ACE AVIATION

ANNUAL INFORMATION FORM

March 26, 2010

TABLE OF CONTENTS

Page

EXPLANATORY NOTES

The information in this Annual Information Form is stated as at December 31, 2009, unless otherwise indicated.

ACE and the Corporation — References in this Annual Information Form to "ACE" and references to the "Corporation" include references, as the context may require, to ACE Aviation Holdings Inc. and its subsidiaries collectively, ACE Aviation Holdings Inc. and one or more of its subsidiaries, one or more of ACE Aviation Holdings Inc.'s subsidiaries, or ACE Aviation Holdings Inc. itself.

Subsidiaries — References herein to the term "subsidiary" or "subsidiaries" refer, in relation to any entity, to any other entity, including a corporation or a limited partnership, which is controlled, directly or indirectly, by that entity.

Defined Terms — For an explanation of the capitalized terms and expressions and certain defined terms, please refer to the "Glossary of Terms" at the end of this Annual Information Form.

Currency — All currency amounts used in this document are stated in Canadian dollars, unless otherwise indicated.

Statistical Information — Market data and certain industry forecasts used throughout this Annual Information Form were obtained from internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and ACE does not make any representation as to the accuracy of such information.

Forward-looking statements — ACE's public communications may include written or oral forward-looking statements within the meaning of applicable securities laws. Such statements are included in this Annual Information Form and may be included in other filings with regulatory authorities and securities regulators. Forward-looking statements relate to analyses and other information that are based on forecasts of future results and estimates of amounts not yet determinable. These statements may involve, but are not limited to, comments relating to strategies, expectations, planned operations or future actions. These forward-looking statements are identified by the use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will", "would", and similar terms and phrases, including references to assumptions.

Forward-looking statements, by their nature, are based on assumptions and are subject to important risks and uncertainties. Any forecasts or forward-looking predictions or statements cannot be relied upon due to, amongst other things, changing external events and general uncertainties of the business. Actual results may differ materially from results indicated in forward-looking statements due to a number of factors, including without limitation, industry, market, credit and economic conditions, the ability to reduce operating costs and secure financing, pension issues, energy prices, currency exchange and interest rates, employee and labour relations, competition, war, terrorist acts, epidemic diseases, insurance issues and costs, changes in demand due to the seasonal nature of the business, supply issues, changes in laws, regulatory developments or proceedings, pending and future litigation and actions by third parties as well as the factors identified throughout this Annual Information Form and, in particular, those identified in the section "Risk Factors" of this Annual Information Form. The forward-looking statements contained in this Annual Information Form represent ACE's expectations as of the date of this Annual Information Form, and are subject to change after such date. However, ACE disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required under applicable securities regulations.

THE CORPORATION

Nature of Business

ACE is a holding company with interests in Air Canada. The Class A variable voting shares (the "Variable Voting Shares") and the Class B voting shares (the "Voting Shares") of ACE are listed on the Toronto Stock Exchange ("TSX") under the symbols "ACE.A" and "ACE.B", respectively.

ACE was incorporated on June 29, 2004 under the Canada Business Corporations Act ("CBCA") and became the parent holding company of the reorganized Air Canada and its subsidiaries upon the implementation of the consolidated plan of reorganization, compromise and arrangement of Air Canada and certain of its subsidiaries under the CBCA, the Companies' Creditors Arrangement Act ("CCAA") and the Business Corporations Act (Alberta) which was implemented on September 30, 2004 (referred to herein as the "Plan").

On April 6, 2005, ACE completed a public offering of an aggregate of 11.35 million Voting Shares and Variable Voting Shares at a price of $37 per share for gross proceeds of approximately $420 million and approximately $300 million of 4.25% Convertible Senior Notes due 2035 (the "Notes"). ACE used approximately $553 million of the aggregate net cash proceeds of the offerings to repay all of its outstanding debt under the exit credit facility with General Electric Capital Corporation. On April 13, 2005, following the exercise of the over-allotment option by the underwriters, ACE issued an additional 1,135,000 Variable Voting Shares at a price of $37 per share and $30 million of Notes for additional aggregate gross proceeds of approximately $72 million. ACE used the additional proceeds for general corporate purposes.

On October 5, 2006, the shareholders of ACE approved a statutory plan of arrangement pursuant to the CBCA. On October 6, 2006, the Quebec Superior Court issued a final order approving the statutory plan of arrangement, which became effective October 10, 2006. The arrangement granted authority to the board of directors of ACE to make from time to time one or more distributions to ACE shareholders in an aggregate amount of up to $2 billion by way of reduction of the stated capital of the Variable Voting Shares, Voting Shares and convertible preferred shares (the "Preferred Shares"). As described in the section "Evolution of Business", during the first half of 2007, ACE shareholders received distributions under the arrangement in an aggregate amount of approximately $2 billion.

On December 3, 2007, ACE announced a substantial issuer bid to purchase for cancellation up to $1.5 billion of its Variable Voting Shares and Voting Shares for an aggregate of 54,151,624 shares. On January 10, 2008, ACE announced the final results of its offer to purchase $1.5 billion of its Variable Voting Shares and Voting Shares and confirmed that it had taken up and accepted for purchase and cancellation a total of 40,023,427 Variable Voting Shares and 9,894,166 Voting Shares at $30 per share for an aggregate purchase price of approximately $1.498 billion.

On May 9, 2008, ACE announced a substantial issuer bid to purchase for cancellation up to $500 million of its Variable Voting Shares and Voting Shares for an aggregate of up to 23,809,523 Variable Voting Shares and Voting Shares. On June 18, 2008, ACE announced the final results of its offer to purchase and confirmed that it had taken up and accepted for purchase and cancellation a total of 12,537,084 Variable Voting Shares and 10,190,187 Voting Shares at $22 per share for an aggregate purchase price of approximately $500 million.

On December 10, 2008, ACE announced that its board of directors had authorized a substantial issuer bid to purchase for cancellation all of its outstanding 4.25% Convertible Senior Notes due 2035 (the "Notes") at a purchase price of $900 in cash for each $1,000 principal amount of Notes. On January 19, 2009, ACE announced that $259 million aggregate principal amount of Notes were deposited and taken up under the offer for an aggregate purchase price of $233 million.

On December 10, 2008, ACE also announced that its board of directors had authorized a substantial issuer bid to indirectly purchase for cancellation all of its outstanding Preferred Shares at a purchase price of $20 in cash per Preferred Share. On January 19, 2009, ACE announced that an aggregate of 8.3 million Preferred Shares were deposited and taken up under the offer for an aggregate purchase price of $166 million.

On December 10, 2008, ACE announced its intention to seek court and shareholder approvals for a plan of arrangement, pursuant to which it would proceed with a liquidation and its net assets, including its shares in Air Canada, would be distributed after providing for outstanding liabilities and costs of the transaction. On January 21, 2009, ACE announced that the special meeting of shareholders of ACE, initially scheduled for February 27, 2009, had been postponed to April 7, 2009. On March 2, 2009, ACE announced that it was continuing to engage with its shareholders and, in light of current market conditions, it was appropriate to further postpone the special meeting of shareholders scheduled for April 7, 2009.

On February 10, 2009, ACE announced a substantial issuer bid to purchase for cancellation its remaining 4.2 million convertible Preferred Shares outstanding at a purchase price of $20 in cash per Preferred Share. ACE signed a lock-up agreement with GLG Market Neutral Fund, which held 1 million Preferred Shares, to tender them into the offering. On March 19, 2009, ACE announced the final results of its offer to purchase and confirmed that it had taken up and accepted for purchase and cancellation 1 million Preferred Shares for an aggregate purchase price of $20 million.

On September 21, 2009, ACE announced that it had entered into an agreement with Morgan Stanley Canada Limited pursuant to which ACE indirectly acquired for cancellation all of its remaining 3.2 million Preferred Shares at a price of $23.00 per share for an aggregate purchase price of $73.6 million.

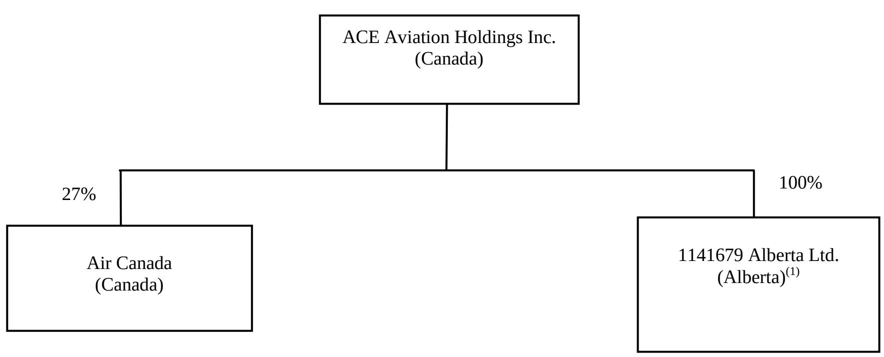
On November 23, 2009, ACE announced the launch of a substantial issuer bid to purchase for cancellation up to $20 million of ACE's Variable Voting Shares and Voting Shares. On January 6, 2010, ACE announced the final results of its offer to purchase and confirmed that it had taken up and accepted for purchase and cancellation a total of 1,401,094 Variable Voting Shares and 1,824,711 Voting Shares at a purchase price $6.20 per share for an aggregate purchase price of $20 million.

On December 14, 2009, ACE redeemed all of its remaining Notes in accordance with their terms at a redemption price equal to their principal amount plus accrued and unpaid interest for an aggregate redemption price of approximately $64 million.

The head office of ACE is located at 5100 de Maisonneuve Boulevard West, Montreal, Québec, H4A 3T2. The telephone number of the Corporate Secretary's office of ACE is (514) 205-7855 and facsimile number is (514) 205-7859. ACE's website address is www.aceaviation.com (for greater certainty, this website is not in any way incorporated by reference herein).

Corporate Structure

The following table lists ACE's principal interests as of March 26, 2010, including the jurisdictions of constitution and the percentage of equity held or controlled directly or indirectly by ACE:



(1) 1141679 Alberta Ltd. is a corporation incorporated under the laws of Alberta which holds and manages cash and investments.

Certain subsidiaries, each of which represents not more than 10% of the consolidated assets and not more than 10% of the consolidated sales and operating revenues of ACE, and all of which, in the aggregate, represent not more than 20% of the total consolidated assets and the total consolidated sales and operating revenues of ACE at December 31, 2009, have been omitted.

Air Canada

Air Canada is Canada's largest domestic and international airline and the largest provider of scheduled passenger services in the Canadian market, the Canada-US transborder market and in the international market to and from Canada.

On November 24, 2006, ACE and Air Canada completed an initial public offering and secondary offering of an aggregate 25 million Class A variable voting shares and Class B voting shares of Air Canada at $21 per share. Through the initial public offering, Air Canada sold an aggregate of 9,523,810 Class A variable voting shares and Class B voting shares for gross proceeds of approximately $200 million. In the secondary offering, ACE sold an aggregate of 15,476,190 Class A variable voting shares and Class B voting shares for gross proceeds of approximately $325 million. Immediately after the completion of the offering, ACE held a 75% ownership interest in Air Canada.

On July 29, 2009, ACE announced that its participation in Air Canada's credit facility of $600 million amounted to $150 million. As permitted under the terms of the credit facility, an additional $100 million was drawn down from new lenders in February 2010. ACE's $150 million loan participation is repayable in equal consecutive quarterly instalments of $7.5 million starting August 1, 2010, with a final payment of $30 million due by the fifth anniversary of the initial drawdown. Under the credit facility, ACE received 1,250,000 warrants on July 30, 2009 for the purchase of Air Canada's Class B voting shares at an exercise price of $1.51 per share, exercisable at any time, and expiring on July 30, 2013. An additional 1,250,000 warrants were issued to ACE under the credit facility on October 19, 2009 and have an exercise price of $1.44 per share, exercisable at any time, and expiring on October 19, 2013. The terms of the credit facility and warrants are described under "Evolution of the Business – Air Canada Credit Facility".

On October 27, 2009, Air Canada announced that it had completed the closing of an offering of 160,500,000 units, with each unit comprised of one Class A variable voting share or one Class B voting share of Air Canada, and one-half of one share purchase warrant (each whole warrant, an "AC Offering Warrant"). Each of the AC Offering Warrant entitles its holder to purchase one Class A variable voting share or one Class B voting share of Air Canada at an exercise price of $2.20 per share, for an aggregate of 80,250,000 shares of Air Canada issuable upon the exercise of the AC Offering Warrants (subject to standard adjustments in accordance with the terms of the AC Offering Warrants). The AC Offering Warrants expire on October 27, 2012, subject to early termination in accordance with their terms. ACE did not purchase units under such offering. On October 26, 2009, Air Canada issued 17.6 million Class B voting shares under the pension funding agreements announced in July 2009. As a result of the increased number of shares of Air Canada that are issued and outstanding, the percentage of the issued and outstanding shares of Air Canada that is held by ACE has decreased to 27%.

The shares of Air Canada are listed on the TSX under the symbol AC.A for its Class A variable voting shares and the AC.B for its Class B voting shares. The AC Offering Warrants are also listed on the TSX under the symbol AC.WT.

The head office of Air Canada is located at 7373 Côte Vertu Boulevard West, Saint-Laurent, Québec, H4S 1Z3. Air Canada's website address is www.aircanada.com (for greater certainty, this website is not in any way incorporated by reference herein).

EVOLUTION OF BUSINESS

Air Canada's Consolidated Plan of Reorganization, Compromise and Arrangement

On September 30, 2004, Air Canada and the following of its then wholly-owned subsidiaries: Jazz Air Inc., ZIP Air Inc., 3838722 Canada Inc., Air Canada Capital Ltd., Manoir International Finance Inc., Simco Leasing Ltd., and Wingco Leasing Inc. emerged from creditor protection under the CCAA and implemented the Plan. The purpose of the Plan, together with Air Canada's new business strategy, was to restructure the capitalization, operations and cost structure of Air Canada. The Plan and the new business strategy were designed to:

(i) reduce Air Canada's operating costs to a competitive level through the renegotiation of collective bargaining agreements, aircraft leases, property leases and various other commercial agreements;

(ii) implement a fleet renewal program to achieve the appropriate number, size and mix of aircraft for Air Canada's route network;

(iii) complete a restructuring of Air Canada's debt and lease obligations;

(iv) redefine Air Canada's core product offerings to enable it to compete effectively in the current and future airline industry environment; and

(v) reorganize Air Canada's corporate structure to enable certain key businesses to better compete for third party business and generate value for their stakeholders.

The implementation of the Plan reduced Air Canada's debt (net of cash and cash equivalents) and lease obligations (on a present value basis) to approximately $4 billion as at December 31, 2004 compared to $12 billion as at December 31, 2002, prior to Air Canada's filing for protection under the CCAA. Also, as part of the implementation of the Plan, all the preferred shares of Air Canada were cancelled and all of the holders of common shares and Class A non-voting shares of Air Canada exchanged their shares for Voting Shares and Variable Voting Shares. Pursuant to such exchange, the former holders of common shares and Class A non-voting shares of Air Canada received 0.01% of the fully diluted equity of ACE upon emergence from the CCAA proceedings.

On September 30, 2004, as part of the implementation of the Plan, Air Canada reorganized its corporate structure. Pursuant to such corporate reorganization, APLN Limited Partnership (a predecessor to Aeroplan), Jazz Air Inc. (the predecessor to Jazz Air Limited Partnership and Jazz Air LP) and Touram Inc. (the predecessor to Touram Limited Partnership), which were already established as stand-alone entities under Air Canada, became stand-alone entities under ACE, while ACTS Limited Partnership (a predecessor to ACTS LP), AC Cargo Limited Partnership and ACGHS Limited Partnership were established as stand-alone limited partnerships under ACE.

Rights Offering

As part of the Plan, ACE offered rights to Air Canada's creditors with proven claims to subscribe for up to $850 million of Voting Shares and/or Variable Voting Shares. Pursuant to its standby purchase agreement with Air Canada, Deutsche Bank Securities Inc. ("Deutsche Bank") agreed to act as the exclusive standby purchaser in respect of the rights offering. Deutsche Bank and the participants in its syndicate subscribed for all the Voting Shares and Variable Voting Shares not otherwise subscribed for by the creditors at a subscription price per share of $21.50, which represented the subscription price of $20 paid by creditors, plus a premium of $1.50. On September 30, 2004, ACE completed the issuance of Voting Shares and Variable Voting Shares under such rights offering for total gross proceeds of $865 million, including the amount of the premium paid by Deutsche Bank and the participants of its syndicate pursuant to the standby purchase agreement.

Investment Agreement

On September 30, 2004, Promontoria Holding III B.V. ("Cerberus Affiliate") invested $250 million in ACE in consideration for the issuance to it of 12,500,000 Preferred Shares initially convertible into 9.16% of the fully diluted equity of ACE upon emergence from the CCAA proceedings.

Pursuant to the investment agreement with the Cerberus Affiliate dated June 23, 2004 ("Investment Agreement"), three of the eleven members of the board of directors of ACE appointed pursuant to the Plan were designated by the Cerberus Affiliate. The Investment Agreement provided the Cerberus Affiliate with director nomination rights and access to certain financial and operating information of ACE.

ACE indirectly purchased for cancellation the remaining Preferred Shares held by the Cerberus Affiliate on January 19, 2009 as a result of ACE's offer to purchase all of the issued and outstanding Preferred Shares dated December 12, 2008. The Cerberus Affiliate no longer holds any Preferred Shares nor any rights to designate members of the board of directors of ACE.

Public Offering of ACE Voting Shares, Variable Voting Shares and Convertible Senior Notes due 2035

On April 6, 2005, ACE completed a public offering of an aggregate of 11.35 million Voting Shares and Variable Voting Shares at a price of $37 per share for gross proceeds of approximately $420 million and approximately $300 million of Notes. ACE used approximately $553 million of the aggregate net cash proceeds of the offerings to repay all of its outstanding debt under the exit credit facility with General Electric Capital Corporation. On April 13, 2005, following the exercise of the over-allotment option by the underwriters, ACE issued an additional 1,135,000 Variable Voting Shares at a price of $37 per share and $30 million of Notes for additional aggregate gross proceeds of approximately $72 million. ACE used the additional proceeds for general corporate purposes.

Initial Public Offering of Aeroplan Income Fund

On June 29, 2005, Aeroplan Income Fund completed its initial public offering of 25 million units at a price of $10 per unit for aggregate gross proceeds of approximately $250 million. On June 30, 2005, following the exercise of the over-allotment option by the underwriters, Aeroplan Income Fund issued an additional 3.75 million units at a price of $10 per unit for additional gross proceeds of approximately $37.5 million. In connection with the June 29, 2005 offering, Aeroplan Limited Partnership completed a $475 million senior secured syndicated credit facility, $300 million of which was used to fund a portion of the reserve for Aeroplan Mile redemption.

US Airways Group Inc.

On September 27, 2005, ACE invested $87 million (US$75 million) in US Airways Group Inc. ("US Airways") in conjunction with the carrier's exit from US bankruptcy proceedings. In connection with the equity investment, ACE also received options to purchase additional common shares in US Airways. On closing of the transaction, ACE sold these options for proceeds of $1 million. In the second and third quarters of 2006, ACE disposed of 4.5 million shares of its holdings in US Airways for net proceeds of $232 million and recorded a gain of $152 million. During 2007, ACE disposed of the remaining 500,000 shares in US Airways for net proceeds of $16 million.

Initial Public Offering of Jazz Air Income Fund

On February 2, 2006, ACE completed an initial public offering of the Jazz Air Income Fund, issuing 23.5 million units at a price of $10 per unit for aggregate gross proceeds of approximately $235 million. In addition, on February 27, 2006, Jazz Air Income Fund issued an additional 1.5 million units at a price of $10 per unit for additional gross proceeds of $15 million from the exercise of an over-allotment option. In addition, a $150 million secured syndicated credit facility was established by Jazz Air Limited Partnership of which approximately $115 million was drawn on closing of the offering.

Distribution of Units of Aeroplan Income Fund by ACE

On March 3, 2006, ACE effected a distribution by way of reduction of capital to its shareholders of record as at such date of 0.18 units of Aeroplan Income Fund per Variable Voting Share, Voting Share and Preferred Share (on an as converted basis) of ACE. For the purposes of the distribution, ACE converted 20,204,165 units of Aeroplan Limited Partnership into 20,204,165 units of Aeroplan Income Fund which were distributed to ACE's shareholders on the record date.

Initial Public Offering and Secondary Public Offering of Air Canada Shares

On November 24, 2006, ACE and Air Canada completed an initial public offering and secondary offering of an aggregate 25 million Class A variable voting shares and Class B voting shares of Air Canada at $21 per share for gross proceeds of $525 million. Through the initial public offering, Air Canada sold an aggregate of 9,523,810 Class A variable voting shares and Class B voting shares for gross proceeds of approximately $200 million. In the secondary offering, ACE sold an aggregate of 15,476,190 Class A variable voting shares and Class B voting shares for gross proceeds of approximately $325 million.

Prior to the closing of the initial public offering, ACE proceeded with a reorganization of its corporate structure. Pursuant to such reorganization, the partnership interests, as well as the interests in the general partners of ACGHS Limited Partnership and AC Cargo Limited Partnership not held by Air Canada, were transferred to Air Canada and ACE transferred a 51% partnership interest in, as well as a 51% interest in the general partner of, Touram Limited Partnership to Air Canada. In 2007, ACE sold to Air Canada its remaining 49% interest in Touram Limited Partnership causing Touram Limited Partnership to be 100% owned by Air Canada.

Further to such initial public offering and secondary offering, ACE held a 75% ownership interest in Air Canada.

Statutory Arrangement of ACE and Initial Distribution to its Shareholders

On October 5, 2006, ACE's shareholders approved a statutory arrangement pursuant to the CBCA granting authority to the board of directors of ACE to make, from time to time, one or more distributions in an aggregate amount of up to $2 billion to ACE shareholders by way of reduction of the stated capital on the Variable Voting Shares, Voting Shares and Preferred Shares.

Pursuant to the statutory arrangement, ACE announced on December 28, 2006 the terms of an initial distribution of 50 million units of Aeroplan Income Fund to ACE shareholders. ACE shareholders on January 10, 2007, the record date for the distribution, received a distribution of approximately 0.442 units of

Aeroplan Income Fund per Variable Voting Share, Voting Share and Preferred Share (on an as converted basis) of ACE.

Acquisition by ACTS LP of Majority Stake of Aeroman

On February 13, 2007, ACTS LP, through a wholly-owned subsidiary, acquired 80% of Aeroman, the aircraft maintenance division of Grupo TACA of El Salvador. Total consideration for this acquisition included cash as well as a right to acquire an equity stake in ACTS LP. The cash component of US$44.7 million consisted of cash of US$42.7 million on closing and milestone payments of up to US$2 million in the aggregate, funded by ACTS LP through ACE's available cash resources. A Class A non-voting exchangeable share in a wholly-owned subsidiary of ACTS LP was issued to Grupo TACA. Subsequent to the issue, ACE agreed to a transfer of Grupo TACA's rights to a Grupo TACA related party. The rights attached to the exchangeable share provide for, upon the closing of the monetization transaction pertaining to ACTS, the exchangeable share held by Grupo TACA to be exchanged for an equity stake in ACTS LP. As part of the monetization process, on October 16, 2007, the exchangeable share was exchanged for a 5% equity stake in ACTS Aero and approximately $31 million in cash. Grupo TACA also had a put option, which was exercised in June 2008, to sell its equity in ACTS Aero to ACE over the period of 12 months commencing on October 16, 2007.

Second Distribution to ACE Shareholders under Statutory Arrangement

On March 2, 2007, ACE announced a second distribution to its shareholders by way of reduction of stated capital under the statutory arrangement approved on October 5, 2006, pursuant to which ACE shareholders of record on March 14, 2007 received approximately 0.177 units of Aeroplan Income Fund and 0.219 units of Jazz Air Income Fund per Variable Voting Share, Voting Share and Preferred Share (on an as converted basis) of ACE.

Third Distribution to ACE Shareholders under Statutory Arrangement

On May 11, 2007, ACE announced a third distribution to its shareholders by way of reduction of stated capital under the statutory arrangement approved on October 5, 2006, pursuant to which ACE shareholders of record on May 24, 2007 received approximately 0.157 units of Aeroplan Income Fund and 0.105 units of Jazz Air Income Fund per Variable Voting Share, Voting Share and Preferred Share (on an as converted basis) of ACE.

Monetization of ACTS LP

On June 22, 2007, ACE announced that it had agreed to sell a 70% interest in the business of its wholly-owned maintenance, repair and overhaul subsidiary ACTS LP to a consortium consisting of Sageview Capital LLC, a private investment firm, and KKR Private Equity Investors, L.P., the publicly traded fund of Kohlberg Kravis Roberts & Co. The transaction was completed on October 16, 2007 and ACE received net cash proceeds of $723 million. Within six months of closing, ACE was entitled to receive up to an additional $40 million in cash proceeds, from funds held in escrow, conditional upon the completion of certain supplier contracts within specified terms. On January 14, 2008, ACE announced that it had received the full balance of $40 million. As a result of the transaction, ACE continued to own 100% of ACTS LP, which is now a non-operating entity, and ACTS Aero conducted the business previously operated by ACTS LP.

Following the redemption of the exchangeable share issued to a party related to Grupo TACA, the establishment of an initial ACTS Long Term Incentive Plan and the exercise of the put option by an entity related to Grupo TACA in June 2008 to sell its 5% equity interest in ACTS Aero to ACE for approximately

$19 million, ACE held a 27.8% equity interest in ACTS Aero which purchased the assets and conducted the business previously operated by ACTS LP.

Secondary Offering of Units of Jazz Air Income Fund and Aeroplan Income Fund

On October 1, 2007, ACE announced that it had entered into an agreement with a group of underwriters to sell an aggregate of 35.5 million trust units of Jazz Air Income Fund at a price of $7.75 per unit for gross proceeds of $275.1 million. On the same day, ACE announced that it had also entered into an agreement with a group of underwriters to sell an aggregate of 22 million trust units of Aeroplan Income Fund at a price of $21.90 per unit, for gross proceeds of $481.8 million. On October 22, 2007, ACE completed the secondary offering of 22 million units of Aeroplan Income Fund and 35.5 million units of Jazz Air Income Fund and received aggregate net proceeds of $726 million.

Substantial Issuer Bid: ACE offer to repurchase up to $1.5 billion of its Variable Voting Shares and Voting Shares

On December 3, 2007, ACE announced a substantial issuer bid to purchase for cancellation up to $1.5 billion of its Variable Voting Shares and Voting Shares for an aggregate of 54,151,624 shares. The offer was made by way of a "modified Dutch auction" and expired at 5:00 p.m. (Montreal time) on January 10, 2008. The holders of Preferred Shares were entitled to participate in the offer by depositing their Preferred Shares on an as-converted basis. On January 10, 2008, ACE announced the final results of its offer to purchase $1.5 billion of its Variable Voting Shares and Voting Shares and confirmed that it had taken up and accepted for purchase and cancellation a total of 40,023,427 Variable Voting Shares and 9,894,166 Voting Shares at $30 per share for an aggregate purchase price of approximately $1.498 billion. No Preferred Shares of ACE were deposited under the offer.

Sale of 13 million Units of Jazz Air Income Fund

On January 16, 2008, ACE announced its acceptance of an offer to sell a total of 13 million units of Jazz Air Income Fund on an exempt trade basis to certain funds and accounts managed by West Face Capital Inc. and to Sunrise Partners Limited Partnership at a price of $7.45 per unit representing total gross proceeds to ACE of approximately $96.85 million. The sale closed on January 24, 2008. Immediately following the closing of the sale, ACE's interest in Jazz Air Income Fund represented approximately 9.5% of all the units issued and outstanding.

The securityholders' agreement was terminated by the parties effective as of February 7, 2008.

Sale of 20.4 million Units of Aeroplan Income Fund

On April 2, 2008, ACE announced that it had entered into an agreement with a group of underwriters to sell an aggregate of 20.4 million trust units of Aeroplan Income Fund at a price of $17.50 per unit for gross proceeds of $357 million. On April 21, 2007, ACE completed the secondary offering of 20.4 million units of Aeroplan Income Fund and received aggregate net proceeds of approximately $342.7 million. Immediately following the offering, ACE retained 19,892,088 units of Aeroplan Income Fund, representing 9.9% of all the units issued and outstanding.

The securityholders' agreement was terminated by the parties effective as of May 9, 2008.

Substantial Issuer Bid: ACE offer to repurchase up to $500 million of its Variable Voting Shares and Voting Shares

On May 9, 2008, ACE announced a substantial issuer bid to purchase for cancellation up to $500 million of its Variable Voting Shares and Voting Shares for an aggregate of 23,809,523 shares. The offer was made by way of a "modified Dutch auction" and expired at 5:00 p.m. (Montreal time) on June 18, 2008. The holders of Preferred Shares were entitled to participate in the offer by depositing their Preferred Shares on an as-converted basis. On June 18, 2008, ACE announced the final results of its offer to purchase $500 million of its Variable Voting Shares and Voting Shares and confirmed that it had taken up and accepted for purchase and cancellation a total of 12,537,084 Variable Voting Shares and 10,190,187 Voting Shares at $22 per share for an aggregate purchase price of approximately $500 million. No Preferred Shares of ACE were deposited under the offer.

Sale of ACE's remaining units of Aeroplan Income Fund and Jazz Air Income Fund

On May 28, 2008, ACE announced that it had sold in the market a total of 19,892,088 units of Aeroplan Income Fund for total net proceeds to ACE of approximately $349.3 million and a total of 11,726,920 units of Jazz Air Income Fund for total net proceeds to ACE of approximately $85.0 million.

Immediately following such transactions, ACE retained no further interest in Aeroplan Income Fund and Jazz Air Income Fund.

Substantial Issuer Bids: ACE offer to repurchase outstanding Notes and Preferred Shares

On December 10, 2008, ACE announced that its board of directors had authorized a substantial issuer bid to purchase for cancellation all of its outstanding Notes at a purchase price of $900 in cash for each $1,000 principal amount of Notes. On January 19, 2009, ACE announced that $259 million aggregate principal amount of Notes were deposited and taken up under the offer for an aggregate purchase price of $233 million.

On December 10, 2008, ACE also announced that its board of directors had authorized a substantial issuer bid to indirectly purchase for cancellation all of its outstanding Preferred Shares at a purchase price of $20 in cash per Preferred Share. On January 19, 2009, ACE announced that an aggregate of 8.3 million Preferred Shares were deposited and taken up under the offer for an aggregate purchase price of $166 million.

Intention to Seek Court and Shareholder Approvals to Liquidate and Distribute Assets to Shareholders

On December 10, 2008, ACE also announced its intention to seek court and shareholder approvals for a plan of arrangement pursuant to which it would proceed with a liquidation and its net assets, including its shares in Air Canada, would be distributed after providing for outstanding liabilities and costs of the transaction.

On December 19, 2008, ACE announced that, subject to court and regulatory approvals, it would hold a special meeting of shareholders on February 27, 2009 in Montreal. At the meeting, shareholders would be asked to approve a plan of arrangement pursuant to which a court appointed liquidator would proceed with the distribution of ACE's net assets after providing for outstanding liabilities and costs of the transaction.

On January 21, 2009, ACE announced that the date of the special shareholders meeting at which shareholders would be asked to approve the previously announced plan of arrangement for the liquidation and dissolution of ACE was postponed to April 7, 2009. Given the results of the substantial issuer bids for Notes and Preferred Shares announced on December 10, 2008, and also considering the stated intent to oppose the plan of arrangement made public by certain shareholders of ACE and the tax and other preparatory work required in advance of the plan of arrangement, ACE had determined that the postponement of the shareholders meeting was appropriate. ACE announced that, in the meantime, in pursuance of the plan of arrangement, it would continue to explore opportunities, including possible further substantial issuer bids, and that, in light of the publicly stated opposition of certain shareholders with respect to the plan of arrangement, it would also consider other alternatives available to it with a view to achieving an optimal outcome.

Substantial Issuer Bid: ACE offers to repurchase outstanding Preferred Shares

On February 10, 2009, ACE announced a substantial issuer bid to purchase for cancellation its remaining 4.2 million convertible Preferred Shares outstanding at a purchase price of $20 in cash per Preferred Share. ACE had signed a lock up agreement with GLG Market Neutral Fund, which held 1 million Preferred Shares, to tender into the offering. On March 19, 2009, ACE announced the final results of its offer to purchase and confirmed that it had taken up and accepted for purchase and cancellation 1 million Preferred Shares for an aggregate purchase price of $20 million.

ACE Postpones Shareholder Meeting

On March 2, 2009, ACE announced that, as it is continuing to engage with its shareholders and in light of current market conditions, the special meeting of shareholders of ACE scheduled for April 7, 2009 at which shareholders would have been asked to approve the previously announced plan of arrangement for the liquidation and dissolution of ACE, had been postponed. ACE also announced that it continued to evaluate all the alternatives available to it with a view to arriving at an optimal outcome.

Air Canada appoints new President and Chief Executive Officer

On March 30, 2009, Air Canada announced the appointment of Calin Rovinescu as President and Chief Executive Officer effective April 1, 2009.

Air Canada Credit Facility

On July 29, 2009, ACE announced its participation of $150 million in Air Canada's $600 million credit facility. As permitted under the terms of the credit facility, an additional $100 million was drawn down from new lenders in February 2010. Under the credit facility, ACE received on July 30, 2009 1,250,000 warrants for the purchase of Class B Voting Shares of Air Canada at an exercise price of $1.51 per share, exercisable at any time, and expiring on July 30, 2013. On October 19, 2009, ACE received an additional 1,250,000 warrants with an exercise price of $1.44 per share, exercisable at any time, and expiring on October 13, 2013.

ACE's pro-rata share of the credit facility is repayable in 16 consecutive quarterly instalments commencing in August 2010 of $7.5 million with the final instalment of $30 million due in July 2014. The credit facility bears interest at a rate based upon the greater of the bankers' acceptance rate or 3.00% plus 9.75% (12.75% as at December 31, 2009). The credit facility can be repaid at any time, in whole or in part, with the payments of applicable fees, subject to a minimum repayment of $10 million.

Air Canada's obligations under the credit facility are secured by a first priority security interest and hypothec over substantially all the present and after-acquired property of Air Canada and its subsidiaries, subject to certain exclusions and permitted liens.

The credit facility contains customary representations and warranties and is subject to customary terms and conditions (including negative covenants, financial covenants and events of default). Financial covenants require Air Canada to maintain, as of the last business day of each month, a minimum liquidity level (as defined per the credit facility and generally based upon the balances as reported in Cash and cash equivalents and Short-term investments) of $800 million and a minimum EBITDAR (earnings before interest, income taxes, depreciation, amortization, aircraft rentals, certain non-operating income (expense) and special items) and an interest coverage ratio test determined as at the end of each fiscal quarter. In addition, Air Canada is required to maintain securities of $800 million in accounts subject to securities control agreements. The securities in such accounts would become restricted if Air Canada defaults on certain terms of the agreement.

ACE repurchases remaining Preferred Shares

On September 21, 2009, ACE announced it had entered into an agreement with Morgan Stanley Canada Limited pursuant to which ACE indirectly acquired for cancellation all of its remaining 3.2 million preferred shares at a price of $23.00 per preferred share for an aggregate purchase price of $73,600,000. The transaction was implemented pursuant to an exemption from the formal issuer bid and valuation requirements of applicable securities laws.

Air Canada completes offering and issuance of shares under pension funding arrangements

On October 27, 2009, Air Canada announced that it had completed the closing of an offering of 160,500,000 units, with each unit comprised of one Class A variable voting share or one Class B voting share of Air Canada, and one-half of one AC Offering Warrant. Each AC Offering Warrant entitles its holder to purchase one Class A variable voting share or one Class B voting share of Air Canada at an exercise price of $2.20 per share, for an aggregate of 80,250,000 shares of Air Canada issuable upon the exercise of the AC Offering Warrants (subject to standard adjustments in accordance with the terms of the AC Offering Warrants). The AC Offering Warrants expire on October 27, 2012, subject to early termination in accordance with their terms. ACE did not purchase units under such offering.

On October 26, 2009, Air Canada issued 17.6 million Class B voting shares under the pension funding agreements announced by Air Canada in July 2009. As a result of the increased number of shares of Air Canada that are issued and outstanding, the percentage of the issued and outstanding shares of Air Canada that is held by ACE has decreased to 27%.

Substantial Issuer Bid: ACE offer to repurchase up to $20 million of its Variable Voting Shares and Voting Shares

On November 23, 2009, ACE announced the launch of a substantial issuer bid to purchase for cancellation up to $20 million of ACE's Variable Voting Shares and Voting Shares. On January 6, 2010, ACE announced the final results of its offer to purchase and confirmed that it had taken up and accepted for purchase and cancellation a total of 1,401,094 Variable Voting Shares and 1,824,711 Voting Shares at a purchase price $6.20 per share for an aggregate purchase price of $20 million.

ACE redeems all of its remaining convertible notes

On December 14, 2009, ACE redeemed all of its remaining Notes in accordance with their terms at a redemption price equal to their principal amount plus accrued and unpaid interest for an aggregate redemption price of approximately $64 million.

Aveos Restructuring and Lock-Up Agreement

As of December 31, 2009, ACE held a 27.8% ownership interest in ACTS Aero. On January 22, 2010, ACE entered into a Restructuring and Lockup Agreement with Aveos, ACTS Aero, lenders and other shareholders. The restructuring was completed on March 12, 2010. Under the terms of the restructuring, ACE transferred its shares in ACTS Aero to a newly formed company, in which ACE has no interest, for nil consideration.

OVERVIEW OF THE BUSINESS

Strategy

ACE established its corporate structure in 2004 which was designed to: (i) put in place separate management and business plans for each business to better focus their strategic direction and profit making efforts; (ii) align management, capital and human resource needs within each individual business; (iii) facilitate the development of each business to its fullest individual potential including, where appropriate, through the pursuit of third party business; and (iv) maximize the value of investments that had not been fully recognized.

ACE's value enhancement strategy for its stand-alone entities included considering stand-alone financings, sales and distributions of equity interests and involved outside investors for these and other purposes. Implementation of this strategy has notably involved the initial public offerings of Aeroplan Income Fund, Jazz Income Fund and Air Canada and subsequent distributions or dispositions of ACE's interests in such entities, together with the monetization of ACTS LP and the other transactions as outlined in section "Evolution of Business" of this annual information form.

In addition, ACE continued to execute its strategy on several fronts resulting in additional value realization and significant distributions to ACE shareholders, including (i) the distribution of $2 billion worth of Aeroplan Income Fund and Jazz Air Income Fund units to ACE shareholders by way of return of capital; (ii) the acquisition by ACTS LP of an 80% interest in Aeroman, a maintenance, repair and overhaul operation located in Central America; (iii) the monetization of 70% of ACTS resulting in the receipt of $763 million of cash and a retained 27.8% equity interest; (iv) secondary offerings of Aeroplan Income Fund and Jazz Air Income Fund for net cash proceeds of approximately $1.166 billion; (v) the launch of a $1.5 billion substantial issuer bid in December 2007, a $500 million substantial issuer bid in May 2008 and a $20 million substantial issuer bid in November 2009 to purchase Variable Voting Shares and Voting Shares; (vi) the sale of its remaining units in Aeroplan Income Fund and Jazz Air Income Fund in June 2008 for net cash proceeds of approximately $434 million, (vii) the launch of substantial issuer bids to purchase all of the Notes and the Preferred Shares in December 2008, (viii) the launch a substantial issuer bid to purchase all of the remaining Preferred Shares in February 2009, (ix) the repurchase of its remaining Preferred Shares in September 2009, and (x) the redemption of its remaining Notes in December 2009.

On December 10, 2008, ACE announced its intention to seek court and shareholder approvals for a plan of arrangement, pursuant to which it would proceed with a liquidation and its net assets, including its shares in Air Canada, would be distributed after providing for outstanding liabilities and costs of the transaction. On January 21, 2009, ACE announced that the special meeting of shareholders of ACE, initially scheduled for February 27, 2009, had been postponed to April 7, 2009. On March 2, 2009, ACE announced that it was continuing to engage with its shareholders and, in light of current market conditions, it was appropriate to further postpone the special meeting of shareholders scheduled for April 7, 2009. In July 2009, ACE announced that given its participation in Air Canada's credit facility, it was unlikely that ACE would pursue a liquidation in the near term.

Going forward, the Board will continue to review alternatives to maximize the return to shareholders, including alternatives for its debt and equity interests in Air Canada.

Business of ACE

ACE had two reportable segments: Air Canada and Corporate Items and Eliminations ("CIE") until October 27, 2009, after which only one segment remains.

	Year ended December 31, 2009[(1) (2)] (in millions)		
	Air Canada	**CIE [(3)]**	**Total ACE**
Operating Revenue			
Passenger Revenue	$7,196	$-	$7,196
Cargo Revenue	282	-	282
Other Revenue	728	-	728
External Revenue	8,206	-	8,206
Inter-segment Revenue	1	(1)	-
Total Revenue	8,207	(1)	8,206
Operating Expenses	8,443	7	8,450
Operating loss	$(236)	$(8)	$(244)

(1) Segment information has been prepared consistent with how financial information is produced internally for the purposes of making business decisions.
(2) Effective October 27, 2009, the results, financial position and cash flows of Air Canada are not consolidated with ACE.
(3) CIE includes the corporate, financing and investing activities of ACE.

As at March 26, 2010, ACE had two full-time employees and four part-time consultants on an unconsolidated basis.

As at March 26, 2010, ACE's principal interests are its 27% interest in Air Canada (75 million Class B voting shares of Air Canada) and its $150 million share of Air Canada's $700 million credit facility.

AIR CANADA

Air Canada is Canada's largest domestic and international airline and the largest provider of scheduled passenger services in the Canadian market, the Canada-US transborder market and in the international market to and from Canada.

In 2009, Air Canada, together with Jazz Air LP ("Jazz"), operated, on average, approximately 1,331 scheduled flights daily and carried almost 31 million passengers and provided direct passenger service to 156 destinations and, through commercial agreements with other unaffiliated regional airlines, referred to as tier III carriers, to an additional 11 destinations, for a total of 167 direct destinations on five continents.

Air Canada enhances its network through a capacity purchase agreement with Jazz (the "Jazz CPA") pursuant to which Air Canada purchases substantially all of Jazz's fleet capacity based on predetermined rates and Air Canada determines the routes and schedule operated by Jazz. Jazz operates small jet and turboprop aircraft that have lower trip costs than conventional large jet aircraft, allowing Jazz to provide service to Air Canada's customers in lower density markets as well as in higher density markets at off-peak times throughout Canada and the United States.

Air Canada is a founding member of the Star Alliance® network. The Star Alliance® network currently includes 26 member airlines. Through its membership in the Star Alliance® network, Air Canada is able to offer its customers access to approximately 1,077 destinations in 175 countries, as well as reciprocal participation in frequent flyer programs and use of airport lounges.

Air Canada is in the process of concluding arrangements for the implementation of a transatlantic alliance with Continental Airlines, Lufthansa and United Airlines, (which, when concluded, is intended to be effective as of January 1, 2010) and which will enable Air Canada to offer its customers more value, choice and transparency when making their transatlantic travel plans.

Through its long-term relationship with Aeroplan, Air Canada's frequent flyer program provider, Air Canada is able to build customer loyalty by offering those customers who are Aeroplan® members the opportunity to earn Aeroplan® Miles when they fly with Air Canada. Aeroplan is also Air Canada's single largest customer. The relationship with Aeroplan is designed to provide a long-term stable and recurring source of revenue from the purchase by Aeroplan of Air Canada seats to be provided to Aeroplan® members who choose to redeem their Aeroplan® Miles for air travel rewards.

Air Canada also generates revenues from its Air Canada Cargo services division ("Air Canada Cargo") and from tour operator services provided by its wholly-owned subsidiary, Air Canada Vacations.

Routes and Schedules

Air Canada

In 2009, Air Canada (including Jazz) operated, on average, approximately 1,331 average daily departures to 56 destinations in Canada, 46 destinations in the United States and 54 destinations in the Canada–Europe, Canada–Pacific, Canada–Caribbean/Central America and Canada–South America markets. Domestic, transborder and international departures accounted for approximately 68%, 25% and 7%, respectively, of the approximately 1,331 average daily departures. In 2009, Air Canada's route network extended to 37 countries and territories.

In 2009, Air Canada, together with Jazz, carried almost 31 million passengers and provided direct passenger service to 156 destinations and, through commercial agreements with other unaffiliated regional airlines, to an additional 11 destinations, for a total of 167 direct destinations on five continents.

Air Canada's hubs are located in Toronto, Vancouver, Montreal and Calgary, each of which provides extensive access to domestic, transborder and the international markets.

Toronto Pearson Airport is the largest hub in Canada and a significant airline origin and destination market in North America. For the year ended December 31, 2009, Air Canada, together with Jazz, operated, on average, 287 daily departures from Toronto. Vancouver International Airport is the second largest hub in Canada and is Air Canada's gateway to the Pacific Rim. For the year ended December 31, 2009, Air Canada, together with Jazz, operated on average 139 daily departures from Vancouver. Montreal Trudeau Airport is the third most important hub in Air Canada's network. For the year ended December 31, 2009, Air Canada, together with Jazz, operated, on average, 123 daily departures from Montreal. Calgary International Airport is Air Canada's fourth largest hub. For the year ended December 31, 2009, Air Canada, together with Jazz, operated, on average, 102 daily departures from Calgary.

Domestic Services

In 2009, Air Canada, together with Jazz, provided the largest network and most extensive product offering in Canada, with scheduled direct passenger service to 56 Canadian destinations. The most important Canadian routes, in terms of operating revenues, are the transcontinental routes linking Toronto, Montreal and Ottawa with major Western Canadian cities, including Vancouver, Calgary, Edmonton and Winnipeg. Air Canada, together with Jazz, operates a large number of short-haul routes, including Rapidair® routes, linking Toronto, Montreal and Ottawa. Air Canada, together with Jazz, also offers frequent service linking major centres within Western Canada, and operates numerous flights including Calgary, Edmonton and Vancouver. In addition to transcontinental and commuter routes, Air Canada, together with Jazz, provides service between and within Central Canada, the Prairies and the Atlantic provinces.

Regional carriers, having commercial agreements with Air Canada, operate in markets not sufficiently large to be served by Air Canada or Jazz aircraft. These airlines operate flights under Air Canada's designator code. Air Canada does not own equity interests in any of these carriers.

Transborder Services

With the most non-stop destinations and flights from Canada to the United States, Air Canada, together with Jazz, carries more passengers between Canada and the United States than any other airline. Air Canada, together with Jazz, directly served 46 U.S. destinations in 2009. Air Canada's network reach is also increased by its extensive connections to, and code sharing flights with United Airlines (and United Express) and Continental Airlines (and Continental Express), two of its Star Alliance® partners.

In the summer of 2010, Air Canada, together with Jazz and its regional partners, will start flying to seven new U.S. destinations from its Toronto hub, including five new markets presently without Air Canada service from any of its hubs.

International Services

Air Canada is well positioned as Canada's largest scheduled international airline. In 2009, Air Canada provided scheduled service directly to 54 destinations in Europe, the Middle East, Asia, Australia, the Caribbean and Central America and South America.

Air Canada offers trans-Atlantic services to the United Kingdom, Germany, France, Switzerland, Israel, Ireland, Italy and Spain. Air Canada will be offering services to Denmark, Belgium and Greece in the summer of 2010.

Air Canada also offers services to the Asia–Pacific market via its Vancouver and Toronto hubs. Air Canada operates non-stop flights to Japan (Vancouver and Toronto to Tokyo), China (Vancouver and Toronto to Beijing, Shanghai and Hong Kong) and Korea (Vancouver to Seoul).

Air Canada has also expanded its services to South America, Australia and Central America/Caribbean. Air Canada currently provides service directly to six destinations in South America, one in Australia, seven in Central America and 25 in the Caribbean.

In the summer of 2010, Air Canada will start flying to Athens, Barcelona, Brussels and Copenhagen and is introducing a new non-stop service between Calgary and Tokyo at the end of March 2010.

Jazz

Jazz is an integral part of Air Canada's North American strategy. Jazz operates both domestic and transborder services for Air Canada under the Jazz CPA. Jazz operates scheduled passenger service on behalf of Air Canada with approximately 751 departures per weekday to 56 destinations in Canada and 30 destinations in the United States as at December 31, 2009. Approximately 30% of Jazz's traffic connects to Air Canada's mainline network. In 2009, Jazz contributed approximately 18% of Jazz's and Air Canada's combined domestic ASM capacity and approximately 19% of Jazz's and Air Canada's combined transborder ASM capacity.

Aircraft Fleet

Widebody Aircraft Fleet

Current Fleet of Widebody Aircraft

As at December 31, 2009, Air Canada's operating widebody fleet was comprised of 56 aircraft, each configured in two classes of service: Executive First or Executive Class, and Economy Class. The Airbus A330-300 aircraft is a 265-seat aircraft twin-engine aircraft that Air Canada operates mainly on trans-Atlantic routes. The Boeing 777-300ER aircraft is a 349-seat twin-engine aircraft used mainly on international routes. The Boeing 777-200LR aircraft is a long-range 270-seat twin-engine aircraft used mainly on international routes. The Boeing 767-300ER aircraft is a long-range 191-213-seat aircraft used mainly on international routes.

Boeing Orders and Financing Terms

In November 2005, Air Canada concluded agreements with the Boeing Company ("Boeing") for the acquisition of up to 36 Boeing 777 aircraft and up to 60 Boeing 787 Dreamliners. The initial order for the 36 Boeing 777 aircraft was comprised of firm orders for 18 aircraft plus purchase rights for 18 more. The initial order for the Boeing 787 aircraft was comprised of firm orders for 14 aircraft plus purchase rights, options and rolling options for 46 aircraft.

During 2007, Air Canada amended agreements with Boeing to cancel orders for two Boeing 777 aircraft scheduled for delivery in 2009. In addition, Air Canada increased its order for Boeing 787 aircraft by 23, bringing its total firm orders to 37 Boeing 787 aircraft.

As at December 31, 2009, all 16 Boeing 777 firm aircraft under the Boeing purchase agreement had been delivered.

In 2009, Air Canada and Boeing agreed to amend the purchase agreement for Boeing 787 aircraft to reduce the number of options for Boeing 787 aircraft by 10, from 23 to 13, and to provide for purchase rights for 10 Boeing 787 aircraft. Air Canada continues to have 37 firm orders for Boeing 787 aircraft. Air Canada and Boeing also agreed to amend certain commercial terms, including revisions to delivery dates. Air Canada's first Boeing 787 aircraft is now scheduled for delivery in the second half of 2013. Air Canada continues to hold purchase rights for 18 Boeing 777 aircraft.

For the firm aircraft orders, Air Canada has financing commitments from Boeing and the engine manufacturer covering 31 of the 37 Boeing 787 aircraft. The financing terms for 28 out of the 31 covered aircraft is for 80% of the aircraft delivery price and the term to maturity is 12 years with straight-line principal repayments. For the remaining three out of the 31 covered aircraft, the financing under the commitment covers up to 90% of the capital expenditure and the term to maturity is 15 years with principal payments made on a mortgage style basis resulting in equal installment payments of principal and interest over the term to maturity.

Narrowbody and Regional Jet Aircraft Fleet

Current Fleet of Narrowbody and Regional Jet Aircraft

As at December 31, 2009, Air Canada operated 146 narrowbody aircraft, including 86 Airbus narrowbody aircraft. These aircraft are configured in two classes of service: Executive Class and Economy Class. The Airbus A320 aircraft is a 146-seat, twin-engine aircraft. The twin-engine Airbus A319 aircraft offers 120 seats and is essentially a shortened version of the Airbus A320 aircraft, with the same engines, operating systems and flight deck. The twin-engine Airbus A321 aircraft is the largest narrowbody aircraft in the Airbus family, with 174 seats. The Embraer E190 and E175 aircraft are 93-seat and 73-seat twin-engine aircraft, respectively. These small jets have lower trip operating costs than Air Canada’s Airbus narrowbody aircraft. All of these narrowbody aircraft types primarily serve Air Canada's domestic, transborder and Caribbean routes.

Jazz's Regional Jet and Turboprop Aircraft Fleet

Pursuant to the Jazz CPA, Air Canada purchases capacity from Jazz in consideration for the payment of certain fees by Air Canada to Jazz. With the exception of one Bombardier CRJ-705, which is leased by Jazz from a third party, all the remaining Bombardier regional jet aircraft in Jazz's fleet are owned or leased by Air Canada or Air Canada Capital Ltd., a wholly-owned subsidiary of Air Canada, and leased or subleased to Jazz who operates them.

Air Canada entered into an agreement amending the terms of the Jazz CPA effective August 1, 2009. This amending agreement provides, among other things, for a reduction in Air Canada's commitment to Jazz's minimum fleet from 133 to 125 aircraft. The reduction in aircraft operated by Jazz on behalf of Air Canada shall commence with the return of eight CRJ-200 and two CRJ-100 aircraft upon the expiry of the subleases of such aircraft, through to April 2010. Following the return of these aircraft, the fleet operated by Jazz, on behalf of Air Canada, would, at that time, be reduced to 123 aircraft. On February 9, 2010, Jazz announced that it has signed a Letter of Intent with Bombardier Commercial Aircraft for the purchase, subject to the satisfaction of customary conditions, and finalizing a binding purchase agreement for a firm order of 15 Q400 NextGen aircraft with options for an additional 15 aircraft. Aircraft deliveries are planned to commence in May 2011. The aircraft will accommodate 74 passengers, and will be configured with a single cabin.

As at December 31, 2009, Jazz operated, on behalf of Air Canada, 70 Bombardier regional jet aircraft as Covered Aircraft under the Jazz CPA. The 50-seat Bombardier CRJ-100/200 aircraft is a twin-engine regional jet aircraft designed to provide superior performance and operating efficiencies for the regional airline industry. The Bombardier CRJ-100/200 aircraft is used primarily to serve lower density markets on routes of less than 1,000 miles, and to serve larger markets at "off peak" times. The 75-seat Bombardier CRJ-705 aircraft is configured into Executive Class and Economy Class cabins and is an economical aircraft due to its operational efficiencies and lower trip costs. These aircraft are used in selected domestic and transborder markets.

In addition, as at December 31, 2009, Jazz operated 60 Bombardier Dash 8 aircraft as Covered Aircraft under the Jazz CPA. With the exception of seven Dash 8-300 aircraft leased from third parties and five Dash 8-100 aircraft leased from Air Canada’s subsidiary, Air Canada Capital Ltd, all remaining Dash 8 aircraft forming part of the Covered Aircraft are owned by Jazz. Jazz also leases two Dash 8-100 aircraft from Air Canada Capital for its charter business. The Dash 8-100 aircraft is a twin-engine turboprop medium range aircraft with seating capacity of 37 passengers. The 50-seat Dash 8-300 aircraft has advanced turboprop characteristics that approach those of a jet aircraft. Turboprop aircraft continue to serve certain segments of the Canadian domestic market more efficiently than regional or larger jet aircraft. On short-haul routes with lower traffic volumes, turboprops often present a more economical and efficient way to serve these markets. Compared to larger jet aircraft, the turboprop is more profitable to operate on shorter routes with low levels of passenger demand due to its generally lower break-even load requirements.

Star Alliance®

Air Canada is a founding member of the Star Alliance® network, the world's largest airline alliance group. Air Canada operates an extended global network in conjunction with its international partners.

Since its inception in 1997, the Star Alliance® network has grown to include the following 26 airlines: Adria Airways, Air Canada, Air China, Air New Zealand, All Nippon Airways, Asiana Airlines, Austrian Airlines, Blue1, bmi, Brussels Airlines, Continental Airlines, Croatia Airlines, Egyptair, LOT Polish Airlines, Lufthansa, SAS, Shanghai Airlines, Singapore Airlines, South African Airways, Spanair, Swiss International Airlines, TAP Portugal, Thai Airways, Turkish Airlines, United Airlines, and U.S. Airways.

Through Air Canada's strategic and commercial arrangements with Star Alliance® members and other airlines, Air Canada's customers have access to over 1,077 destinations in 175 countries, with reciprocal participation in frequent flyer programs and use of airport lounges. The Star Alliance® is an alliance that brings together networks, lounge access, check-in services, ticketing and dozens of other services to improve the travel experience for customers. The airlines have implemented initiatives, such as common utilization of facilities, and are focusing on capturing potential synergies in additional areas. Air Canada code shares with all Star Alliance® members, except for Adria Airways, Blue 1, Croatia Airlines, Egyptair, Shanghai Airlines, South African Airways, Turkish Airlines, and U.S. Airways.

Other Services

Cargo Services

Air Canada Cargo provides direct cargo services to over 150 Canadian and international destinations and has sales representation in over 50 countries. Air Canada Cargo is Canada's largest provider of air cargo services as measured by cargo capacity. Air cargo services are provided on domestic and U.S. transborder flights and on international cargo services on routes between Canada and major markets in Europe, Asia, South America and Australia. Air Canada’s cargo network is also extended through interline agreements with other air carriers worldwide and through ground trucking services offered in selected markets.

Air Canada's primary customers for cargo services are large freight forwarding companies and businesses whose products require the use of air cargo services to expedite their cargo shipments. Cargo services offered by Air Canada include services for high priority shipments (AC Expedair® and AC Priority™) and air freight services (AC Air Freight™) to Air Canada destinations worldwide and most Jazz destinations in North America. Air Canada's freight management system, AC Lynx™, offers customers a number of services including on-line tracking of cargo shipments. Air Canada is a founding member of Cargo Portal Services which offers customers a web-based booking and an air cargo management tool that facilitates the movement and tracking of air cargo globally. In 2007, Air Canada also joined the Global Freight Exchange ("GF-X"), a large electronic cargo distribution channel, to offer customers greater choice.

In the face of the economic downturn in 2009, Air Canada Cargo reviewed its organizational structure and invested in programs to strengthen its commercial teams. As a result, Air Canada Cargo has implemented a series of commercial initiatives with the objective of improving traffic, better managing capacity and increasing cargo revenues. In 2009, Air Canada Cargo developed a new key account management program. This program was implemented in 2010 to strengthen the relationship between Air

Canada Cargo and its top customers. Also during 2009, a new mail scanning process was implemented to offer postal authorities an improved, high quality postal product. Air Canada Cargo is a leading carrier in the IATA e-freight pilot initiative which has the objective of removing the need to carry paper documents for international shipments. Air Canada's cargo terminal at Toronto Pearson Airport and the new cargo terminal at Montreal Trudeau Airport are equipped with modern cargo handling technology to promote efficient operations. Air Canada is also actively involved in Cargo 2000 and several other industry initiatives to promote more efficient cargo operations and improved ongoing measurement of cargo performance for its customers.

Air Canada Vacations

Air Canada Vacations is one of Canada's leading tour operators. Based in Montreal and Toronto, Air Canada Vacations operates its business in the outgoing leisure travel market (Caribbean, Mexico, U.S., Europe, and South America) by developing, marketing and distributing vacation travel packages. Air Canada Vacations is expanding its international product line by adding land offerings to over 30 new European cities and to Israel. In addition, Air Canada Vacations offers cruise packages in the Caribbean, North America and Europe. Air Canada Vacations offers its products through its website (**www.aircanadavacations.com**) and a network of independent travel agencies across Canada.

ACTS AERO

As a result of the transactions described under "Evolution of Business – Acquisition by ACTS LP of Majority Stake of Aeroman" and "Evolution of Business – Monetization of ACTS LP", ACE held a 27.8% equity interest in ACTS Aero as at December 31, 2009. On January 22, 2010, ACE entered into a Restructuring and Lockup Agreement with Aveos, ACTS Aero, lenders and other shareholders. The restructuring was completed on March 12, 2010. Under the terms of the restructuring, ACE transferred its shares in ACTS Aero to a newly formed company, in which ACE has no interest, for nil consideration.

RISK FACTORS

In addition to the risks described in other parts of this annual information form, ACE has identified the following risks which may have a material adverse impact on ACE's business and financial condition. The risks identified by ACE may not be the only risks faced by ACE. Other risks which ACE is not aware of or which ACE currently deems to be immaterial may surface and have a material adverse impact on ACE's business and financial condition.

Risks Related to ACE

Exposure to Air Canada

ACE’s principal investments are equity and debt interests in Air Canada. The value of ACE’s equity interest in Air Canada is subject to market conditions based on the financial performance of Air Canada, movements in the price of publicly-traded airline stocks and general market conditions. Any decrease in the market price of Air Canada shares will reduce the value of these shares which can be realized. The value of ACE’s debt interest is dependent on the performance of Air Canada and the value of the security for Air Canada's credit facility in which ACE participates. Detailed risk factors for Air Canada are set out below.

A Substantial Portion of ACE’s Cash is Invested in Cash Equivalents

A substantial portion of ACE’s cash is invested in cash equivalents which are subject to credit exposure and interest rate fluctuations which could change the value of these investments. These investments are made in accordance with an investment policy approved by the Board of Directors. Although ACE’s investment policy is designed to provide for short-term liquidity and low levels of risk, such investments are subject to credit exposure and interest rate fluctuations. Consequently, the value of such investments could increase or decrease accordingly. Any decrease in the fair value of these investments would reduce the amount available for distribution to stakeholders.

Going Concern

On July 29, 2009, ACE announced that its participation in Air Canada's credit facility amounted to $150 million. Given ACE's participation in the facility, it is not management's intention to liquidate at this time.

If ACE subsequently proceeds with the liquidation of its net assets, ACE will again adopt a liquidation basis of presentation which will result in net assets in liquidation being presented on a net realizable basis.

Risks Relating to Air Canada

Operating Results

Prior to emergence from its restructuring under the CCAA on September 30, 2004, Air Canada had sustained significant losses and Air Canada may sustain significant losses in the future. In 2008, Air Canada recorded an operating loss before a provision for cargo investigations and proceedings of $39 million. During 2009, Air Canada recorded an operating loss of $316 million. Current economic conditions may result in significant losses for Air Canada. Despite ongoing business initiatives and efforts at securing cost reductions, revenue improvements and additional sources of financing, Air Canada may not be able to successfully achieve positive net profitability or realize the objectives of any or all of its initiatives, including those which seek to improve yield or offset or mitigate risks facing Air Canada, including those relating to economic conditions, liquidity, pension funding, unexpected volatility in fuel costs and other expenses.

Leverage

Air Canada has, and is expected to continue to have and incur, a significant amount of indebtedness, including substantial fixed obligations under aircraft leases and financings, and as a result of challenging economic or other conditions affecting Air Canada, Air Canada may incur greater levels of indebtedness than currently exist.

The amount of indebtedness that Air Canada currently has and which it may incur in the future could have a material adverse effect on Air Canada, for example, by (i) limiting Air Canada's ability to obtain additional financing, (ii) requiring Air Canada to dedicate a substantial portion of its cash flow from operations to payments on its indebtedness and fixed cost obligations, thereby reducing the funds available for other purposes, (iii) making Air Canada more vulnerable to economic downturns, and (iv) limiting Air Canada's flexibility in planning for, or reacting to, competitive pressures or changes in its business environment.

The ability of Air Canada to make scheduled payments under its indebtedness will depend on, among other things, its future operating performance and its ability to refinance its indebtedness, if necessary. In addition, as Air Canada incurs indebtedness which bears interest at fluctuating interest rates, to the extent these interest rates increase, its interest expense will increase. There can be no assurance that Air Canada will be able to generate sufficient cash from its operations to pay its debts and lease obligations.

Each of these factors is, to a large extent, subject to economic, financial, competitive, regulatory, operational and other factors, many of which are beyond Air Canada's control.

Need for Additional Capital and Liquidity

Air Canada faces a number of challenges in its business, including in relation to economic conditions, pension plan funding, volatile fuel prices, contractual covenants which could require Air Canada to deposit cash collateral with third parties, foreign exchange rates and increased competition from international, transborder and low-cost domestic carriers. Air Canada's liquidity levels may be adversely impacted by these as well as by other factors and risks identified throughout this annual information form. As part of Air Canada's efforts to meet such challenges and to support Air Canada's business strategy, significant liquidity and significant operating and capital expenditures are, and will in the future be, required. There can be no assurance that Air Canada will continue to be able to obtain on a timely basis sufficient funds on terms acceptable to Air Canada to provide adequate liquidity and to finance the operating and capital expenditures necessary to overcome challenges and support its business strategy if cash flows from operations and cash on hand are insufficient.

Failure to generate additional funds, whether from operations or additional debt or equity financings, could require Air Canada to delay or abandon some or all of its anticipated expenditures or to modify its business strategy and could have a material adverse effect on Air Canada, its business, results from operations and financial condition. Furthermore, competitors with greater liquidity or their ability to raise money more easily and on less onerous terms could create a competitive disadvantage for Air Canada.

Air Canada's credit ratings influence its ability to access capital markets and its liquidity. There can be no assurance that Air Canada's credit ratings will not be downgraded, which would add to Air Canada's borrowing and insurance costs, hamper its ability to attract capital, adversely impact its liquidity, and limit its ability to operate its business, all of which could have a material adverse effect on Air Canada, its business, results from operations and financial condition.

Economic and Geopolitical Conditions

Airline operating results are sensitive to economic and geopolitical conditions which can have a significant impact on Air Canada. For example, economic and geopolitical conditions may impact demand for air transportation in general or to or from certain destinations, and may also impact Air Canada's operating costs, pension plan contributions and costs and availability of capital and supplies required by Air Canada. Especially in light of Air Canada's substantial fixed cost structure, any prolonged or significant impact arising from economic and geopolitical conditions, including weakness of the Canadian, U.S. or world economies could have a material adverse effect on Air Canada, its business, results from operations and financial condition.

Airline fares and passenger demand have fluctuated significantly in the past and are likely to fluctuate significantly in the future. Air Canada is not able to predict with certainty market conditions and the fares that Air Canada may be able to charge. Customer expectations can change rapidly and the demand for lower fares may limit revenue opportunities. Travel, especially leisure travel, is a discretionary consumer expense.

Depressed economic conditions in North America and other areas served by Air Canada, as well as geopolitical instability in various areas of the world, concerns about the environmental impacts of air travel and tendencies towards "green" travel initiatives where consumers reduce their travel activities, could have the effect of reducing demand for air travel in Canada and abroad and could materially adversely impact Air Canada's profitability.

Pension Plans

Canadian federal pension legislation requires that the funded status of registered pension plans be determined periodically, on both a going concern basis (essentially assuming indefinite plan continuation) and a solvency basis (essentially assuming immediate plan termination). Pension plan solvency valuations are influenced primarily by long-term interest rates and by the investment return on plan assets, which in turn may be dependent on a variety of factors, including economic conditions.

The interest rate used to calculate benefit obligations for solvency purposes is a prescribed rate derived from the interest rates on long-term Government of Canada bonds. Deteriorating economic conditions may result in significant increases in Air Canada's funding obligations, which could have a material adverse effect on Air Canada, its business, results from operations and financial condition. In particular, as of 2014, the Air Canada 2009 Pension Regulations will cease to have effect and Air Canada's pension funding obligations may vary significantly based on several factors, including regulatory developments, assumptions and methods used and changes in the economic conditions (mainly the return on fund assets and changes in interest rates). Underfunded pension plans or a failure or inability by Air Canada to make required cash contributions to its registered pension plans could have a material adverse effect on Air Canada, its business, results from operations and financial condition.

Fuel Costs

Fuel costs constituted the largest percentage of the total operating costs of Air Canada in 2009. Fuel prices fluctuate widely depending on many factors including international market conditions, geopolitical events and the Canada/U.S. dollar exchange rate. Air Canada cannot accurately predict fuel prices. During 2006, 2007 and 2008, fuel prices increased and fluctuated near or at historically high levels. Should fuel prices fluctuate significantly or increase significantly above current levels, fuel costs could have a material adverse effect on Air Canada, its business, results from operations and financial condition.

Due to the competitive nature of the airline industry, Air Canada may not be able to pass on increases in fuel prices to its customers by increasing its fares. Based on 2009 volumes, Air Canada estimates that a US$1 per barrel movement in the average price of WTI crude oil would have resulted in an approximate $25 million change in 2009 fuel expense for Air Canada (excluding any impact of fuel surcharges, foreign exchange rates and fuel hedging), assuming flying capacity remained unchanged and that refining spreads between WTI crude oil and jet fuel as well as foreign exchange rates remained constant.

Foreign Exchange

Air Canada's financial results are sensitive to the fluctuating value of the Canadian dollar. In particular, Air Canada has a significant annual net outflow of U.S. dollars and is affected by fluctuations in the Canada/U.S. dollar exchange rate. Air Canada estimates that during 2009, a $0.01 increase in the Cdn/U.S. dollar exchange rate (i.e., $1.09 to $1.08 per U.S. dollar) would have had an estimated $23 million favourable impact on operating income and a $57 million favourable impact on pre-tax income. Conversely, an opposite change in the exchange rate would have had the opposite effect. Air Canada incurs significant expenses in U.S. dollars for such items as fuel, aircraft rental and maintenance charges, interest payments, debt servicing and computerized reservations system fees, while a substantial portion of its revenues are generated in Canadian dollars. A significant deterioration of the Canadian dollar relative to the U.S. dollar would increase the costs of Air Canada relative to its U.S. competitors and could have a material adverse effect on Air Canada, its business, results from operations and financial condition. In addition, Air Canada may be unable to appropriately hedge the risks associated with fluctuations in exchange rates.

Labour Costs and Labour Relations

Labour costs constitute one of Air Canada's largest operating cost items. There can be no assurance that Air Canada will be able to maintain such costs at levels which do not negatively affect its business, results from operations and financial condition. There can be no assurance that future agreements with employees' unions or the outcome of arbitrations will be on terms consistent with Air Canada's expectations or comparable to agreements entered into by Air Canada's competitors. Any future agreements or outcome of negotiations, mediations or arbitrations including in relation to wages or other labour costs or work rules may result in increased labour costs or other charges which could have a material adverse effect on Air Canada, its business, results from operations and financial condition.

Most of Air Canada's employees are unionized. The collective agreements representing the majority of the unionized workforce were renewed or extended in 2009 and will now expire in 2011. No strikes or lock-outs may lawfully occur during the term of the collective agreements, nor during the negotiations of their renewal until a number of pre-conditions, in respect of the unions for Canadian-based employees, prescribed by the Canada Labour Code, have been satisfied. There can be no assurance that collective agreements will be further renewed without labour conflict or action or that there will not be a labour conflict that could lead to a dispute or to an interruption or stoppage in Air Canada's service or otherwise adversely affect the ability of Air Canada to conduct its operations, any of which could have a material adverse effect on Air Canada, its business, results from operations and financial condition.

If there is a labour disruption or work stoppage by any of the unionized work groups of Jazz, there would also likely be a material adverse effect on Air Canada, its business, results from operations and financial condition. In addition, labour conflicts at Star Alliance® partners could result in lower demand for connecting traffic with Air Canada and, ultimately, could have a material adverse effect on Air Canada, its business, results from operations and financial condition.

Airline Industry Characterized by Low Gross Profit Margins and High Fixed Costs

The airline industry is characterized by low gross profit margins and high fixed costs. The costs of operating any particular flight do not vary significantly with the number of passengers carried and, therefore, a relatively small change in the number of passengers or in fare pricing or traffic mix would have a significant effect on Air Canada's operating and financial results. This condition has been exacerbated by aggressive pricing by low-cost carriers, which has had the effect of driving down fares in general. Accordingly, a shortfall from expected revenue levels could have a material adverse effect on Air Canada, its business, results from operations and financial condition. Air Canada incurs substantial fixed costs which do not meaningfully fluctuate with overall capacity. As a result, should Air Canada be required to reduce its overall capacity or the number of flights operated, it may not be able to successfully reduce certain fixed costs in the short term and may be required to incur important termination or other restructuring costs, which could have a material adverse effect on Air Canada, its business, results from operations and financial condition.

Competition

Air Canada operates within a highly competitive industry. Over the past few years, several carriers have entered or announced their intention to enter or expand into the domestic, the U.S. transborder and international markets in which Air Canada operates. Canadian low-cost and other carriers have entered and/or expanded or announced their intention to compete in many of Air Canada's key domestic markets and, along with some U.S. carriers have also entered and/or expanded their operations in the U.S. transborder and leisure-oriented markets. Carriers against which Air Canada may compete, including U.S. carriers, may undergo (and some of whom who have undergone) substantial reorganizations (including by way of merger with or acquisition by another carrier), creating reduced levels of indebtedness and lower operating costs and may be in a position to more effectively compete with Air Canada. Air Canada is also facing increasing competition in international markets as carriers increase their international capacity, both by expansion and by shifting existing domestic capacity to international operations to avoid low-cost domestic competition.

If Canadian low-cost and other carriers are successful in entering or expanding into Air Canada's domestic and the U.S. transborder markets, if additional U.S. or other carriers against which Air Canada competes are successful in entering Air Canada's transborder market or if carriers are successful in their expansion in international markets of Air Canada, Air Canada's business results from operations and financial condition could be materially adversely affected.

Air Canada also encounters substantial price competition. The expansion of low-cost carriers in recent years, along with the advent of Internet travel websites and other travel products distribution channels, has resulted in a substantial increase in discounted and promotional fares initiated by Air Canada's competitors. The decision to match competitors' fares to maintain passenger traffic, results in reduced yields which, in turn, could have a material adverse effect on Air Canada, its business, results from operations and financial condition.

Furthermore, Air Canada's ability to reduce its fares in order to effectively compete with other carriers is dependent on Air Canada's ability to achieve acceptable operating margins and may also be limited by government policies to encourage competition. Likewise, competitors continue to pursue commission/incentive actions and, in many cases, increase these payments. The decision to modify Air Canada's current programs in order to remain competitive and maintain passenger traffic could result in increased costs to Air Canada's business.

In addition, consolidation in the airline industry could result in increased competition as some airlines emerging from such consolidations may be able to compete more effectively against Air Canada which could have a material adverse effect on Air Canada, its business, results from operations and financial condition.

Limitations Due to Restrictive Covenants

Some of the financing and other major agreements to which Air Canada is a party contain restrictive, financial (including in relation to liquidity, minimum EBITDAR, fixed charge coverage ratio and debt coverage ratios) and other covenants which affect and, in some cases, significantly limit or prohibit, among other things, the manner in which Air Canada may structure or operate its business, including by reducing Air Canada's liquidity, limiting Air Canada's ability to incur indebtedness, create liens, sell assets, pay dividends, make capital expenditures, and engage in acquisitions, mergers or restructurings or a change of control. Future financing and other major agreements may also be subject to similar covenants which limit Air Canada's operating and financial flexibility, which could materially and adversely affect Air Canada's ability to operate its business and its profitability.

A failure by Air Canada to comply with its contractual obligations (including restrictive, financial and other covenants), or to pay its indebtedness and fixed costs could result in a variety of material adverse consequences, including the acceleration of its indebtedness, the withholding of credit card proceeds by the credit card service providers and the exercise of remedies by its creditors and lessors, and such defaults could trigger additional defaults under other indebtedness or agreements. In such a situation, it is unlikely that Air Canada would be able to repay the accelerated indebtedness or fulfill its obligations under certain contracts, make required aircraft lease payments or otherwise cover its fixed costs. Also, the lenders under the financing arrangements could foreclose upon all or substantially all of the assets of Air Canada which secure Air Canada's obligations.

Airport User Fees and Air Navigation Fees

With the privatization of airports and air navigation authorities over the last decade in Canada, new airport and air navigation authorities have imposed significant increases in their fees. Though certain authorities have implemented some fee reductions, if authorities in Canada or elsewhere were to increase their fees Air Canada, its business, results from operations and financial condition could be materially adversely affected.

Strategic, Business, Technology and Other Important Initiatives

In order to operate its business, achieve its goals and remain competitive, Air Canada continuously seeks to identify and devise, invest in and implement strategic, business, technology and other important initiatives, such as those relating to the aircraft fleet restructuring program, business process initiatives, information technology initiatives and others. These initiatives, including activities relating to their development and implementation, may be adversely impacted by a wide range of factors, many of which are beyond Air Canada's control. Such factors include the performance of third parties, including suppliers, the implementation and integration of such initiatives into Air Canada's other activities and processes as well as the adoption and acceptance of initiatives by Air Canada's customers, suppliers and personnel. A delay or failure to sufficiently and successfully identify and devise, invest in or implement these initiatives could adversely affect Air Canada's ability to operate its business, achieve its goals and remain competitive and could have a material adverse effect on Air Canada, its business, results from operations and financial condition.

For instance, a key component of Air Canada's business plan is the completion of Air Canada's fleet restructuring program through the acquisition of new and more efficient Boeing 787 aircraft. A delay or failure in the completion of Air Canada's fleet restructuring, including further delays by the manufacturers in the delivery of the wide-body aircraft, or an inability to remove, as planned, certain aircraft from the fleet in coordination with the planned entry into service of new aircraft, could adversely affect the implementation of Air Canada's business plan which may, in turn, have a material adverse effect on Air Canada, its business, results from operations and financial condition.

Dependence on Technology

Air Canada relies heavily on technology, including computer and telecommunications equipment and software and Internet-based systems, to operate its business, increase its revenues and reduce its costs. These systems include those relating to Air Canada's telecommunications, websites, computerized airline reservations and airport customer services and flight operations. These technology systems may be vulnerable to a variety of sources of failure, interruption or misuse, including by reason of third party suppliers' acts or omissions, natural disasters, terrorist attacks, telecommunications failures, power failures, computer viruses, unauthorized or fraudulent users, and other operational and security issues. While Air Canada continues to invest in initiatives, including security initiatives and disaster recovery plans, these measures may not be adequate or implemented properly. Any such technology systems failure, interruption or misuse could materially and adversely affect Air Canada's operations and could have a material adverse effect on Air Canada, its business, results from operations and financial condition.

Key Supplies and Suppliers

Air Canada is dependent upon its ability to source, on favourable terms and costs, sufficient quantities of goods and services in a timely manner, including those available at airports or from airport authorities or otherwise required for Air Canada's operations such as fuel, aircraft and related parts and aircraft maintenance services (including maintenance services obtained from Aveos). In certain cases, Air Canada may only be able to access goods and services from a limited number of suppliers and transition to new suppliers may take significant amounts of time and require significant resources. A failure, refusal or inability of a supplier may arise as a result of a wide range of causes, many of which are beyond Air Canada's control.

In addition, in the context of the current economic climate, there can be no assurance as to the continued viability of any of Air Canada's suppliers. Any failure or inability of Air Canada to successfully source goods and services, including by reason of a failure, refusal or inability of a supplier, or to source goods and services on terms and pricing and within the timeframes acceptable to Air Canada, could have a material adverse effect on Air Canada, its business, results from operations and financial condition.

Aeroplan

Through its commercial agreement with Aeroplan LP ("Aeroplan"), Air Canada is able to offer its customers who are Aeroplan® members the opportunity to earn Aeroplan® Miles. Based on customer surveys, Air Canada believes that rewarding customers with Aeroplan® Miles is a significant factor in customers' decision to travel with Air Canada and Jazz and contributes to building customer loyalty. The failure by Aeroplan to adequately fulfill its obligations towards Air Canada under the Aeroplan Commercial Participation and Services Agreement and in connection with the Aeroplan program®, or other unexpected interruptions of Aeroplan services which are beyond Air Canada's control, could have a material adverse effect on Air Canada, its business, results from operations and financial condition.

Jazz

Under the Jazz CPA, Jazz provides Air Canada's customers service in lower density markets and higher density markets at off-peak times throughout Canada and to and from certain destinations in the United States and also provides valuable traffic feed to Air Canada's mainline routes. Pursuant to the terms of the Jazz CPA, Air Canada pays Jazz a number of fees which are determined based upon certain costs incurred by Jazz. Air Canada also reimburses Jazz, without mark-up, for certain pass-through costs incurred directly by Jazz, such as fuel, navigation, landing and terminal fees and certain other costs. Significant increases in such pass-through costs, the failure by Jazz to adequately fulfill its obligations towards Air Canada under the Jazz CPA, or other unexpected interruptions or cessation of Jazz's services which are beyond Air Canada's control could have a material adverse effect on Air Canada, its business, results from operations and financial condition. In addition, the Jazz CPA requires that Jazz maintain a minimum fleet size and contains a minimum average daily utilization guarantee which requires that Air Canada make certain minimum payments to Jazz regardless of the amount of flying done on its behalf by Jazz.

Star Alliance®

The strategic and commercial arrangements with Star Alliance® members provide Air Canada with important benefits, including codesharing, efficient connections and transfers, reciprocal participation in frequent flyer programs and use of airport lounges from the other members. Should a key member leave Star Alliance® or otherwise fail to meet its obligations thereunder, Air Canada, its business, results from operations and financial condition could be materially adversely affected.

Interruptions or Disruptions in Service

Air Canada's business is significantly dependent upon its ability to operate without interruption at a number of hub airports, including Toronto Pearson Airport. Delays or disruptions in service, including those due to security or other incidents, weather conditions, labour conflicts with airport workers, baggage handlers, air traffic controllers and other workers not employed by Air Canada or other causes beyond the control of Air Canada could have a material adverse impact on Air Canada, its business, results from operations and financial condition.

Current Legal Proceedings

The European Commission, the United States Department of Justice and the Competition Bureau in Canada are investigating alleged anti-competitive cargo pricing activities, including the levying of certain fuel surcharges, of a number of airlines and cargo operators, including Air Canada. Competition authorities have sought or requested information from Air Canada as part of their investigations. Air Canada is cooperating with these investigations, which are likely to lead, or have led, to proceedings against Air Canada and a number of airlines and other cargo operators in certain jurisdictions including in the European Union where all formal procedural steps preceding a decision have been completed. Air Canada is also named as a defendant in a number of class action lawsuits that have been filed before the United States District Court and in Canada in connection with these allegations.

During 2008, Air Canada recorded a provision of $125 million as a preliminary estimate. This is only an estimate based upon the current status of the investigations and proceedings and Air Canada's assessment as to the potential outcome for certain of them. This provision does not address the proceedings and investigations in all jurisdictions, but only where there is sufficient information to do so. Air Canada has determined it is not possible at this time to predict with any degree of certainty the outcome of all proceedings and investigations. Additional material provisions may be required and such provisions could have a material adverse effect on Air Canada's financial position.

In February 2006, Jazz commenced proceedings before the Ontario Superior Court of Justice against Porter Airlines Inc. ("Porter") and other defendants (collectively the "Porter Defendants") after Jazz became aware that it would be excluded from operating flights from Billy Bishop Toronto City Airport. On October 26, 2007, the Porter Defendants counter-claimed against Jazz and Air Canada alleging various violations of competition law, including that Jazz and Air Canada's commercial relationship contravenes Canadian competition laws, and claiming $850 million in damages. Concurrently with the Ontario Superior Court of Justice proceedings, Jazz commenced judicial review proceedings against the Toronto Port Authority ("TPA") before the Federal Court of Canada relating to Jazz's access to the Billy Bishop Toronto City Airport. The Porter Defendants were granted intervener and party status in these proceedings. In January of 2008, Porter filed a defence and counterclaim against Jazz and Air Canada making allegations and seeking conclusions similar to those in the Ontario Superior Court counterclaim. On October 16, 2009, Jazz discontinued its suit in the Ontario Superior Court against Porter. However, Jazz is continuing its proceedings in the Federal Court of Canada against the TPA, to which Porter has intervenor and party status. The counterclaim filed by Porter in the Ontario Court against Jazz and Air Canada has been stayed pending the outcome of the mirror counterclaim in the Federal Court. Air Canada views Porter's counterclaims in both jurisdictions as being without merit. In the first quarter of 2010, Air Canada filed legal proceedings with the Federal Court seeking to challenge the process announced by the Toronto Port Authority to allocate flight capacity or slots at the Billy Bishop Toronto City Airport. None of these proceedings has yet been determined on its merits.

The Canadian Union of Public Employees ("CUPE"), which represents Air Canada's flight attendants, has filed a complaint before the Canadian Human Rights Commission where it alleges gender-based wage discrimination. CUPE claims the predominantly female flight attendant group should be paid the same as the predominantly male pilot and mechanics groups because their work is of equal value. The complaint dates from 1991 but has not been investigated on the merits because of a legal dispute over whether the three groups work in the same "establishment" within the meaning of the Canadian Human Rights Act. On January 26, 2006, the Supreme Court of Canada ruled that they do work in the same "establishment" and sent the case back to the Canadian Human Rights Commission, which may now proceed to assess the merits of CUPE's complaint. On March 16, 2007, the Canadian Human Rights Commission referred the complaint against Air Canada for investigation. Air Canada considers that any investigation will show that it is complying with the equal pay provisions of the Canadian Human Rights Act, however, Air Canada has determined that it is not possible at this time to predict with any degree of certainty the final outcome of the Commission's investigation.

Air Canada is engaged in a number of proceedings involving challenges to the mandatory retirement provisions of certain of its collective agreements, including the Air Canada-Air Canada Pilots Association collective agreement which incorporate provisions of the pension plan terms and conditions applicable to pilots requiring them to retire at age 60. Air Canada is defending these challenges. At this time, it is not possible to determine with any degree of certainty the extent of any financial liability that may arise from Air Canada being unsuccessful in its defense of these proceedings, though any such financial liability, if imposed, would not be expected to be material.

Future Legal proceedings

Airlines are susceptible to various claims and litigation, including class action claims, in the course of operating their business or with respect to the interpretation of existing agreements. Any future claims or litigation could also have a material adverse effect on Air Canada, its business and results from operations.

Key Personnel

Air Canada is dependent on the experience and industry knowledge of its executive officers and other key employees to execute its business plan. If Air Canada were to experience a substantial turnover in its leadership or other key employees, Air Canada's business, results from operations and financial condition could be materially adversely affected. Additionally, Air Canada may be unable to attract and retain additional qualified key personnel as needed in the future.

Risks Relating to the Airline Industry

Terrorist Attacks and Security Measures

The September 11, 2001 terrorist attacks and subsequent terrorist activity, notably in the Middle East, Southeast Asia, Europe and the U.S., causes uncertainty in the minds of the traveling public. The occurrence of a terrorist attack (or attempted attacks) (whether domestic or international and whether involving Air Canada or another carrier or no carrier at all) and increasingly restrictive security measures, such as current restrictions on the content of carry-on baggage, current or proposed passenger identification document requirements, and passenger screening procedures could have a material adverse effect on passenger demand for air travel and on the number of passengers traveling on Air Canada's flights. It could also lead to a substantial increase in insurance, airport security and other costs. Any resulting reduction in passenger revenues and/or increases in insurance, security or other costs could have a material adverse effect on Air Canada, its business, results from operations and financial condition.

Epidemic Diseases (Severe Acute Respiratory Syndrome (SARS), H1N1 Influenza or Other Epidemic Diseases)

The international outbreaks of Severe Acute Respiratory Syndrome (SARS) in 2003 and the resulting actions tabled by the World Health Organization (the "WHO"), including a travel advisory against non-essential travel to Toronto, Canada, had a significant adverse effect on passenger demand for air travel in Air Canada's markets and resulted in a major negative impact on traffic on the entire network. Air Canada is continuing to monitor the H1N1 influenza virus risk. While Air Canada has developed contingency plans related to the H1N1 influenza virus risk, it is unable to predict the likelihood of this risk materializing or the impact on its operations to the extent this risk does materialize. An outbreak of influenza, SARS, H1N1 influenza virus or of another epidemic disease (whether domestic or international) or any WHO travel advisories (whether relating to Canadian cities or regions or other cities, regions or countries) could have a material adverse effect on passenger demand for air travel. Any resulting reduction in traffic in the markets served by Air Canada could have a material adverse effect on Air Canada, its business, results from operations and financial condition.

Casualty Losses

Due to the nature of its core operating business, Air Canada may be subject to liability claims arising out of accidents or disasters involving aircraft on which Air Canada's customers are traveling or involving aircraft of other carriers maintained or repaired by Air Canada, including claims for serious personal injury or death. There can be no assurance that Air Canada's insurance coverage will be sufficient to cover one or more large claims and any shortfall may be material. Additionally, any accident or disaster involving one of Air Canada's aircraft or an aircraft of another carrier receiving line maintenance services from Air Canada may significantly harm Air Canada's reputation for safety, which would have a material adverse effect on Air Canada, its business, results from operations and financial condition.

Seasonal Nature of the Business, Other Factors and Prior Performance

Air Canada has historically experienced considerably greater demand for its services in the second and third quarters of the calendar year and significantly lower demand in the first and fourth quarters of the calendar year. This demand pattern is principally a result of the preference of a high number of leisure travelers to travel during the spring and summer months. Air Canada has substantial fixed costs that do not meaningfully fluctuate with passenger demand in the short term. As described elsewhere, demand for and cost of air travel is also affected by factors such as geopolitical and economic conditions, war or the threat of war or terrorist attacks, fare levels and weather conditions. Due to these and other factors, operating results for an interim period are not necessarily indicative of operating results for an entire year, and operating results for a historical period are not necessarily indicative of operating results for a future period.

Regulatory Matters

The airline industry is subject to extensive Canadian and foreign government regulations relating to, among other things, security, safety, privacy, licensing, competition, environment (including noise levels and carbon emissions) and, in some measure, pricing. For example, new and proposed legislation have been considered or adopted concerning carbon emissions emanating from the aviation industry; such legislative initiatives include, for example, market-based mechanisms called emissions trading systems which are being proposed and implemented to reduce the amount of carbon emissions through the setting of emissions allowances and charging aircraft operators for a certain percentage of these allowances. The implementation of additional regulations or decisions, including those relating to carbon emissions, and others, whether by Transport Canada, the Competition Bureau and/or the Competition Tribunal, the Canadian Transportation Agency or other domestic or foreign governmental entities, may have a material adverse effect on Air Canada, its business, results from operations and financial condition.

The European Union passed legislation for an Emissions Trading System which will include carbon emissions from aviation commencing in January 2012, including for flights operated between Canada and countries within the European Union. The legislation would require aircraft operators to monitor and report on fuel use and emissions data. While this legislation would be expected to result in increased costs relating to the purchase of emissions allowances, the net financial impact would, in part, depend upon how much of such cost, if any, would be recoverable in the form of higher passenger and cargo fares.

The availability of international routes to Canadian air carriers is regulated by agreements between Canada and foreign governments. Changes in Canadian or foreign government aviation policy could result in the alteration or termination of these agreements and could adversely affect Air Canada and its international operations.

Air Canada is subject to domestic and foreign laws regarding privacy of passenger and employee data, including advance passenger information and access to airline reservation systems, which are not consistent in all countries in which Air Canada operates. The need to comply with these regulatory regimes is expected to result in additional operating costs and could have a material adverse effect on Air Canada, its business, results from operations and financial condition. There can be no assurances that new laws, regulations or revisions to same, or decisions, will not be adopted or rendered, from time to time, and these could impose additional requirements or restrictions, which may adversely impact Air Canada’s business, results from operations and financial condition.

Increased Insurance Costs

Since September 11, 2001, the aviation insurance industry has been continually re-evaluating the terrorism risks that it covers, and this activity may adversely affect some of Air Canada's existing insurance carriers or Air Canada's ability to obtain future insurance coverage. To the extent that Air Canada's existing insurance carriers are unable or unwilling to provide it with insurance coverage, and in the absence of measures by the Government of Canada to provide the required coverage, Air Canada's insurance costs may increase further and may result in Air Canada being in breach of regulatory requirements or contractual arrangements requiring that specific insurance be maintained, which may have a material adverse effect on Air Canada, its business, results from operations and financial condition.

Third Party War Risk Insurance

There is a risk that the Government of Canada may not continue to provide an indemnity for third party war risk liability coverage, which it currently provides to Air Canada and certain other carriers in Canada. In the event that the Government of Canada does not continue to provide such indemnity or amends such indemnity, Air Canada and other industry participants would have to turn to the commercial insurance market to seek such coverage. Air Canada estimates that such coverage would cost Air Canada approximately $5 million per year. Alternative solutions, such as those envisioned by the International Civil Aviation Organization ("ICAO") and the International Air Transport Association ("IATA"), have not developed as planned, due to actions taken by other countries and the recent availability of supplemental insurance products. ICAO and IATA are continuing their efforts in this area; however, the achievement of a global solution is not likely in the immediate or near future. The U.S. federal government has set up its own facility to provide war risk coverage to U.S. carriers, thus removing itself as a key component of any global plan.

RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

At December 31, 2009, ACE had a 27% ownership interest in Air Canada. ACE has various related party transactions with Air Canada. On October 16, 2007, ACTS LP sold substantially all its assets, liabilities and business to ACTS Aero, a new entity established to purchase the assets of ACTS LP. Following such sale, ACTS Aero owned 100% of Aveos, which changed its legal name on September 23, 2008 from its previous name of ACTS Aero Technical Support and Services Inc. As at December 31, 2009, ACE held a 27.8% interest in ACTS Aero. Air Canada has various related party transactions with Aveos, an entity that was related to ACE as at December 31, 2009. For a summary of significant related party transactions, refer to pages 31 to 34 of the 2009 Management's Discussion and Analysis of ACE dated February 11, 2010, which can be found on SEDAR on www.sedar.com, under the heading "Related Party Transactions", which pages are incorporated herein by reference. As of March 12, 2010, ACE no longer has an interest in ACTS Aero.

MARKET FOR SECURITIES

The Variable Voting Shares and the Voting Shares are traded on the TSX under the trading symbols "ACE.A" and "ACE.B", respectively. The following table sets forth the price range and trading volume of the Variable Voting Shares and the Voting Shares as reported by the TSX for the months of January to, and including, December 2009:

	Variable Voting Shares			Voting Shares		
2009	**High**	**Low**	**Total Monthly Volume**	**High**	**Low**	**Total Monthly Volume**
January.......	8.99	7.02	5,059,997	8.92	6.71	3,133,336
February.....	8.44	6.34	1,106,814	8.46	6.24	594,672
March.........	6.80	5.48	993,962	6.80	5.50	815,778
April...........	5.76	5.03	1,028,398	5.71	5.00	434,052
May............	5.50	5.01	1,531,145	5.50	5.07	873,049
June............	6.06	4.81	2,755,793	6.05	5.18	449,288
July	5.37	4.26	506,923	5.44	4.26	576,879
August........	5.04	4.24	489,537	5.00	4.16	392,304
September ..	5.08	4.22	1,293,419	5.20	4.25	652,973
October	5.64	4.76	1,386,418	5.68	4.85	463,301
November ..	5.98	5.30	1,041,891	5.97	5.30	168,292
December...	6.02	5.81	3,345,431	6.00	5.77	376,078

DIVIDEND RECORD

Since its incorporation, ACE has never declared or paid any dividends. For the time being, ACE does not expect to declare any dividends on its Variable Voting Shares and Voting Shares.

DESCRIPTION OF CAPITAL STRUCTURE

The authorized share capital of ACE is composed of an unlimited number of Variable Voting Shares and Voting Shares and of 12,500,000 Preferred Shares. As of March 26, 2010, 24,666,895 Variable Voting Shares and 7,798,589 Voting Shares were issued and outstanding. As of March 26, 2010, no Preferred Shares were issued and outstanding.

The following summary describes the rights, privileges, restrictions and conditions that are attached to the Variable Voting Shares, Voting Shares and Preferred Shares. This summary does not purport to be complete and is subject to, and is qualified in its entirety by, reference to the terms of the ACE Articles of Amalgamation.

Variable Voting Shares

Voting

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

The Variable Voting Shares may be held only by persons who are not Canadians (as such term is defined in the CTA) and are entitled to one vote per Variable Voting Share unless (i) the number of Variable Voting Shares outstanding (including any Preferred Shares, on an as converted basis), as a percentage of the total number of votes attaching to Voting Shares outstanding exceeds 25% (or any higher percentage that the Governor in Council may by regulation specify) or (ii) the total number of votes cast by or on behalf of holders of Variable Voting Shares (including any Preferred Shares, on an as converted basis) at any meeting exceeds 25% (or any higher percentage that the Governor in Council may by regulation specify) 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 Variable Voting Share will decrease proportionately such that (i) the Variable Voting Shares as a class (including any Preferred Shares on an as converted basis) do not carry more than 25% (or any higher percentage that the Governor in Council may by regulation specify) of the aggregate votes attached to all issued and outstanding voting shares of ACE and (ii) the total number of votes cast by or on behalf of holders of Variable Voting Shares (including any Preferred Shares on an as converted basis) at any meeting do not exceed 25 % (or any higher percentage that the Governor in Council may by regulation specify) of the votes that may be cast at such meeting.

The Government of Canada's Bill C-10, the *Budget Implementation Act 2009*, contains provisions whereby the CTA would be amended to provide the Governor in Council with flexibility to increase the foreign ownership limit from the existing 25% level to a maximum of 49%. These provisions will come into force on a date to be fixed by order of the Governor in Council made on the recommendation of the Minister of Transport.

Dividends

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

Subdivision or Consolidation

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

Rights upon Liquidation, Dissolution or Winding Up

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

Conversion

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

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

If the Voting Shares resulting from the conversion and deposited pursuant to the offer are withdrawn by the shareholder or are not taken up by the offeror or the offer is abandoned or withdrawn, the Voting Shares resulting from the conversion shall be reconverted automatically and without further act from ACE or the holder, into Variable Voting Shares.

There shall be no right to convert the Variable Voting Shares into Voting Shares or to convert Voting Shares into Variable Voting Shares, except in accordance with the conversion procedure set forth in the ACE Articles of Amalgamation.

Constraints on Ownership of Shares

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

Voting Shares

Voting

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

Dividends

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

Subdivision or Consolidation

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

Rights upon Liquidation, Dissolution or Winding Up

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

Conversion

Unless the foreign ownership restrictions of the CTA are repealed and not replaced with other similar restrictions, an issued and outstanding Voting Share shall be converted into one Variable Voting Share, automatically and without any further act of ACE or the holder, if such 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.

Constraints on Ownership of Shares

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

Preferred Shares

Voting

The holders of any Preferred Shares will be entitled to vote on an as converted basis with the Variable Voting Shares and the Voting Shares and to the extent that they are held by persons who are not Canadians they shall be subject to the same proportionate reduction in voting percentage as if, for voting purposes only, the Preferred Shares had been converted into Variable Voting Shares.

Participation

The holders of any Preferred Shares shall participate on an as converted basis with the Variable Voting Shares and the Voting Shares with respect to all dividends, distributions, spin off, split-off, subscription rights or other offers or rights made available to holders of Variable Voting Shares and the Voting Shares and any other similar transactions.

Liquidation Preference

In the event of any liquidation, dissolution or winding up of ACE (with each holder of any Preferred Shares being entitled to treat the occurrence of a merger, amalgamation, sale of all or substantially all of the assets of ACE or other similar transaction involving a change in control of ACE as a liquidation for these purposes), then the holders of any Preferred Shares shall be entitled to receive, prior to and in preference to the holders of Variable Voting Shares and the Voting Shares, an amount per Preferred Share equal to the Fully Accreted Value of such Preferred Shares, determined as of the date of such event. For the purposes of the terms of the Preferred Shares, "Fully Accreted Value" means, with respect to each Preferred Share issued on September 30, 2004, as of any date, the initial purchase price of such Preferred Share, increased at a rate of 5% per annum, compounded semi annually from the date of issuance of such Preferred Shares.

Optional Conversion

Any Preferred Shares shall be convertible at the option of the holders thereof at any time into Variable Voting Shares, if held by a non-Canadian, or into Voting Shares, if held by a Canadian, at a conversion rate equal to the Fully Accreted Value per Preferred Share (as of the conversion date) divided by the Conversion Price, as defined in the articles of ACE. The Conversion Price of the Preferred Shares is subject to (i) adjustment as described in "Mandatory Redemption/Conversion" below and (ii) customary public company anti-dilution protection for stock splits, stock dividends, subdivisions, combinations and similar transactions. There shall be no special adjustment for below market or below Conversion Price issuances.

Mandatory Redemption/Conversion

The holders of any Preferred Shares shall be required to convert the Preferred Shares into Variable Voting Shares (if the Preferred Shares are not owned and controlled by a Canadian) or Voting Shares (if the Preferred Shares are owned and controlled by a Canadian), within 10 days after the seventh anniversary of the date of issuance of the Preferred Shares (the "Initial Mandatory Conversion Date") provided, however, that if the closing price of Variable Voting Shares or Voting Shares, as the case may be, does not exceed the Fully Accreted Value of a Preferred Share on at least 30 of the 100 trading days immediately prior to the Initial Mandatory Conversion Date then the holders thereof shall not be required to convert their Preferred Shares into Variable Voting Shares or Voting Shares, as the case may be, and on the Initial Mandatory Conversion Date the then applicable Conversion Price shall automatically be reduced by 3.75%.

In the event the Preferred Shares have not been converted on or prior to the Initial Mandatory Conversion Date, on each six month anniversary of the Initial Mandatory Conversion Date (each a "Subsequent Mandatory Conversion Date") until and including the 10 year anniversary of the date of issuance of the Preferred Shares (the "Final Maturity Date"), the Preferred Shares shall be subject to mandatory conversion within 10 days of any Subsequent Mandatory Conversion Date if, and only if, the closing price of Variable Voting Shares or Voting Shares, as the case may be, exceeds the Fully Accreted Value of a Preferred Share on at least 30 of the 100 trading days immediately prior to such Subsequent Mandatory Conversion Date and, if such threshold is not met, the then applicable Conversion Price shall automatically be reduced by an additional 3.75% on each such Subsequent Mandatory Conversion Date. If the foregoing test is not met with respect to the Subsequent Mandatory Conversion Date that is the Final Maturity Date, the holders of

Preferred Shares shall have the right to require ACE to redeem each of the Preferred Shares in cash on the Final Maturity Date at a per share redemption price equal to the Fully Accreted Value (as at the Final Maturity Date).

Notwithstanding the foregoing, the Preferred Shares shall not be subject to mandatory conversion as described above unless the Variable Voting Shares and Voting Shares are then listed and posted on the TSX, and a registration statement, prospectus or similar offering document permitting the distribution and sale of such Variable Voting Shares and Voting Shares throughout Canada and/or the United States of America is then effective covering all of the Variable Voting Shares and Voting Shares into which the Preferred Shares are convertible at the time of such mandatory conversion.

Mandatory Conversion

If at any time during (i) the period commencing on the date of issuance of the Preferred Shares and ending on and including the first anniversary thereof the closing price of the Variable Voting Shares or Voting Shares, as the case may be, for each of 30 consecutive trading days exceeds 200% of the then applicable Conversion Price or (ii) any period after the first anniversary of the date of issuance of the Preferred Shares the closing price of the Variable Voting Shares or Voting Shares, as the case may be, for each of 30 consecutive trading days exceeds 175% of the then applicable Conversion Price, and, in each case, if the Variable Voting Shares or Voting Shares are then listed and posted on the TSX and a registration statement, prospectus or other similar offering document permitting the distribution and sale of such Variable Voting Shares and Voting Shares throughout Canada and/or the United States of America is then effective covering all of the Variable Voting Shares and Voting Shares into which the Preferred Shares are convertible, then ACE may require the holders of Preferred Shares to convert the Preferred Shares into Variable Voting Shares, if the Preferred Shares are not owned by a Canadian, or Voting Shares, if the Preferred Shares are owned by a Canadian.

Organic Change

With respect to any recapitalization, reorganization, reclassification, consolidation, amalgamation, arrangement, merger, sale of all or substantially all of ACE's assets to another person or other transaction which is effected in such a way that holders of Variable Voting Shares and Voting Shares are entitled to receive (either directly or upon subsequent liquidation) stock, securities or assets with respect to or in exchange for Variable Voting Shares or Voting Shares, as the case may be (each an "Organic Change") which includes a sale of all or substantially all of ACE's assets or where ACE is not the surviving entity, the holders of the Preferred Shares shall be entitled to cause ACE to either (i) require that the surviving entity or its publicly traded parent issue to the holders of Preferred Shares in exchange for such shares, a security of the surviving or publicly traded parent entity evidenced by a written instrument substantially similar in form and substance to the Preferred Shares, including, without limitation, having the same economic rights and preferences as the Preferred Shares and having a rank senior to all capital stock of such issuing entity or (ii) make appropriate adjustments contemporaneously to the rights attached to the Preferred Shares so as to preserve in all respects the benefits conferred on the holders of the Preferred Shares by the terms of the Preferred Shares.

With respect to any reorganization, amalgamation, arrangement, merger or other similar transaction that does not constitute an Organic Change, appropriate adjustments shall contemporaneously be made to the rights (including, without limitation, the conversion right) attached to the Preferred Shares so as to preserve in all respects the benefits conferred on the holders of the Preferred Shares by the terms of the Preferred Shares.

Pre-emptive Rights

If ACE proposes to issue or sell any Variable Voting Shares or Voting Shares or other equity securities, rights, options, warrants or other convertible securities which represent rights to purchase Variable Voting Shares or Voting Shares, as the case may be, each holder of Preferred Shares shall be entitled to purchase a number of such Variable Voting Shares or Voting Shares, as the case may be, or other equity securities, rights, options, warrants or other convertible securities sufficient to allow such holder to maintain its proportionate equity ownership in ACE, on a fully diluted basis at the level of such interest immediately prior to such issuance or sale, subject to exceptions for issuances under management and employee stock incentive plans approved by the board of directors of ACE.

DIRECTORS AND OFFICERS

Directors

The name, municipality of residence and principal occupation of each of the directors are, as of the date hereof, as set forth below. Such individuals have served as directors of ACE since the dates set forth opposite their respective names.

Name and Municipality of Residence	Principal Occupation	Director Since
Bernard Attali(2)(4) Paris, France	Senior Advisor TPG Capital(5)	September 30, 2004
Gregory A. Boland(1)(3) Toronto, Ontario	President and Chief Executive Officer West Face Capital(6)	June 26, 2009
Michael M. Green(2)(4) Radnor, Pennsylvania	Chief Executive Officer and Managing Director Tenex Capital Management(7)	September 30, 2004
W. Brett Ingersoll(1)(3) New York, New York	Managing Director and Co-Head of Private Equity Cerberus Capital Management, L.P.(8)	September 30, 2004
Pierre Marc Johnson(2)(3) Montreal, Québec	Counsel Heenan Blaikie LLP(9)	September 30, 2004
David J. Kassie(3) (4) Toronto, Ontario	Principal, Chairman and Chief Executive Officer Genuity Capital Markets(10)	June 26, 2009
Robert F. MacLellan(1)(3) Toronto, Ontario	Chairman Northleaf Capital Partners(11)	June 26, 2009
Robert A. Milton London, England	Chairman, President and Chief Executive Officer, ACE	June 29, 2004
David I. Richardson(1)(4) Grafton, Ontario	Corporate Director	September 30, 2004
Marvin Yontef (2) Toronto, Ontario	Senior Partner Stikeman Elliott LLP(12)	June 29, 2004

(1) Member of the Audit, Finance and Risk Committee.
(2) Member of the Governance and Corporate Matters Committee.
(3) Member of the Human Resources and Compensation Committee.
(4) Member of the Nominating Committee.
(5) TPG Capital is a private investment firm.
(6) West Face Capital is a private investment firm.
(7) Tenex Capital Management is a private investment firm.
(8) Cerberus Capital Management, L.P. is a private investment firm.
(9) Heenan Blaikie LLP is a law firm.
(10) Genuity Capital Markets is an investment dealer.
(11) Northleaf Capital Partners is a private equity fund manager and advisor.
(12) Stikeman Elliott LLP is a law firm.

Unless otherwise indicated below, each of the directors has held the occupation listed above for more than five years. Mr. Boland was Portfolio Manager, Enterprise Capital Management from 1998 to 2007. Mr. Green was Managing Director at Cerberus Capital Management, L.P. from 2003 to 2009. Mr. MacLellan was Executive Vice President and Chief Investment Officer, TD Bank Financial Group from 2003 to 2009.

The term of office of all of the above directors will expire at the next annual meeting of shareholders of ACE or until their successors are appointed or elected.

Officers

The name, municipality of residence and position held with ACE of each of the officers are as set forth below:

Name and Municipality of Residence	Position Held
Robert A. Milton .... London, England	Chairman, President and Chief Executive Officer
Brian Dunne .... Dublin, Ireland	Chief Financial Officer
Sydney John Isaacs .... Westmount, Québec	Chief Legal Officer
Jack McLean .... La Salle, Manitoba	Controller
Carolyn M. Hadrovic .... Beaconsfield, Québec	Corporate Secretary

Unless otherwise indicated below, each of the officers has held a position with ACE or Air Canada similar to that listed above for more than five years. Brian Dunne was a partner at Arthur Andersen prior to taking up the position of Chief Financial Officer of Aer Lingus in October 2001. Mr. Dunne joined ACE in September 2005. Carolyn Hadrovic was Deputy Secretary of ACE before being appointed Corporate Secretary in December 2005 and previously, Senior Counsel, Regulatory and International Law, with Air Canada.

As at March 26, 2010, the directors and officers mentioned above as a group owned, or had control or direction over, directly or indirectly, 52,930 Voting Shares representing approximately 0.68% of the outstanding Voting Shares and 5,000 Variable Voting Shares representing approximately 0.02% of the outstanding Variable Voting Shares of ACE. Mr. Gregory A. Boland, a director of ACE, is an officer, director and shareholder of West Face Capital Inc., which exercises control or direction over 3,800,500 Variable Voting Shares and 890,900 Voting Shares.

Corporate Cease Trade Orders or Bankruptcies

Other than as set forth below, to the knowledge of ACE: no director or executive officer of ACE is, or has been in the last ten years: (i) a director, chief executive officer or chief financial officer of any company that (A) while that person was acting in that capacity, was the subject of a cease trade order or similar order, or an order that denied the relevant company access to any exemptions under securities legislation, for a period of more than 30 consecutive days, or (B) was the subject of an order of the type referred to in (A) above that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer of that company and which resulted from an event that occurred while that person was acting in a capacity as director, chief executive officer or chief financial officer of that company; or (ii) a director or executive officer of any company that, while that person was acting as director or executive officer of that company, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets:

(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 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 TSX on June 27, 2000 and delisted on July 6, 2000. Robert A. Milton was President and Chief Executive Officer and a director 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; and

(iii) Michael M. Green was a director of Anchor Glass Container Corporation when it filed a voluntary petition for reorganization under Chapter 11 of the US Bankruptcy Code in August 2005.

Penalties or Sanctions

To the knowledge of ACE, no director or executive officer of ACE, (i) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or (ii) has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Personal Bankruptcies

To the knowledge of ACE, in the last ten years, no director or executive officer has become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or executive officer.

AUDIT, FINANCE AND RISK COMMITTEE

Audit Committee Charter

The charter of the Audit, Finance and Risk Committee ("Audit Committee") is attached as Appendix A to this Annual Information Form.

Composition of Audit Committee

As of the date hereof, the Audit Committee of ACE consists of David I. Richardson (chairman), Gregory A. Boland, W. Brett Ingersoll and Robert F. MacLellan. Each member of the Audit Committee is independent and financially literate as defined under Multilateral Instrument 52-110 – *Audit Committees*.

Relevant Education and Experience of Audit Committee Members

In addition to each member's general business experience, the education and experience of each Audit Committee member that is relevant to the performance of his or her responsibilities as an Audit Committee member is as follows:

(i) David I. Richardson is a corporate director. Mr. Richardson is a director and the Chairman of the board of directors of Air Canada and the Chairman of the board of directors of Nortel Networks Corporation and Nortel Networks Limited. 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 restructuring practice until retirement from the partnership in 2002. Mr. Richardson is also a governor of Upper Canada College. Mr. Richardson holds a Bachelor of Commerce degree from the University of Toronto and is a member and a Fellow of the Institute of Chartered Accountants of Ontario.

(ii) Gregory A. Boland is the President and CEO of West Face Capital, a Toronto based money manager. Prior to founding West Face Capital in 2007, Mr. Boland managed portfolios for Enterprise Capital Management in Toronto since 1998. Mr. Boland focuses on value and distressed investing and has been actively involved in the restructurings of a number of portfolio companies. Prior to joining Enterprise Capital, Mr. Boland was a Vice President and Partner in proprietary investments at RBC Dominion Securities. Mr. Boland holds a Bachelor of Commerce from the University of British Columbia.

(iii) W. Brett Ingersoll is Managing Director and Co-Head of Private Equity at Cerberus Capital Management, L.P. and a member of the Investment Committee. Prior to joining Cerberus in 2002, Mr. Ingersoll was a Partner at JP Morgan Partners (formerly Chase Capital Partners) where he worked from 1993 to 2002. Mr. Ingersoll focuses primarily on private equity and restructuring situations in various industries including government services, healthcare, transportation, consumer products, financial services and outsourced business services. Mr. Ingersoll is a director of various public and private companies including IAP Worldwide Services, Inc., Talecris Bio Therapeutics, Inc., AerCap B.V. and Endura Care, LLC. Mr. Ingersoll received his M.B.A. from Harvard Business School and received his B.A. from Brigham Young University.

(iv) Robert F. MacLellan is Chairman of Northleaf Capital Partners. Mr. MacLellan was previously Executive Vice President and Chief Investment Officer of TD Bank Financial Group. Prior to joining TD Bank in 1995, Mr. MacLellan was Managing Director of Lancaster Financial Holdings and prior to 1988 was Vice President and Director of McLeod Young Weir (Scotia McLeod). Mr. MacLellan holds a Bachelor of Commerce from Carleton University, a Masters of Business Administration from

Harvard University and is a member of the Institute of Chartered Accountants. Mr. MacLellan is a director of Maple Leaf Sports and Entertainment Ltd. (Chair, Audit Committee), a member of the Board of Trustees of the United Way of Greater Toronto (Chair of Investment Committee) and serves on the Advisory Committee to Birch Hill Equity Partners.

Pre-approval Policies and Procedures

The Audit Committee reviews and approves the nature of all non-audit services, as permitted by securities legislation and regulations, to be provided by ACE's external auditor prior to the commencement of such work. In this regard, the Audit Committee will prepare a report for presentation to the shareholders of ACE quarterly or annually, as required, regarding the Audit Committee's approval of such non-audit services in the period.

The Audit Committee will also require and review a report from the external auditor of all relationships between the external auditor and its related entities and ACE and its related entities, including all work performed and fees paid for such work of a non-audit nature, that in the external auditor's professional judgment may reasonably be perceived to bear on its objectivity and independence and confirming that in the external auditor's professional judgment it is independent of ACE and discuss this report with the external auditor in order to evaluate the objectivity and independence of the external auditor. The Audit Committee will also review steps taken by the external auditor to address any findings in any of the foregoing reviews.

Auditors' Fees

PricewaterhouseCoopers LLP has served as ACE's auditing firm since April 26, 1990. Fees payable for the years ended December 31, 2009 and December 31, 2008 to PricewaterhouseCoopers LLP and its affiliates are $1,844,548 and $5,264,942, respectively. Fees payable to PricewaterhouseCoopers LLP and its affiliates in 2009 and 2008 are detailed below.

	Year ended December 31, 2009	**Year ended December 31, 2008**
Audit fees	$1,195,177	$4,434,349
Audit-related fees	$359,756	$326,342
Tax fees	$56,615	$57,761
All other fees	$233,000	$446,490
	$1,844,548	**$5,264,942**

Air Canada fees are included above through to October 27, 2009 only, at which time Air Canada ceased to be a subsidiary of ACE. Fees for ACE in 2009, on an unconsolidated basis, include "Audit fees" of $437,750 and "All other fees" of $142,000, for "Total fees" of $579,750.

The nature of each category of fees is described below.

Audit fees

Audit fees were paid for professional services rendered for the audit of annual financial statements and for services that are normally provided in connection with statutory and regulatory filings or engagements.

Audit-related fees

Audit-related fees were paid for professional services related to pension plan audits, specified procedures reports and other items related to the audit.

Tax fees

Tax fees were paid for professional services rendered with respect to income taxes.

Other Fees

Other fees were paid for translation and advisory services.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

On June 22, 2007, ACE announced that it had agreed to sell a 70% interest in the business of its wholly-owned maintenance, repair and overhaul subsidiary ACTS LP to a consortium consisting of Sageview Capital LLC, a private investment firm, and KKR Private Equity Investors, L.P., the publicly traded fund of Kohlberg Kravis Roberts & Co. The transaction was completed on October 16, 2007. As a result of the transaction, ACE continued to own 100% of ACTS LP, which is now a non-operating entity, ACTS Aero conducted the business previously operated by ACTS LP and ACE indirectly held a 27.8% equity interest in ACTS Aero. On March 7, 2008, Robert A. Milton and Brian Dunne, all officers of ACE, acquired shares of ACTS Aero representing in the aggregate 0.2% of the outstanding shares of ACTS Aero. The investment was made on the same terms as applicable to the consortium for the purchase of its 70% interest and was authorized by the board of directors of ACE. On January 22, 2010, ACE entered into a Restructuring and Lockup Agreement with Aveos, ACTS Aero, lenders and other shareholders. The restructuring was completed on March 12, 2010. Under the terms of the restructuring, ACE transferred its shares in ACTS Aero to a newly formed company, in which ACE has no interest, for nil consideration.

TRANSFER AGENT AND REGISTRAR

The Transfer Agent and registrar for the Variable Voting Shares and Voting Shares of ACE is CIBC Mellon Trust Company at its principal transfer offices in Montreal, Toronto, Vancouver, Calgary and Halifax.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Information related to legal proceedings can be found under the section "Risk Factors – Current Legal Proceedings".

MATERIAL CONTRACTS

The contracts that are material to ACE and that were entered into within the year ended December 31, 2009 or before such year but which are still in effect, and which are required to be filed with

Canadian securities regulatory authorities in accordance with Section 12.2 of National Instrument 51-102 — Continuous Disclosure Obligations, are as follows:

(i) The Credit Agreement dated July 30, 2009 described under "Evolution of the Business – Air Canada Credit Facility".

EXPERTS

ACE's independent auditors are PricewaterhouseCoopers LLP, Chartered Accountants, who have issued an auditors' report dated February 10, 2010 in respect of ACE's consolidated statement of financial position as at December 31, 2009 and the consolidated statements of operations, changes in shareholders' equity, comprehensive income (loss) and cash flows for the years ended December 31, 2009 and December 31, 2008. PricewaterhouseCoopers LLP has advised that they are independent with respect to ACE within the meaning of the Code of Ethics of the *Ordre des comptables agréés du Québec*.

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the ACE's securities and securities authorized for issuance under equity compensation plans are contained in ACE's management proxy circular for its 2009 annual meeting of shareholders held on June 26, 2009. Additional financial information is provided in ACE's financial statements and management's discussion and analysis for the year ended December 31, 2009. The above information and additional information relating to ACE are available on SEDAR at *www.sedar.com.*

The following documents can be obtained by sending your request to the Corporate Secretary of ACE, at 5100 de Maisonneuve Boulevard West, Montreal, Québec, H4A 3T2:

(i) this Annual Information Form, together with any document incorporated herein by reference;

(ii) the 2009 Management's Discussion & Analysis / 2009 audited Annual Financial Statements and Notes of ACE and any interim financial statements filed after the audited annual financial statements for ACE's most recently completed financial year;

(iii) ACE's management proxy circular for the 2009 annual shareholder meeting held on June 26, 2009; and

(iv) any other documents that are incorporated by reference into a preliminary short form prospectus or a short form prospectus pursuant to which securities of ACE are in the course of a distribution.

Except when securities of ACE are in the course of distribution pursuant to a short form prospectus or a preliminary short form prospectus, ACE may require the payment of a reasonable charge from persons, other than security holders of ACE, requesting copies of these documents.

GLOSSARY OF TERMS

"ACE" shall have the meaning ascribed thereto under "Explanatory Notes";

"ACTS Aero" means ACTS Aero Technical Support & Services Holdings sarl, an entity incorporated in Luxembourg which purchased the assets and conducts the business previously operated by ACTS LP;

"Aeroplan" means Aeroplan Canada Inc.;

"Air Canada Vacations" means Touram Limited Partnership, a limited partnership established under the laws of the Province of Québec;

"ASMs" means the total number of seats available for passengers multiplied by the miles flown;

"Audit Committee" means the Audit, Finance and Risk Committee of ACE;

"Aveos" means Aveos Fleet Performance Inc. which was formerly called ACTS Aero Technical Support & Services Inc.;

"Boeing" means The Boeing Company;

"Bombardier" means Bombardier Inc.;

"CAIL" means Canadian Airlines International Ltd.;

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

"CCAA" means the *Companies' Creditors Arrangement Act*, as amended;

"Cerberus Affiliate" means Promontoria Holding III B.V. ;

"CIBC" means the Canadian Imperial Bank of Commerce;

"CIE" means Corporate Items and Eliminations;

"Corporation" shall have the meaning ascribed thereto under "Explanatory Notes";

"Covered Aircraft" means Jazz's aircraft subject to the Jazz CPA;

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

"CUPE" means the Canadian Union of Public Employees;

"Deutsche Bank" means Deutsche Bank Securities Inc.;

"Embraer" means EMBRAER — Empresa Brasileira de Aeronautica S.A.;

"GF-X" means Global Freight Exchange;

"IATA" means the International Air Transport Association;

"ICAO" means the International Civil Aviation Organization;

"Investment Agreement" means the investment agreement with the Cerberus Affiliate dated June 23, 2004;

"Jazz" means Jazz Air LP, a limited partnership established under the laws of the Province of Québec on September 12, 2005;

"Jazz CPA" means the Amended and Restated Capacity Purchase Agreement between Air Canada and Jazz Air Limited Partnership dated January 1, 2006;

"Montreal Trudeau Airport" means Montreal's Pierre Elliott Trudeau International Airport;

"Notes" means the 4.25% convertible senior notes due 2035 of ACE;

"Plan" means the consolidated plan of reorganization, compromise and arrangement of Air Canada and certain of its subsidiaries pursuant to which ACE became the parent holding company of the reorganized Air Canada and its subsidiaries;

"Porter" means Porter Airlines Inc.;

"Preferred Shares" means convertible preferred shares of ACE;

"Toronto Pearson Airport" means Toronto Lester B. Pearson International Airport;

"TPA" means Toronto Port Authority;

"TSX" means the Toronto Stock Exchange;

"US Airways" means US Airways Group Inc.;

"Variable Voting Shares" means Class A variable voting shares in the capital of Air Canada;

"Voting Shares" means Class B voting shares in the capital of Air Canada;

"WestJet" means WestJet Airlines Ltd.;

"WHO" means World Health Organization; and

"WTI" means West Texas Intermediate.

APPENDIX A - CHARTER OF THE AUDIT, FINANCE AND RISK COMMITTEE OF THE BOARD OF DIRECTORS OF ACE AVIATION HOLDINGS INC.

1. Structure, Procedure, Qualifications

The Audit, Finance and Risk Committee (the "Audit Committee") of ACE Aviation Holdings Inc. (the "Corporation") shall be composed of not less than three directors, all of whom shall meet the independence, experience and other membership requirements under applicable laws, rules and regulations as determined by the Board of Directors (the "Board"). The members of the Audit Committee shall have no relationships with management, the Corporation and its related entities that in the opinion of the Board may interfere with their independence from management and from the Corporation. In addition, an Audit Committee member shall not receive, other than for service on the Board or the Audit Committee or other committees of the Board, any consulting, advisory, or other compensatory fee from the Corporation or any of its related parties or subsidiaries. The members of the Audit Committee shall possess the mix of characteristics, experiences and skills to provide an appropriate balance for the performance of the duties of the Audit Committee and in particular each member of the Audit Committee shall be "financially literate" and at least one member shall be a "financial expert" as defined by relevant securities legislation or regulations.

A quorum of the Audit Committee shall be a majority of the members, and a majority of the members present shall be required to pass a resolution of the Audit Committee. The Audit Committee shall be responsible to the Board of Directors of the Corporation. The Chairman and the members of the Audit Committee shall be appointed annually by the Board.

2. Objectives

(a) The objectives of the Audit Committee are as follows:

- (i) To assist the Board in the discharge of its responsibility to monitor the component parts of the Corporation's financial reporting and audit process.
- (ii) To 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.
- (iii) To assist the Board of Directors in its oversight of the independence, qualifications and appointment of the external auditor.
- (iv) To monitor the performance of the internal financial and accounting controls and of the internal and external auditors.
- (v) To provide independent communication between the Board and the internal auditor and the external auditor.
- (vi) To 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.

3. Duties

To achieve its objectives, the Audit Committee shall:

(a) 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. This will include a review of the annual and quarterly financial statements and Management's Discussion and Analyses ("MD&As") to be filed with regulatory authorities and provided to shareholders, and financial statements and other financial disclosure included in prospectuses, earnings press releases and other similar documents. The Audit Committee shall also review the Corporation's annual information form and other similar documents. These reviews will include:

(i) Discussions with management and the external auditor and a consideration of the report by the external auditor to the Audit Committee of matters related to the conduct of an audit;

(ii) discussions with the external auditor respecting the auditor's judgment regarding both the acceptability and quality of the financial statements including the critical accounting policies and practices used by management in their preparation, alternative treatments and disclosures of financial information within generally accepted accounting principles that have been considered by management and their ramifications, the selection of changes in significant accounting policies, the method used to account for significant unusual transactions, the effect of significant accounting policies in controversial or emerging areas, the degree of aggressiveness or conservatism, as the case may be, of the accounting policies adopted by the Corporation, the process used by management in formulating particularly significant accounting estimates and the basis for the external auditor's conclusions regarding the reasonableness of those estimates;

(iii) a review of significant adjustments arising from an audit;

(iv) a review of disagreements with management over the application of accounting policies as well as any disclosure in the financial statements. The Audit Committee is responsible for the resolution of disagreements between management and the external auditor regarding financial reporting;

(v) a review of all material off-balance sheet transactions and other relationships with non-consolidated entities that may have a material current or future effect on the financial condition of the Corporation including their disclosure or lack thereof in the applicable quarterly or annual financial statements;

(vi) a review of the external auditor's suggestions for improvements to the Corporation's operations and internal controls;

(vii) a review of the nature and size of unadjusted errors of a non-trivial amount;

(viii) a review to ascertain that various covenants are complied with; and

(ix) the selection of, and changes in, accounting policies and consideration of the appropriateness of such selections and changes.

(b) Determine, based on its review and discussion, whether to recommend the approval by the Board of such financial statements and the financial disclosure in any such annual information forms, earnings press releases, prospectuses and other similar documents.

(c) Review with management, the internal auditor and the external auditor and, if considered appropriate, approve the release of the Corporation's quarterly financial statements and related MD&A.

(d) Review with management, the external auditor and legal counsel, the Corporation's procedures to ensure compliance with applicable laws and regulations, and any significant litigation, claim or other contingency, including tax assessments, that would have a material effect upon the financial position or operating results of the Corporation and the disclosure or impact on the results of these matters in the quarterly and annual financial statements. The Audit Committee should be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, and must periodically assess the adequacy of those procedures.

(e) Meet with the Corporation's external auditor to review and approve their audit plan with particular emphasis on risk factors which could lead to a material misstatement of the financial statements, the scope and timing of the audit, the assumptions and decisions that have been made in developing the plan and co-ordination of work between the external auditor and the internal audit department. The Audit Committee is responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation.

(f) Review and approve estimated audit and audit-related fees and expenses for the current year. Pre-approve any significant additional audit and audit-related fees over the estimated amount. Review and approve audit and audit-related fees and expenses for the prior year. The authority for the determination and payment of fees to the external auditor rests solely and exclusively with the Audit Committee. The Corporation shall ensure that funding is available to the Audit Committee for payment of compensation to the external auditor.

(g) Review

(i) and approve, or delegate to a member of the Audit Committee the responsibility to review and approve, the nature of all non-audit services, as permitted by securities legislation and regulations, to be provided by the Corporations' external auditor prior to the commencement of such work. In this regard the Audit Committee will prepare a report for presentation to the shareholders of the Corporation quarterly or annually, as required, regarding the Audit Committee's approval of such non-audit services in the period. The pre-approval of non-audit services by a member of the Audit Committee to whom such authority is delegated must be presented to the Audit Committee at its first scheduled meeting following such pre-approval;

(ii) and implement from time to time a process in connection with non-audit services performed by the external auditor.

(h) Review a report from the external auditor of all relationships between the external auditor and its related entities and the Corporation and its related entities, including all work performed and fees paid for such work of a non-audit nature, that in the external auditor's professional judgment may reasonably be perceived to bear on its objectivity and independence and confirming, or otherwise, that in the external auditor's professional judgment it is independent of the Corporation and discuss this report with the external auditor in order to evaluate the objectivity and independence of the external auditor. The Audit Committee should specifically require the external auditor to confirm that it is a registered public accounting firm as prescribed by various applicable securities regulations. As well, at least once a year the Audit Committee will carry out a review of the credentials of the members of the firm including without limitation the biographies of the members, whether there has been any enforcement actions, issues related to the firm and law suits, if any. A formal written report will be obtained from the external auditor outlining: the auditing firm's internal quality control procedures; any material issues raised within the preceding five years by the auditing firm's internal quality control review, peer reviews or any other inquiry or investigation by governmental or professional authority relating to any audit conducted by the firm. The Committee will also review steps taken by the auditing firm to address any findings in any of the forgoing reviews.

(i) Receive reports on any consultations between management and other public accountants respecting accounting principles to be applied in preparing the quarterly or annual financial statements, and on any incidents involving fraud or illegal acts of which management, the internal audit department or the external auditor become aware. In this regard, review the relevant control procedures with management to ensure that such matters are adequately guarded against.

(j) At least once each year:

  (i) Meet privately with management to assess the performance of the external auditor.

  (ii) Meet privately with the external auditor, amongst other things, to understand any restrictions placed on them or other difficulties encountered in the course of the audit, including instructions on the scope of their work and access to requested information and the level of co-operation received from management during the performance of their work and their evaluation of the Corporation's financial, accounting and audit personnel and systems.

(k) Evaluate the performance of the external auditor, and if so determined, recommend that the Board either take steps to replace the external auditor or provide for the reappointment of the external auditor by the shareholders.

(l) Regarding the services provided by the internal audit department, the Audit Committee will:

  (i) meet privately with internal audit, amongst other things, to understand any restrictions placed on them or other difficulties encountered in the course of their audits, including instructions on the scope of their work and access to requested information and the level of co-operation received from management during the performance of their work;

  (ii) periodically review and approve the mandate, reporting relationships and resources of the internal audit group;

  (iii) review the objectivity, qualifications, adequacy and experience of the internal audit staff and approve the appointment, dismissal or replacement of the head of the internal audit department;

  (iv) review and approve annually the planned scope for the internal audit program, its objectives, and the resources required to attain these objectives;

  (v) periodically throughout each year review the reports of the internal audit department which describe the activities of the internal audit department for the preceding period; and

  (vi) review the working relationship between the internal audit department and the external auditor, and between the internal audit department and management.

(m) Obtain from both the internal audit department and the Corporation's external auditor the major audit findings and internal control recommendations reported during the period under review, the response of management to those recommendations, and review the follow-up performed by management and the internal audit department in order to monitor whether management has implemented an effective system of internal accounting control.

(n) Review significant emerging accounting and reporting issues, including recent professional and regulatory pronouncements, and assess their impact on the Corporation's financial statements.

(o) Establish 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, internal accounting controls and internal or external auditing matters. The Audit Committee should be satisfied that sufficient controls are in place to ensure that all such complaints can be received anonymously and with an appropriate degree of confidentiality and that potential employee informants are aware of the process that is in place. The Audit Committee should also be satisfied that processes are in place to ensure that all such complaints, regardless of significance, are presented to the Audit Committee.

(p) Review policies for approval of senior management expenses.

(q) Review the process relative to the periodic certifications by the Chief Executive Officer and the Chief Financial Officer of the Corporation in respect of financial disclosures, the existence of any significant deficiencies in the design or operation of internal controls which could adversely affect the Corporation's ability to record, process, summarize and report financial data and any significant changes in internal controls or changes to the environment in which the internal controls operate, including corrections of material deficiencies and weaknesses.

(r) Review with management the Corporation's computer systems, including procedures to keep the systems secure and contingency plans developed to deal with possible computer failures.

(s) Review and approve all related party transactions as such term is defined from time to time in Policy Statement Q-27 of the Autorité des marchés financiers and Rule 61-501 issued by the Ontario Securities Commission, as may be amended from time to time.

(t) Review risk management systems and controls, especially in relation to derivatives, foreign currency exposure, hedging and insurance.

(u) Whenever it may be appropriate to do so, retain and receive advice from experts, including independent legal counsel and independent public accountants, and conduct or authorize the conduct of investigations into any matters within the scope of the responsibility of the Audit Committee as the Audit Committee may consider appropriate. The Corporation shall ensure that funding is available to the Audit Committee in respect of the aforementioned activities.

(v) Report regularly to the Board in writing on the activities, findings and conclusions of the Audit Committee.

(w) Review this Charter on an annual basis and recommend to the Board any changes to it that the Audit Committee considers advisable.

(x) Complete a self-assessment annually to determine how effectively the Audit Committee is meeting its responsibilities.

(y) Perform such other functions as may be delegated from time to time by the Board.

(z) Review the process for the rotation of the lead audit partner, the concurring partner and any other audit engagement team partner.

(aa) Review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation.

OTHER

(a) **Public Disclosure**

The Audit Committee shall:

(i) Review and approve the Corporation's Public Disclosure Policy and any changes related thereto and ensure consistency with current developments and best practices;

(ii) Where practicable, management will review with the Audit Committee or the Chairman of the Audit Committee draft news releases to be disseminated to the public related to earnings warnings or financial results forecasting by the Corporation which are expected by management to be material in relation to the market price of any of the Corporation's securities.

(b) Risk Identification and Management

The Audit Committee shall make all reasonable efforts to identify and address material financial and other risks to the business and affairs of the Corporation and its subsidiaries and make recommendations in that regard to the Board of Directors of the Corporation. The Audit Committee shall review and discuss with management, the internal audit department and the external auditor all major financial risk exposures and the steps management has taken to monitor/control those exposures. The Audit Committee shall be entitled, from time to time, to retain experts and consultants to assist the Audit Committee with the discharge of such mandate. The Audit Committee shall have the discretion in the discharge of these duties to address risks to the Corporation's and its subsidiaries' revenues and costs, as well as potentially corrupt or other practices that may lead to loss or depreciation of business reputation.

(c) Contingent Liabilities

The Audit Committee shall establish processes and procedures to identify and monitor contingent liabilities of the Corporation and its subsidiaries. In the discharge of these duties, the Audit Committee shall have the discretion to retain experts and consultants and to review, without limitation, workplace safety, environmental issues and any other matters, whether of a financial nature or otherwise, that can give rise to a contingent liability. The Audit Committee shall make recommendations, from time to time, to the Board of Directors of the Corporation on these matters.

(d) Corporate Authorizations Policies

The Audit Committee shall:

(i) Periodically review and approve policies relative to the financial control, conduct, regulation and administration of subsidiary companies;

(ii) Periodically review any administrative resolutions adopted from time to time pursuant to the Corporation's By-laws pertaining to the establishment of procedures relative to commitment and transaction authorizations, the determination of the officers or other persons by whom any instrument in writing or document is to be executed and the manner of execution thereof;

(iii) Review, monitor and approve the Corporate Donations Policy and any changes thereto and the annual Corporate Donations Budget; and

(iv) Review, monitor and approve any other financial expenditure policies that would affect the Corporation's and its subsidiaries' financial condition or reputation.

(e) Performance to Budget

The Audit Committee shall review actual financial performance compared to budget.

(f) Meetings

(i) The Audit Committee shall meet at least quarterly at the call of the Chairman of the Audit Committee, any other member of the Audit Committee or the external auditors.

(ii) An "in-camera" session of the members of the Committee shall be held as part of each meeting of the Committee.

(g) Responsibilities

Nothing contained in the above mandate is intended to assign to the Audit Committee the Board of Directors' responsibility to ensure the Corporation's compliance with applicable laws or regulations or to expand applicable standards of liability under statutory or regulatory requirements for the directors or the members of the Audit Committee. Even though the Audit Committee has a specific mandate and its members have financial experience and expertise, it is not the duty of the Audit Committee to plan or conduct audits, or to determine that the Corporation's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. Such matters are the responsibility of management, the internal auditor and the external auditor.

Members of the Audit Committee are entitled to rely, absent knowledge to the contrary, on (i) the integrity of the persons and organizations from whom they receive information, (ii) the accuracy and completeness of the information provided, and (iii) representations made by management as to the non-audit services provided to the Corporation by the external auditor.

February 7, 2008