financial control, conduct, regulation and administration of subsidiary companies.

- Review, monitor and approve the Corporate Donations Policy.

- Review actual financial performance compared to budget.

The Audit Committee met three (3) times in the period from September 30, 2004 to December 31, 2004.

The Audit Committee is currently composed of:

Members: David I. Richardson (Chair)
W. Brett Ingersoll
John T. McLennan

Please refer to the section of the Annual Information Form of ACE Aviation titled "Audit Committee" for additional information on the Audit Committee.

Governance Committee

The objectives of the Governance Committee are as follows:

- Assist the Board in fulfilling its responsibilities by ensuring that corporate governance guidelines are adopted, disclosed and applied.

- Provide an appropriate oversight in the field of human resources and compensation as well as succession planning.

The Governance Committee's responsibilities include the following:

- Review criteria regarding the composition of the Board and committees of the Board, such as size, qualifications, relatedness and independence.

- Review the adequacy and form of compensation of directors.

- Review and develop position descriptions for the Board and for the Chairman, President and Chief Executive Officer.

- Ensure that appropriate structures and procedures are in place so that the Board can function independently of management.

- Put in place an orientation and continuing education program for new directors on the Board.

- Ensure corporate compliance with applicable legislation including directors' and officers' compliance.

- Review proposed amendments to the Corporation's by-laws.

- Make recommendations to the Board with respect to monitoring, adoption and disclosure of corporate governance guidelines.

- Review criteria regarding personal qualifications for Board membership, such as background, experience, technical skills, affiliations and personal characteristics.

- Recommend the slate of candidates for directors to be nominated for election by shareholders at annual meetings of shareholders.

- Recommend the types, charters and composition of the Board committees.

- Recommend the nominees to the chairmanship of the Board committees.

- Review and make recommendations relative to non-management nominees of the Corporation to the boards of subsidiaries of the Corporation.

- Review and approve on behalf of the Board the compensation paid to officers of the Corporation.

- Review and approve corporate goals, objectives and business performance measures relevant to the compensation of the Chief Executive Officer, evaluate the Chief Executive Officer's performance in light of those goals, objectives and business performance measures, and set the Chief Executive Officer's compensation level based on this evaluation.

- Review and make recommendations to the Board with respect to incentive compensation plans and equity based plans and any amendments thereto.

- Review on an ongoing basis management's organization plans and essential elements of succession plans for executive management.

The Governance Committee met twice in the period from September 30, 2004 to December 31, 2004.

The Governance Committee is currently composed of:

Members: Michael Green (Chair)
Bernard Attali
Robert E. Brown
Carlton D. Donaway
Pierre Marc Johnson
Richard H. McCoy
Marvin Yontef

COMPENSATION OF CERTAIN EXECUTIVE OFFICERS

The following summary compensation table shows certain compensation information for Robert A. Milton, the Chairman, President and Chief Executive Officer of ACE Aviation, M. Robert Peterson, the Chief Financial Officer and the other three highest compensated executive officers (the "**Named Executive Officers**") of the Corporation as at December 31, 2004. The Corporation is the successor to Air Canada pursuant to the Plan. For ease of reference, the table contains the aggregate compensation paid to the Named Executive Officers by Air Canada and by the Corporation.

SUMMARY COMPENSATION TABLE

		Annual Compensation			Long-term Compensation					
					Awards				Payouts	
					Securities Under Options/SARs Granted(#)					
Name and Principal Position	Year	Salary [1] ($)	Bonus[2] ($)	Other[3] Annual Compensation ($)	Options[4]	SARs[5]	PPPs[6]	Restricted Shares or Restricted Share Units ($)	Long-term Incentive Plan Payouts ($)	All Other[7] Compensation ($)
Robert A. Milton	2004	953,063	Nil	52,187	1,010,509	Nil	Nil	Nil	Nil	31,040
Chairman, President and Chief	2003	1,049,375	Nil	49,358	Nil	Nil	480,836	Nil	Nil	Nil
Executive Officer, ACE	2002	1,073,333	Nil	55,035	Nil	15,333	216,301	Nil	Nil	Nil
M. Robert Peterson[8]	2004	391,050	Nil	Nil	50,000	Nil	Nil	Nil	Nil	8,690
Chief Financial Officer, ACE	2003	414,333	Nil	Nil	Nil	Nil	104,251	Nil	Nil	Nil
	2002	425,333	Nil	Nil	Nil	2,934	46,897	Nil	Nil	Nil
Montie R. Brewer	2004	416,759	100,000	Nil	300,000	Nil	Nil	Nil	Nil	7,416
President and Chief Executive	2003	376,667	100,000	Nil	Nil	Nil	94,774	Nil	Nil	Nil
Officer, Air Canada	2002	300,000	Nil	Nil	225,000	Nil	42,633	Nil	Nil	Nil
Paul E. Brotto[9]	2004	377,910	Nil	Nil	150,000	Nil	Nil	Nil	Nil	9,288
Executive Vice President, Planning &	2003	362,542	Nil	Nil	Nil	Nil	91,220	Nil	Nil	Nil
Cost Management, Air Canada	2002	372,167	Nil	Nil	Nil	2,566	41,034	Nil	Nil	Nil
Lise Fournel	2004	342,169	Nil	Nil	30,000	Nil	Nil	Nil	Nil	7,925
Chief Information Officer, Air Canada	2003	362,542	Nil	Nil	Nil	Nil	91,220	Nil	Nil	Nil
and President, Destina	2002	372,167	Nil	Nil	Nil	2,566	41,034	Nil	Nil	Nil

(1) The amounts in this column for 2003 and 2004 reflect reductions from the base salaries of Named Executive Officers during fiscal years 2003 and 2004. In accordance with the 2003 and 2004 Management Salary Reduction Program, the base salary for the Chairman, President and Chief Executive Officer of ACE Aviation was reduced by 15% in June 2003 and 5% in July 2004. The base salaries of other Named Executive Officers were reduced by 10% in June 2003 and 2.5% in July 2004.

(2) The amount in this column for 2004 represents payments to Mr. Brewer pursuant to his employment agreement.

(3) Perquisites and other personal benefits for fiscal year 2004 do not exceed the lesser of $50,000 or 10% of the total of the annual salary and bonus for the Named Executive Officers with the exception of Mr. Milton. The amount in this column for Mr. Milton includes compensation attributable to residence costs.

(4) The stock options granted prior to September 30, 2004 were cancelled without compensation pursuant to the Plan. The stock options in this column for 2004 were granted on October 3, 2004 pursuant to the Plan, wherein a maximum of 3% of the fully diluted equity of ACE Aviation could be granted in the form of options upon emergence from the restructuring proceedings.

(5) The share appreciation rights granted in 2002 were cancelled without compensation pursuant to the Plan.

(6) The performance points granted in 2002 and 2003 were cancelled without compensation as part of the restructuring process of Air Canada which became effective on September 30, 2004.

(7) The amounts in this column for 2004 represent settlement of a claim that was filed on behalf of the Named Executive Officers as part of the restructuring process of Air Canada in respect of lost wages, holidays, vacation and foregone Employee Share Ownership Plan company matches for 2002 and 2003. The settlement was in the form of shares of ACE Aviation which were valued at $20.00 per share upon issuance.

(8) Mr. Peterson became the Executive Vice-President, Finance and Chief Financial Officer of Aeroplan Holding GP Inc. on September 1, 2005.

(9) Mr. Brotto retired on April 1, 2005.

Aggregate compensation

The aggregate compensation paid by ACE Aviation and its subsidiaries to the Corporation's 27 full-time officers for services rendered during the financial year ended December 31, 2004 was $10,053,913. The value of the perquisites and other personal benefits received in respect of the financial year ended December 31, 2004 by these officers of the Corporation does not exceed 10% of the above-mentioned cash remuneration.

Option grants

The following table details option grants made to Named Executive Officers during the most recently completed financial year.

OPTION GRANTS DURING THE MOST RECENTLY COMPLETED FINANCIAL YEAR(1)

Name	Securities Under Options Granted	% of Total Options Granted to Employees in Financial Year	Exercise Price	Market Value of Underlying Options on the Date of Grant ($/Security)	Expiration Date
Robert A. Milton	1,010,509	33.38%	$20.00	$20.00	October 3, 2011
M. Robert Peterson(2)	50,000	1.65%	$20.00	$20.00	October 3, 2011
Montie R. Brewer	300,000	9.90%	$20.00	$20.00	October 3, 2011
Paul E. Brotto(3)	150,000	4.95%	$20.00	$20.00	October 3, 2011
Lise Fournel	30,000	.99%	$20.00	$20.00	October 3, 2011

(1) For details as to the material terms of the option grants, including the date of exercisability, please refer to "Report on Executive Compensation by the Governance Committee".
(2) Mr. Peterson became the Executive Vice-President, Finance and Chief Financial Officer of Aeroplan Holding GP Inc. on September 1, 2005.
(3) Mr. Brotto retired on April 1, 2005.

Option Exercises

The following table details the aggregated option exercises during the most recently completed financial year and the option values at financial year-end.

AGGREGATED OPTION EXERCISES DURING THE MOST RECENTLY COMPLETED FINANCIAL YEAR AND FINANCIAL YEAR-END OPTION VALUE

Name	Securities Acquired on Exercise	Aggregate Value Realized	Exercisable/Unexercisable Options at FY-End		Value of Exercisable/Unexercisable in-the-Money Options at FY-End	
			Exercisable	Unexercisable	Exercisable	Unexercisable(1)
Robert A. Milton	Nil	Nil	Nil	1,010,509	Nil	$15,733,625
M. Robert Peterson(2)	Nil	Nil	Nil	50,000	Nil	$778,500
Montie R. Brewer	Nil	Nil	Nil	300,000	Nil	$4,671,000
Paul E. Brotto(3)	Nil	Nil	Nil	150,000	Nil	$2,335,500
Lise Fournel	Nil	Nil	Nil	30,000	Nil	$467,100

(1) Based on the closing price of the voting shares ($35.57) on December 31, 2004.
(2) Mr. Peterson became the Executive Vice-President, Finance and Chief Financial Officer of Aeroplan Holding GP Inc. on September 1, 2005.

(3) Mr. Brotto retired on April 1, 2005.

Equity compensation plan information

Plan category	Number of securities to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by securityholder(s) [(1)]	3,692,509	$23.89	1,360,036

[(1)] As at September 1, 2005

Pension Plan

ACE Aviation provides its executive officers with a non-contributory, final average earnings defined benefit registered pension plan and a defined benefit supplemental executive retirement plan (the "**SERP**") integrated with the Canada/Québec Pension Plan(s). The defined benefit SERP is a partially funded supplemental arrangement that provides retirement income beyond the limitations of the registered pension plan.

Benefits are calculated by multiplying 2% per year of service (maximum 35 years) times the final average annual salary (excluding bonuses, honoraria and special allowances) during the executive's highest paid 36 successive months of company service and subtracting an amount equal to .25% times the Canada/Québec pension plans average annual yearly maximum pensionable earnings during the same 36 month period used to determine the executive's average annual salary times the executive's years of service after December 31, 1965.

The following table shows typical annual benefits payable under this pension arrangement on December 31, 2004, to individuals 65 years of age.

PENSION PLAN TABLE

Final Average Earnings ($)	Years of Service				
	15	**20**	**25**	**30**	**35**
150,000	43,506	58,008	72,510	87,013	101,515
175,000	51,006	68,008	85,010	102,013	119,015
200,000	58,506	78,008	97,510	117,013	136,515
225,000	66,006	88,008	110,010	132,013	154,015
250,000	73,506	98,008	122,510	147,013	171,515
300,000	88,506	118,008	147,510	177,013	206,515
400,000	118,506	158,008	197,510	237,013	276,515
500,000	148,506	198,008	247,510	297,013	346,515
750,000	223,506	298,008	372,510	447,013	521,515
1,000,000	298,506	398,008	497,510	597,013	696,515
1,250,000	373,506	498,008	622,510	747,013	871,515
1,500,000	448,506	598,008	747,510	897,013	1,046,515

Note: Rounding has been used in the above calculations.

In the event of death after five years of service, 50% of the accrued benefit to date of death is payable to the individual's surviving spouse as a monthly lifetime pension or as a commuted lump sum. In the event of death in retirement, 50% of the paid benefit is payable to the individual's surviving spouse as a monthly lifetime pension. Other optional forms of payment are available on an actuarial equivalent basis.

As of December 31, 2004 the years of credited service were as follows: Mr. Milton, 25.67 years; Mr. Peterson, 26.75 years; Mr. Brewer, 2.75 years, Mr Brotto, 32.5 years; and Ms. Fournel, 25.66 years.

Executive Employment Contracts

During the first quarter of 2005, the Corporation revised the terms of the employment arrangements with Robert A. Milton to update his employment terms and to secure his continued employment with the Corporation for an additional three-year term. The new employment arrangements were negotiated and reviewed by the Governance Committee, who received advice from external consultants regarding prevailing market practices.

Under the new employment arrangements, Mr. Milton's base salary, benefits and perquisites remain unchanged from those in effect as of the end of 2004. Mr. Milton is eligible to receive a bonus, subject to achieving targeted financial performance thresholds under the Corporation's business plan, of a minimum of 75%, and a maximum of 150%, of his base salary. Mr. Milton had the right under his previous employment arrangements to receive a payment of $5.68 million if he left the Corporation. This right was renegotiated and the Corporation now has a contingent obligation to incur this expense (or a portion thereof) and, before any such amount is paid, it will be offset by other amounts received or receivable by Mr. Milton (other than base salary and bonuses, if any), including proceeds from the exercise of options, severance payments and other distribution payments. The vesting periods for options granted to Mr. Milton under the Option Plan of ACE Aviation have been established so that 25% of Mr. Milton's options have now vested, another 6.25% will vest on October 3, 2005 and the remaining 68.75% (approximately 50% of which are subject to the Corporation achieving targeted financial performance thresholds) will vest over a three-year period ending December 31, 2007. If Mr. Milton's employment is terminated without cause, he will be entitled to receive a severance payment equal to two times his annual salary and bonus. In the event of the completion of certain value-enhancing transactions for ACE Aviation and its shareholders, Mr. Milton will be entitled to incentive rewards under his employment arrangements.

Air Canada has also entered into an employment agreement with one other Named Executive Officer, namely Montie R. Brewer, and his agreement provides, among other things, for a pension credit of five years of pensionable service upon completion of five years of Air Canada service and a severance amount equal to two years of his annual base salary plus the right to early retirement with the five years pension credit in the event he is involuntarily terminated by Air Canada for any reason other than just cause, disability or retirement.

Report on Executive Compensation by the Governance Committee

With a new corporate structure in place and a new business plan, ACE Aviation is well-positioned to face the demands of a challenging market and to create value for shareholders. To achieve its vision, the Corporation needs a strong and capable executive team that can bring it to a new level of profitability and growth. ACE Aviation's Executive Compensation Program is designed to attract, retain and motivate the key people the Corporation needs to meet its strategic plans. In addition, by closely linking executives' and shareholders' interests through incentive compensation, the Executive Compensation Program contributes to the achievement of profitable growth for shareholders.

In 2005, the Executive Compensation Program was reviewed to align it with the Corporation's new direction. With the Corporation's four corporate goals in mind: Ensuring Safety and Security; Working Together to Achieve Growth and Success; Delivering a Great Customer Experience; and Achieving Best-in-Class Profitability, the Program's components were reviewed to ensure market competitiveness and continued shareholder value. The Governance Committee has direct access to independent compensation advisors.

This report provides an overview of the Corporation's Executive Compensation Program.

Executive Compensation Program

ACE Aviation's Executive Compensation Program emphasizes incentive compensation linked to the Corporation's annual and long-term financial performance to ensure that executives' interests are linked to those of shareholders. Compensation levels are based on those offered at other airlines and companies of comparable size. The Corporation aims at rewarding its executives at the median compensation level offered in its reference group, for performance that meets corporate goals. The Corporation's reference group includes 22 large Canadian companies.

The Corporation's Executive Compensation Program is made up of five components: a base salary, variable compensation in the form of an annual incentive plan and profit-sharing, a stock option plan, benefits and perquisites. These five components are evaluated together to determine the appropriate compensation level for executives.

Base Salary

Competitive base salaries are established by the Governance Committee based on the responsibilities, contribution, experience and skill set of the executive. The Governance Committee also considers equity within the officer group and salaries offered in the Corporation's reference group for similar positions when reviewing base salaries. The Governance Committee's policy for base salaries aims at providing the median compensation level offered in the Corporation's reference group. However, base salaries can be set below or above the median depending on each executive's profile. In past years, executives' base salaries have been set below policy levels because of the Corporation's financial situation.

The base salary of the Chairman, President and Chief Executive Officer of ACE Aviation was reduced by 15% in June 2003 and by a further 5% in 2004. Base salaries of the other Named Executive Officers were reduced by 10% in 2003 and by a further 2.5% in 2004.

Incentive Compensation

The Annual Incentive Plan provides employees who are in a position to significantly affect the financial results of the Corporation with an opportunity for additional performance based compensation. Plan participants are eligible to receive amounts which are currently linked to the achievement of defined results, specifically, earnings before interest, taxes, depreciation and aircraft rent (EBITDAR). The actual amount of the award is also influenced by individual performance.

Profit-Sharing Plan

Annual Profit Sharing based on the achievement of each business unit's results and ACE Aviation's consolidated results is offered to all employees to ensure that all employees share in the Corporation's success and work together to achieve corporate goals. Under this plan, an annual pool of funds is established based on a percentage of adjusted pre-tax profits of the business unit (70%) and ACE Aviation (30%). The pool of funds is then distributed to plan members based on the employee's basic salary earnings compared to the earnings of all employees.

Stock Option Plan

As part of the implementation of the Plan on September 30, 2004, the Option Plan of ACE Aviation was established. The persons eligible to receive options ("**Eligible Optionees**") are the directors or officers and may include senior managers and other employees, as the Governance Committee may determine, who are in key positions with the Corporation or its subsidiaries. This Option Plan is designed to create a direct link between management's and shareholders' interests, since the full value of the Option Plan can only be obtained when the Corporation's stock appreciates over a number of years.

Options granted are based on the Eligible Optionee's position and annual compensation, taking into account the market price of the shares and each Eligible Optionee's potential contribution to ACE Aviation's success in a given year. The terms of the grants are determined by the Board. The maximum number of shares that can be issued under the Option Plan is currently 5,052,545 or approximately 5% of the non-diluted equity of ACE Aviation (or 4.16% of the fully-diluted equity of ACE Aviation). Of this amount, 3,692,509 shares are currently subject to outstanding options representing approximately 3.65% of the non-diluted equity of ACE Aviation (or 3.04% of the fully-diluted equity of ACE Aviation). A resolution will be proposed at the meeting to increase the number of shares that can be issued under the Option Plan. See "Business of the Meeting". The aggregate number of shares reserved for issuance at any time to any one Eligible Optionee shall not exceed 5% of the outstanding Class B voting shares and Class A variable voting shares. The aggregate number of shares issued to any one insider within any one-year period shall not exceed 5% of the outstanding Class B voting shares and Class A variable voting shares. The Option Plan provides that the options will have an exercise price of not less than 100% of the market price of the underlying shares at the time of grant. The market price of the underlying shares at the time of grant is equal to the greater of the (i) closing price of the underlying shares on the TSX ending on the last trading day before the day on which the option is granted and (ii) the average of the high and low trading prices of the underlying shares on the TSX for the five trading day period ending on the last trading day before the day on which the option is granted. The Option Plan provides that the term of the options shall not be more than ten (10) years from the date of grant. The vesting of options granted under the Option Plan are determined by the Board at the time of the grant. Options granted under the Plan may not be assigned or transferred.

The Board may, subject to regulatory approval, amend the Option Plan at any time provided that no such amendment may materially affect any rights previously granted to a participant under the Option Plan without the consent of such participant. If a participant's employment is terminated for "gross misconduct", unexercised options shall terminate forthwith. If a participant's employment is terminated without cause, such participant may exercise his or her vested options within thirty (30) days after a notice of termination of employment has given.

To provide a meaningful incentive, and to promote retention among the executive team, options were granted in October 2004 on an accelerated three-year basis. The Governance Committee granted options to purchase a total of 3,027,509 shares of ACE Aviation at a price of $20.00 per share representing approximately 3% of the fully diluted equity of ACE Aviation. In addition, options to purchase a total of 750,000 shares have been granted to executives hired in 2005 and to an existing senior vice-president.

Vesting of options granted in October 2004 under the Option Plan is as follows: (i) 50% of granted options vest in four equal instalments, the first instalment on October 3, 2005 and the remaining three instalments on December 31, 2006, 2007 and 2008 and (ii) the remaining 50% vest in four equal instalments on December 31, 2005, 2006, 2007 and 2008 provided the Corporation meets the financial thresholds linked to the business plan for those years (if targets are not met, options will be forfeited unless otherwise approved by the Governance Committee). The terms of the grant made in October 2004 provide that vested options can be exercised over a period of seven (7) years from the date of the grant at an exercise price of 100% of the market price of the underlying shares at the time of the grant.

In the case of options granted to the Chairman, President and Chief Executive Officer of ACE Aviation, the vesting of options is as follows: (i) 25% of granted options vested upon conclusion of Mr. Milton's new employment arrangements but are subject to a one-year holding period which ends on October 3, 2005 and (ii) 6.25% of granted options vest on October 3, 2005 and (iii) the remaining 68.75% as follows: (a) 50% vest in three instalments on December 31, 2005, 2006 and 2007 and (b) 50% vest in three instalments on December 31, 2005, 2006 and 2007 provided the Corporation meets the board-approved financial performance thresholds linked to the business plan for those years (if targets are not met, options will be forfeited unless otherwise approved by the Governance Committee). The terms of the grant provide that vested options can be exercised over a period of seven (7) years from the date of the grant at an exercise price of 100% of the market price of the underlying shares at the time of the grant.

Benefits

Group benefits and the executive pension plan are aligned with the median of the Corporation's reference group. Please refer to the "Pension Plan Table".

Perquisites

Perquisites are aligned with the median of the Corporation's reference group. Perquisites include leased automobiles, a medical top-up plan and financial counselling.

Chairman, President and Chief Executive Officer Compensation

The Governance Committee, in consultation with the Board, formally assesses the performance of the Chairman, President and Chief Executive Officer of ACE Aviation based on financial and non-financial measurements to determine an appropriate compensation level. The Governance Committee's policy on base salaries aims at providing the Chairman, President and Chief Executive Officer with a base salary at the median level offered in the Corporation's reference group. As a result of the salary reductions (as detailed below), his base salary is currently below market median. The Chairman, President and Chief Executive Officer's base salary was reduced by 15% in 2003 and by 5% in 2004, while the base salaries of other Named Executive Officers were reduced by 10% in 2003 and by 2.5% in 2004.

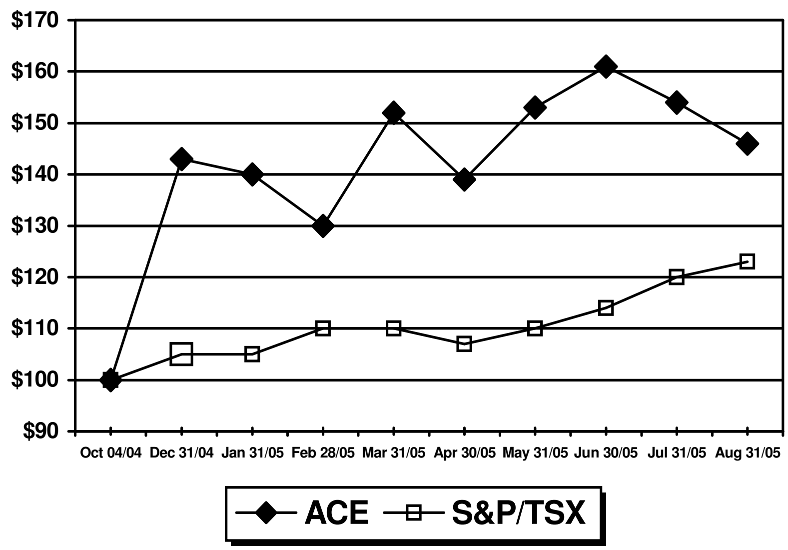
Submitted by the Governance and Corporate Matters Committee of the Board.

Members: Michael Green (Chair)
Bernard Attali
Robert E. Brown
Carlton D. Donaway
Pierre Marc Johnson
Richard H. McCoy
Marvin Yontef

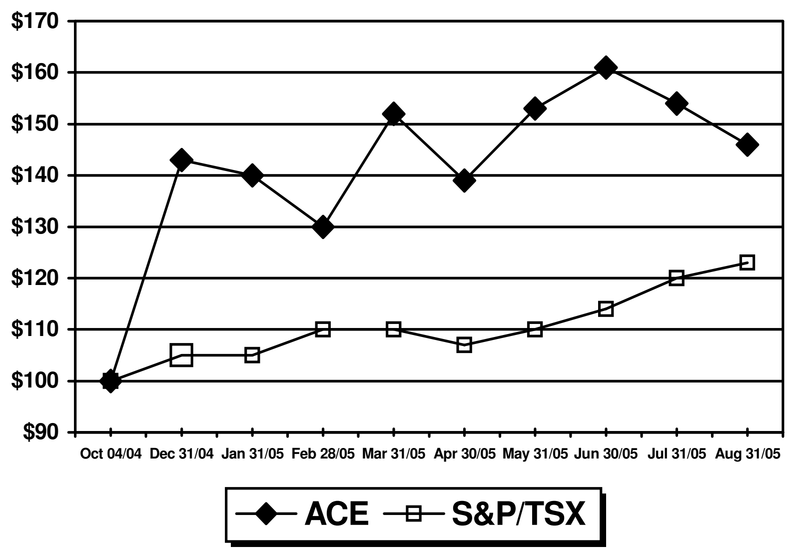
PERFORMANCE GRAPHS

The following performance graphs compare the total cumulative return of a $100 investment in the Class A variable voting shares and Class B voting shares of the Corporation made on October 4, 2004 with the cumulative return on the S&P/TSX Composite Index for the period beginning on October 4, 2004 and ended August 31, 2005.

ACE Aviation Holdings Inc. Class A Variable Voting Shares versus S&P/TSX Composite Index October 4, 2004 to August 31, 2005



ACE Aviation Holdings Inc. Class B Voting Shares versus S&P/TSX Composite Index October 4, 2004 to August 31, 2005



OTHER IMPORTANT INFORMATION

Directors' and Officers' Liability Insurance

ACE Aviation has acquired and is maintaining directors' and officers' liability insurance for the benefit of the directors and officers of ACE Aviation and its subsidiaries. The coverage limit of such insurance is US$200,000,000 per occurrence and US $200,000,000 in the annual aggregate. The coverage for ACE Aviation became effective as Air Canada emerged from its restructuring process on September 30, 2004 and protects the directors and officers for allegations of alleged "wrongful acts" in the conduct of their activities as directors and officers. In respect of the first US$175,000,000 of the limit of insurance afforded under this policy, "prior acts" coverage has been extended to the insureds. The premium for this period of insurance is US$3,323,849. Where ACE Aviation grants indemnification to any insured person under the corporate by-laws, ACE Aviation assumes a US$2,500,000 deductible for each loss.

Indebtedness of directors and officers

As at September 16, 2005, the Corporation or its subsidiaries had not made any loan to officers, directors, employees or former officers, directors and employees of the Corporation or its subsidiaries.

Interest of management and others in material transactions

On September 30, 2004, as part of Air Canada's restructuring process, Promontoria Holding III B.V. invested $250 million in the Corporation in consideration for the issuance of 12,500,000 preferred shares of ACE Aviation. Promontoria Holding III B.V. is an affiliate of Cerberus Capital Management, L.P. Michael Green (Radnor, Pennsylvania), Carlton D. Donaway (Redmond, Washington) and W. Brett Ingersoll (New York, New York), all nominees for election to the Board at the meeting, are respectively President-Operations, Senior Advisor – Operations and Managing Director at Cerberus Capital Management, L.P.

Chairman's prerogative

The chair of the meeting reserves the right to withdraw any of the resolutions submitted at the meeting.

Mail service interruption

If there is a mail service interruption prior to a shareholder mailing a completed proxy to CIBC Mellon, it is recommended that the shareholder deposit the completed proxy, in the envelope provided, at any of the following offices of CIBC Mellon:

Alberta

600 The Dome Tower
6th Floor
333 – 7th Avenue S.W.
Calgary, Alberta

Ontario

200 Queen's Quay East
Unit 6
Toronto, Ontario

British Columbia

1066 West Hastings St.
The Oceanic Plaza
Suite 1600
Vancouver, B.C.

Québec

2001 University Street
Suite 1600
Montréal, Québec

Manitoba

One Lombard Place
Suite 750
Winnipeg, Manitoba

Nova Scotia

1660 Hollis Street
4th Floor
Halifax, Nova Scotia

Shareholder proposals for our 2006 annual meeting

We will include proposals from shareholders that comply with applicable laws in next year's management proxy circular for our 2006 annual shareholder meeting. Please send your proposal to us by February 1, 2006.

ACE AVIATION

HOW TO REQUEST MORE INFORMATION

Documents you can request

You can ask us for a copy of the following documents at no charge:

- ACE Aviation's annual report for the year ended December 31, 2004, which includes our consolidated financial statements together with the accompanying auditors' report;
- our management discussion and analysis related to such annual consolidated financial statements;
- any interim financial statements that were filed after the consolidated financial statements for the year ended December 31, 2004;
- our management discussion and analysis related to such interim financial statements; and
- our Annual Information Form for the year ended December 31, 2004.

Please write to Shareholder Relations of ACE Aviation at Air Canada Centre 1190, c/o Shareholder Relations, 5100 de Maisonneuve Boulevard West, Montréal, Québec, H4A 3T2.

These documents are also available on our website at www.aircanada.com and on SEDAR at www.sedar.com. All of our news releases are also available on our website.

Receiving information electronically

You can choose to receive electronically all of our corporate documents, such as this circular and our annual report. We will send you an email telling you when they are available on our website. If you do not sign up for this service, we will continue to send you these documents by mail.

How to sign up – registered shareholders

You are a registered shareholder if your name appears on your share certificate.

If you are not sure whether you are a registered shareholder, please contact CIBC Mellon at 1-800-387-0825.

To sign up go to the website www.cibcmellon.com/electronicdistribution and follow the instructions.

How to sign up – non-registered shareholders

You are a non-registered shareholder if your bank, trust company, securities broker or other financial institution (your nominee) holds your shares for you.

If you are not sure whether you are a non-registered shareholder, please contact CIBC Mellon at 1-800-387-0825.

To sign up, go to the website www.investordeliverycanada.com and follow the instructions.

SCHEDULE "A"

SPECIAL RESOLUTION REGARDING THE REDUCTION OF STATED CAPITAL

"BE IT RESOLVED THAT:

1. The directors of the Corporation are hereby authorized without further action on the part of the shareholders to: (i) make one or more special distribution(s) to shareholders of an aggregate amount of up to $300 million as a return of capital paid on the Class A variable voting shares, Class B voting shares and preferred shares (the "**Special Capital Distribution**") and (ii) to declare in such circumstances that the stated capital maintained in respect of each of the Class A variable voting shares, the Class B voting shares and the preferred shares of the Corporation be reduced pursuant to subsection 38(1) of the *Canada Business Corporations Act* immediately prior to the payment of the Special Capital Distribution(s) by the amount of the Special Capital Distribution(s) paid on each class of shares according to the terms and conditions set out in the articles of the Corporation. The directors are hereby granted the authority to determine the exact amount of the reduction of stated capital for each class of shares up to an aggregate maximum amount of $300 million for the three classes, to determine the exact time(s) at which this reduction will be effective, to effect the reduction of stated capital and to make the corresponding Special Capital Distribution(s) to shareholders in cash, in securities of a publicly traded entity or by any other means deemed appropriate by the directors. Such authority given to the directors shall automatically lapse at the end of the next annual meeting of shareholders of the Corporation;

2. The board of directors be authorized to revoke, at its sole discretion, this special resolution at any time before it is acted upon without the requirement to obtain any further approval from the shareholders; and

3. Any director or officer of the Corporation be authorized and directed for and in the name of and on behalf of the Corporation to execute or cause to be executed and to deliver or cause to be delivered, all such documents and instruments, and to do or cause to be done all such other acts and things as in the opinion of such director or officer may be necessary or desirable to carry out the intent of this special resolution."

SCHEDULE "B"

ORDINARY RESOLUTION REGARDING THE STOCK OPTION PLAN

"BE IT RESOLVED THAT:

1. The Stock Option Plan of the Corporation be amended to increase the aggregate number of Class A variable voting shares and/or Class B voting shares issuable under the plan from 5,052,545 to 6,078,882;

2. The board of directors be authorized to revoke, at its sole discretion, this ordinary resolution at any time before it is acted upon without the requirement to obtain any further approval from the shareholders; and

3. Any director or officer of the Corporation be authorized and directed for and in the name of and on behalf of the Corporation to execute or cause to be executed and to deliver or cause to be delivered, all such documents and instruments, and to do or cause to be done all such other acts and things as in the opinion of such director or officer may be necessary or desirable to carry out the intent of this resolution."