ACE AVIATION

NOTICE OF 2010 ANNUAL

MEETING OF SHAREHOLDERS

AND MANAGEMENT PROXY CIRCULAR

WHAT'S INSIDE

ACE AVIATION

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

Dear Shareholders:

You are cordially invited to attend our annual meeting of shareholders of ACE Aviation Holdings Inc. It will be held on June 30, 2010 at 9:30 a.m. (Montreal time), at the International Civil Aviation Organization (ICAO) Conference Centre, 999 University Street, Montreal, Québec.

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

We look forward to seeing you at our annual shareholder meeting. Your vote is extremely important to us. If you are unable to attend the meeting in person, please complete and return your form of proxy by the date indicated on your form.

Sincerely,

Robert A. Milton
Chairman, President and Chief Executive Officer

Michael M. Green
Lead Director

ACE AVIATION

NOTICE OF 2010 ANNUAL SHAREHOLDER MEETING

When

June 30, 2010 at 9:30 a.m. (Montreal time)

Where

International Civil Aviation Organization (ICAO)
Conference Centre
999 University Street
Montreal, Québec

Business of the 2010 Annual Shareholder Meeting

Four items will be covered at the meeting:

1. placement before shareholders of the annual consolidated financial statements of ACE Aviation Holdings Inc. for the year ended December 31, 2009, including the auditors' report thereon;

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

3. appointment of auditors; and

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

You are entitled to receive notice of, and vote at, our annual shareholder meeting or any adjournment thereof if you were a shareholder on May 25, 2010.

Your vote is important

As a shareholder of ACE Aviation Holdings Inc. ("**ACE Aviation**"), it is very important that you read this material carefully and vote your shares, either by proxy using the form of proxy or in person at the meeting. Proxy forms must be deposited with ACE or CIBC Mellon Trust Company prior to 4:00 p.m. on June 28, 2010.

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

By Order of the Board of Directors,

Corporate Secretary

Carolyn M. Hadrovic

Montreal, Québec
May 25, 2010

ACE AVIATION

MANAGEMENT PROXY CIRCULAR

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

This circular is for our annual shareholder meeting to be held on June 30, 2010 ("**meeting**"). As a shareholder of ACE Aviation, you have the right to vote your shares on the election of the directors, the appointment of the auditors and on any other items that may properly come before the meeting or any adjournment thereof.

To help you make an informed decision, please read this circular. This circular tells you about the meeting, the nominee directors, the proposed auditors, our corporate governance practices, the compensation of directors and officers and other matters. The information in this document is current as at May 25, 2010, unless otherwise indicated. Financial information on ACE Aviation and its subsidiaries is provided in its annual consolidated financial statements and management's discussion and analysis for the year ended December 31, 2009.

Your proxy is solicited by or on behalf of the management of ACE Aviation for use at the meeting. In addition to solicitation by mail, our employees or agents may solicit proxies by other means. The cost of any such solicitation will be borne by the Corporation. The Corporation may also reimburse brokers and other persons holding shares in their names, or in the names of nominees, for their costs incurred in sending proxy materials to beneficial owners and obtaining their proxies or voting instructions.

If you have any questions about any of the information in this circular, please contact ACE Aviation's Shareholder Relations at (514) 205-7855 for service in English or in French.

Approval of this circular

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

Corporate Secretary

Carolyn M. Hadrovic

Montreal, Québec
May 25, 2010

VOTING YOUR SHARES

Your vote is important

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

Voting

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

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

How to vote – registered shareholders

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

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

By proxy

By telephone

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

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

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

The cut-off time for voting by telephone is 4:00 p.m. (Montreal time) on June 28, 2010.

On the Internet

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

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

If you return your proxy via the Internet, you can appoint a person other than the directors or officers named in the form of proxy as your proxyholder. This person does not have to be a shareholder. Indicate the name of the person you are appointing in the space provided on the form of proxy. Complete your voting instructions, and date and submit the form. Make sure that the person you appoint is aware that he or she has been appointed and attends the meeting.

The cut-off time for voting over the Internet is 4:00 p.m. (Montreal time) on June 28, 2010.

By facsimile or by mail

Complete your form of proxy and return it by facsimile to (416) 368-2502 or return it in the envelope we have provided or by delivering it to one of CIBC Mellon's principal Corporate Trust Offices in Halifax, Montreal, Toronto, Calgary or Vancouver **for receipt before 4:00 p.m. (Montreal time) on June 28, 2010** or with the Secretary of the meeting prior to commencement of the meeting or on the day of any adjournment thereof. If the meeting is adjourned or postponed, CIBC Mellon must receive the form of proxy at least 48 hours, excluding Saturdays, Sundays and holidays, before the rescheduled meeting. A list of addresses for the principal Corporate Trust Offices of CIBC Mellon is set forth at the end of this circular.

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

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

In person at the meeting

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

You will receive a shareholder card at the meeting upon registration at the registration desk.

How to vote – non-registered shareholders

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

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

By proxy

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

On the Internet

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

You will need the 12 digit Control Number found on your voting instruction form.

If you return your voting instruction form via the Internet, you can appoint a person other than the directors or officers named on the voting instruction form as your proxyholder. This person does not have to be a shareholder. Indicate the name of the person you are appointing in the space provided on the voting instruction form. Complete your voting instructions, and date and submit the form. Make sure that the person you appoint is aware that he or she has been appointed and attends the meeting.

The cut-off time for voting over the Internet is 11:59 p.m. (Montreal time) on June 27, 2010.

By facsimile or by mail

Alternatively you may vote your shares by completing the voting instruction form as directed on the form and returning it by facsimile at (905) 507-7793 or (514) 281-8911 or in the business reply envelope provided **for receipt before 4:00 p.m. (Montreal time) on June 25, 2010**.

In person at the meeting

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

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

Completing the form of proxy

You can choose to vote "For" or "Withhold" with respect to the election of each of the directors and the appointment of the auditors. If you are a non-registered shareholder voting your shares, please follow the instructions provided in the voting instruction form.

When you sign the form of proxy without appointing an alternate proxyholder, you authorize Robert A. Milton, Michael M. Green or Carolyn M. Hadrovic, who are directors or officers of ACE Aviation, to vote your shares for you at the meeting in accordance with your instructions. **If you return your proxy without specifying how you want to vote your shares, your vote will be counted FOR electing the director nominees who are named in this circular and FOR appointing PricewaterhouseCoopers LLP as auditors of the Corporation.**

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

You have the right to appoint someone other than the management proxy nominees to be your

proxyholder. If you are appointing someone else to vote your shares for you at the meeting, fill in the name of the person voting for you in the blank space provided on the form of proxy.

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

A proxyholder has the same rights as the shareholder by whom it was appointed to speak at the meeting in respect of any matter and to vote by way of ballot at the meeting.

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

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

If you need assistance completing your form of proxy or voting instruction form, please contact ACE Aviation's Shareholder Relations at (514) 205-7855 for service in English or in French.

Changing your vote

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

Voting requirements

The appointment of auditors and the election of directors will be determined by a majority of votes cast at the meeting by proxy or in person. CIBC Mellon counts and tabulates the votes.

Voting shares and quorum

As of May 25, 2010, there were 6,851,546 Class B voting shares, 25,613,938 Class A variable voting shares outstanding. Shareholders of record on May 25, 2010 are entitled to receive notice of and vote at the meeting. The list of shareholders entitled to vote at the meeting will be available for inspection on and after June 1, 2010 during usual business hours at the Montreal office of the Corporation's transfer agent, CIBC Mellon, 2001 University Street, Suite 1600, Montreal, Québec and at the meeting.

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

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

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

Restrictions on voting securities

The applicable provisions of the *Canada Transportation Act* require that national holders of domestic, scheduled international and non-scheduled international licences be Canadian. In the case of each licence holder, this requires that it be controlled in fact by Canadians and that, currently, at least 75% of its voting interests be owned and controlled by Canadians.

The articles of the Corporation contain restrictions to ensure that ACE Aviation remains Canadian under the *Canada Transportation Act*. The definition of the term "Canadian" under section 55(1) of the *Canada Transportation Act* may be summarized as follows:

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

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

(c) a corporation or other entity that is incorporated or formed under the laws of Canada or a province, that is controlled in fact by Canadians and of which at least 75% or such lesser percentage as the Governor in Council may by regulation specify, of the voting interests are owned and controlled by Canadians.

ACE Aviation's authorized capital has three classes of shares: (i) Class B voting shares, (ii) Class A variable voting shares, and (iii) preferred shares. There are no preferred shares issued and outstanding.

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

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

Each Class A variable voting share confers the right to one vote unless: (i) the number of Class A variable voting shares outstanding, as a percentage of the total number of voting shares outstanding of ACE Aviation 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 Class A variable voting shares 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 Class A variable voting share will decrease proportionately such that: (i) the Class A variable voting shares as a class 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 Aviation and (ii) the total number of votes cast by or on behalf of holders of Class A variable voting 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 restrictions relating to voting securities in the *Canada Transportation Act* would be amended to provide the Governor in Council with flexibility to increase the foreign voting interests 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. ACE Aviation does not expect that these provisions will come into effect before the meeting.

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

Shareholders who wish to vote at the meeting either by completing and delivering a proxy or a voting instruction form or by attending and voting at the meeting will be required to complete a Declaration of Canadian Status in order to enable ACE Aviation to comply with the restrictions imposed by its articles and the *Canada Transportation Act* on the ownership and voting of

its voting securities. If you do not complete such declaration or if it is determined by ACE Aviation or its transfer agent that you incorrectly indicated (through inadvertence or otherwise) that the shares represented by the proxy are owned and controlled by a Canadian, you will be deemed to be a non-Canadian for purposes of voting at the meeting. Such declaration is contained in the accompanying form of proxy or the voting instruction form provided to you if you are a non-registered shareholder and in the telephone and Internet voting instructions.

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

Principal shareholders

As of May 25, 2010, to the knowledge of the officers or directors of the Corporation, each of the following entities beneficially owned, or exercised control or direction over, directly or indirectly, shares carrying more than 10% of the votes attached to any class of shares entitled to vote in connection with any matters being proposed for consideration at the meeting.

Name of Shareholder	Number and Type of Shares	% of Outstanding Shares as at May 25, 2010
Marathon Asset Management LLP ("**Marathon**")(1)	4,828,455 Class A variable voting shares	18.9% of all outstanding Class A variable voting shares
Polar Securities Inc. ("**Polar**")(2)	4,431,267 Class A variable voting shares	17.3% of all outstanding Class A variable voting shares
West Face Capital Inc. ("**WFCI**")(3)	3,800,500 Class A variable voting shares	14.8% of all outstanding Class A variable voting shares

(1) Marathon also exercises control or direction over 284,800 Class B voting shares and Mr. Jeremy Hosking, a partner of Marathon, also holds an aggregate of 37,025 Class A variable voting shares. Based on Marathon's early warning report dated December 2, 2008.

(2) Based on its alternative monthly early warning report dated May 10, 2010.

(3) Based on WFCI's alternative monthly report dated July 10, 2009. In addition, West Face Long Term Opportunities Limited Partnership, a managed account of WFCI, and Gregory A. Boland, director, officer and shareholder of WFCI, together own 894,048 Class B voting shares representing 13.0% of all issued and outstanding Class B voting shares as at May 25, 2010.

BUSINESS OF THE MEETING

Four items will be covered at the meeting:

1. placement before shareholders of the annual consolidated financial statements of ACE Aviation for the year ended December 31, 2009, including the auditors' report thereon;

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

3. appointment of auditors; and

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

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

1. Placement of ACE Aviation's Financial Statements

The annual consolidated financial statements for the year ended December 31, 2009, including the auditors' report thereon, are available on SEDAR at www.sedar.com or on the Corporation's website at www.aceaviation.com. Copies of such statements will also be available at the meeting.

2. Election of Directors

Nine (9) directors are to be elected to the Board. Please see "The Nominated Directors" for more information. Directors elected at the meeting will serve until the end of the next annual shareholder meeting or until their successors are elected or appointed.

All of the individuals to be nominated as directors are currently members of the Board and were appointed on September 30, 2004, except for Messrs. Milton and Yontef who were appointed on June 29, 2004, and Messrs. Boland, Kassie and MacLellan who were elected on June 26, 2009.

You will be entitled to cast your vote "For" or "Withhold" with respect to each of the nominated directors, individually.

Your vote is extremely important to us. Please complete and return your form of proxy by the date indicated on your form.

If you do not specify how you want your shares voted, the persons named as proxyholders in management's form of proxy or voting instruction form will cast the votes represented by proxy at the meeting FOR the election of the director nominees who are named in this circular.

3. Appointment of Auditors

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

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, as 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 Aviation. Fees for ACE Aviation 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 ACE Aviation's annual consolidated 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.

More information on ACE Aviation's Audit, Finance and Risk Committee can be found in ACE Aviation's Annual Information Form dated March 26, 2010 which is available on SEDAR at www.sedar.com or on ACE Aviation's website at www.aceaviation.com.

Your vote is extremely important to us. Please complete and return your form of proxy by the date indicated on your form.

If you do not specify how you want your shares voted, the persons named as proxyholders in management's form of proxy or voting instruction form will cast the votes represented by proxy at the meeting FOR the appointment of PricewaterhouseCoopers LLP as auditors.

4. Consideration of Other Business

We will also:

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

THE NOMINATED DIRECTORS

Nine (9) directors are to be elected at the meeting, each of whom is to hold office until the end of the next annual meeting of shareholders or until their successors are elected or appointed.

All nominees have established their eligibility and willingness to serve as directors. If prior to the meeting, any of the listed nominees would become unable or unavailable to serve, proxies will be voted for any other nominee or nominees at the discretion of the proxyholder. The table below sets out, among other things, the names of the proposed nominees for election as directors, together with their municipality of residence, the date they became directors, their principal occupation and other principal directorships and committee memberships. Also indicated is the number of securities of the Corporation or any of its subsidiaries beneficially owned, or over which control was exercised, directly or indirectly, by each proposed director as of May 25, 2010.

BERNARD ATTALI
Paris, France
ACE Aviation director since September 30, 2004
Age: 66

Bernard Attali is the Honorary Chairman of Air France Group and Senior Advisor for TPG Capital, a private investment firm. Mr. Attali is also a director of Air Canada. He was Vice Chairman of Deutsche Bank Europe Investment Banking from 1999 to 2000. Mr. Attali has served as Chairman and Chief Executive Officer of Air France as well as Chairman of the International Air Transport Association, Excom and the Association of European Airlines. Mr. Attali is Commandeur de la Légion d'Honneur and Titulaire de la Médaille de l'Aéronautique. Mr. Attali holds diplomas from the Institut d'Études Politiques de Paris and the École Nationale d'Administration.

Chair of the Nominating Committee
Member of the Governance and Corporate Matters Committee

5,000 Class A variable voting shares of ACE Aviation

GREGORY A. BOLAND
Toronto, Ontario
Age: 45

ACE Aviation director since June 26, 2009

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.

Member of the Audit, Finance and Risk Committee
Member of the Human Resources and Compensation Committee

See "Voting Your Shares – Principal Shareholders" for a description of the shares of ACE Aviation beneficially owned, or over which control or direction is exercised, by Mr. Boland and West Face Capital.

W. BRETT INGERSOLL
New York, New York
Age: 46

ACE Aviation director since September 30, 2004

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 his B.A. from Brigham Young University.

Member of the Audit, Finance and Risk Committee
Member of the Human Resources and Compensation Committee

PIERRE MARC JOHNSON
Montreal, Québec
Age: 63

ACE Aviation director since September 30, 2004

Pierre Marc Johnson is Counsel to the offices of the Canadian law firm Heenan Blaikie LLP and advises, mediates, negotiates for or with, various governments, United Nations related organizations and other international institutions. Mr. Johnson is a director of Air Canada, Noveko International Inc., Holcim Canada, Medicago Inc., Groupe Juste Pour Rire, Muse Entertainment and the Veolia Institute for the Environment (Paris). During his career in public office, Mr. Johnson, a physician and attorney, became Québec's Premier in 1985 and then Leader of the Opposition. Mr. Johnson was previously Minister of Labour and Manpower, Financial Institutions, Social Affairs, Intergovernmental Affairs, Attorney General and Minister of Justice. Mr. Johnson is a Fellow of the Royal Society of Canada, Grand Officer insignia of the Ordre National du Québec and Grand Croix de l'Ordre de la Pléiade.

Chair of the Human Resources and Compensation Committee
Member of the Governance and Corporate Matters Committee

5,000 Class B voting shares of ACE Aviation

DAVID J. KASSIE
Toronto, Ontario
Age: 54

ACE Aviation director since June 26, 2009

David Kassie is Group Chairman of Canaccord Genuity since April 2010. From 2004 to 2010, Mr. Kassie was Principal, Chairman and CEO of Genuity Capital Markets. Prior to 2004, he was Chairman and Chief Executive Officer of CIBC World Markets and the Vice Chairman of CIBC. Mr. Kassie has extensive experience as an advisor, underwriter and principal. Mr. Kassie sits on a number of corporate boards and was a director of Alliance Atlantis Communications Inc. from 1992 to 2007. Mr. Kassie is actively involved in community and charitable organizations and is on the Boards of the Shoah Foundation, the Hospital for Sick Children, the Ivey School of Business and the Toronto International Film Festival Group. Mr. Kassie holds a B.Comm. (Honours) in Economics from McGill University, and an MBA from the University of Western Ontario.

Member of the Human Resources and Compensation Committee
Member of the Nominating Committee

ROBERT F. MACLELLAN
Toronto, Ontario
Age: 55

ACE Aviation director since June 26, 2009

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 (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.

Member of the Audit, Finance and Risk Committee
Member of the Human Resources and Compensation Committee

10,000 Class B voting shares of ACE Aviation

ROBERT A. MILTON
London, England
Age: 49

ACE Aviation director since June 29, 2004

Robert A. Milton is Chairman, President and Chief Executive Officer of ACE Aviation. Mr. Milton was previously President and Chief Executive Officer of Air Canada and Chairman of Air Canada, Aeroplan Holding GP Inc., ACTS Technical Services Inc. and Jazz Air Holding GP Inc. Having joined Air Canada in 1992 in a consulting capacity, Mr. Milton moved from Senior Director of Scheduling to Vice President, Scheduling and Product Management, Senior Vice President, Marketing and In-Flight Service, Executive Vice President and Chief Operating Officer. Mr. Milton became President and Chief Executive Officer of the airline in 1999. Mr. Milton graduated in 1983 from the Georgia Institute of Technology with a Bachelor of Science Degree in Industrial Management.

27,895 Class B voting shares of ACE Aviation

DAVID I. RICHARDSON
Grafton, Ontario
Age: 68

ACE Aviation director since September 30, 2004

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.

Chair of the Audit, Finance and Risk Committee
Member of the Nominating Committee

5,000 Class B voting shares of ACE Aviation

MARVIN YONTEF
Toronto, Ontario
Age: 64

ACE Aviation director since June 29, 2004

Marvin Yontef is a senior partner with the Canadian law firm Stikeman Elliott LLP acting on a wide range of commercial activities including mergers and acquisitions, corporate finance and corporate reorganizations.

Member of the Governance and Corporate Matters Committee

Remuneration of Directors

The Board's compensation is designed to attract and retain highly talented and experienced directors. ACE Aviation measures its directors' compensation practices against the market practices of large Canadian based companies including those in the S&P/TSX 60 index.

As of January 1, 2010, non-executive directors of ACE Aviation receive a retainer of $120,000 per year. The Chair of the Audit, Finance and Risk Committee, the Governance and Corporate Matters Committee, the Human Resources and Compensation Committee and the Nominating Committee, respectively, receive an additional retainer of $20,000, $10,000, $10,000 and $10,000 per year. The members of the Audit, Finance and Risk Committee, the Governance and Corporate Matters Committee, the Human Resources and Compensation Committee and the Nominating Committee, respectively, receive an additional retainer of $10,000, $5,000, $5,000 and $5,000 per year. The Lead Director of the Board receives an additional retainer of $37,500 per year. Additionally, transportation privileges are granted to directors of ACE Aviation in line with airline industry practice.

Non-executive directors of ACE Aviation who are also directors of Air Canada receive from Air Canada an additional retainer of $85,000 per year and the Chairman of Air Canada's Board receives from Air Canada an additional retainer of $325,000 per year. They also receive an additional retainer of $20,000, $20,000, $10,000, $10,000 and $10,000, respectively, if they chair the Audit, Finance and Risk Committee, the Pension Committee, the Governance and Corporate Matters Committee, the Human Resources and Compensation Committee and the Nominating Committee of Air Canada. Members of the Audit, Finance and Risk Committee, the Pension Committee, the Governance and Corporate Matters Committee, the Human Resources and Compensation Committee and the Nominating Committee of Air Canada receive, respectively, an additional retainer of $10,000, $10,000, $5,000, $5,000 and $5,000.

The following table shows the amounts earned by individual non-executive directors of ACE Aviation for the year ended December 31, 2009 in respect of memberships on the Board of Directors and the Committees of the Corporation and Air Canada, a subsidiary of the Corporation until October 27, 2009:

Name	Fees earned as director of ACE			Fees earned as director of Air Canada			All other compensation ($)	Total ($)
	Board retainer ($)	Committee member retainer ($)	Attendance fees ($)	Board retainer ($)	Committee member retainer ($)	Attendance fees ($)		
Bernard Attali[(1)]	120,000	10,000	Nil	85,000	12,500	Nil	Nil	227,500
Gregory A. Boland[(2)]	60,000	7,500	Nil	N/A	N/A	N/A	Nil	67,500
Robert E. Brown[(3)]	60,000	5,000	Nil	N/A	N/A	N/A	Nil	65,000
Michael M. Green[(1)(4)]	157,500	15,000	Nil	63,750	19,452	N/A	Nil	255,702
W. Brett Ingersoll	120,000	15,000	Nil	N/A	N/A	N/A	Nil	135,000
Pierre Marc Johnson[(1)]	120,000	15,000	Nil	85,000	16,484	Nil	Nil	236,484
David J. Kassie[(5)]	60,000	5,000	Nil	N/A	N/A	N/A	Nil	65,000
Robert F. MacLellan[(6)]	60,000	7,500	Nil	N/A	N/A	N/A	Nil	67,500
Richard H. McCoy[(7)]	60,000	15,000	Nil	N/A	N/A	N/A	Nil	75,000
David I. Richardson[(1)]	120,000	25,000	Nil	325,000	Nil	Nil	Nil	470,000
Marvin Yontef[(8)]	120,000	5,000	Nil	42,500	5,000	Nil	Nil	172,500

(1) Also currently a director of Air Canada.
(2) Mr. Boland became a director of ACE Aviation on June 26, 2009.
(3) Mr. Brown ceased to be a director of ACE Aviation on April 28, 2009.
(4) Mr. Green is not standing for re-election as a director of ACE Aviation and will cease to be a director of ACE Aviation on June 30, 2010.
(5) Mr. Kassie became a director of ACE Aviation on June 26, 2009.
(6) Mr. MacLellan became a director of ACE Aviation on June 26, 2009.
(7) Mr. McCoy ceased to be a director of ACE Aviation on June 29, 2009.
(8) Mr. Yontef ceased to be a director of Air Canada on May 8, 2009.

Certain Proceedings

To the knowledge of ACE Aviation, none of the proposed nominees for election as directors of ACE Aviation: (a) is, as at the date of this circular, or has been, within 10 years before the date of this circular, a director, chief executive officer or chief financial officer of any company that, (i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days (an "**Order**") that was issued while the proposed nominee was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to an Order that was issued after the proposed nominee ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; (b) is, as at the date of this circular, or has been within 10 years before the date of this circular, a director or executive officer of any company that, while that person was acting in that capacity, 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; or (c) has, within the 10 years before the date of this circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become 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 proposed nominee, except that:

(i) Following the acquisition of Canadian Airlines International Ltd. ("**CAIL**") by Air Canada in 2000, Robert A. Milton became a director of CAIL. Thereafter, CAIL restructured under the *Companies' Creditors Arrangement Act* (Canada) ("**CCAA**") pursuant to a plan of compromise which became effective on July 5, 2000. Mr. Milton was also President and Chief Executive Officer and a director of Air Canada when it filed for protection under the CCAA on April 1, 2003; and

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

Retirement Policy for Directors

The policy of the Board, as reflected in the Corporation's Charter of the Board of Directors, is that no person shall be appointed or elected as a director of the Corporation if the person exceeds 75 years of age. The policy allows for an exception where the Board determines it is in the interest of the Corporation to request a director to extend his term beyond the regular retirement age, provided however that such extension is requested in one-year increments.

ACE AVIATION

STATEMENT OF GOVERNANCE PRACTICES

The Board has extensively reviewed the Corporation's governance practices and concludes that we comply with the requirements of *National Instrument 58-101*, "Disclosure of Corporate Governance Practices". The Corporation regularly reviews its governance practices as regulatory changes come into effect and will continue to monitor these changes closely and consider amendments to its governance practices if need be.

Board of Directors

Director Independence

The Charter of the Board of Directors provides that the Board shall at all times be constituted of a majority of individuals who are independent and unrelated. Based on the information received from each director and having taken into account the independence criteria set forth below, the Board concluded that all directors of the Corporation standing for election to the Board, with the exception of the Chairman, President and Chief Executive Officer, Robert A. Milton and Marvin Yontef, are independent and unrelated.

A majority of the directors of the Corporation as of December 31, 2009, and a majority of the nominee directors, namely Bernard Attali, Gregory A. Boland, W. Brett Ingersoll, David J. Kassie, Robert F. MacLellan, Pierre Marc Johnson and David I. Richardson, are "independent" in that each of them has no material relationship with the Corporation and, in the reasonable opinion of the Board, are unrelated and independent under the laws, regulations and listing requirements to which the Corporation is subject.

The Board determined that Robert A. Milton is not independent because he is the President and Chief Executive Officer of ACE Aviation and Marvin Yontef is not independent because of payments for legal services billed to ACE Aviation and its affiliates by the law firm of which he is a partner.

Directorships of Other Reporting Issuers

Bernard Attali, W. Brett Ingersoll, Pierre Marc Johnson and David I. Richardson are presently directors of several public entities. Bernard Attali is currently the Honourary Chairman of Air France Group and a director of Air Canada. W. Brett Ingersoll is currently a director of AerCap Holdings N.V. Pierre Marc Johnson is currently a director of Air Canada, Medicago Inc. and Noveko International Inc. David I. Richardson is currently a director and Chairman of Air Canada and a director and Chairman of Nortel Networks Corporation and Nortel Networks Limited.

Please see "The Nominated Directors" in this circular for additional information relating to each director standing for nomination, including other company boards on which they serve.

Independent Lead Director

The Board has concluded that the fact that Robert A. Milton occupies both the office of Chairman of the Board and the office of President and Chief Executive Officer of ACE Aviation does not impair the ability of the Board to act independently of management. Moreover, in accordance with the Charter of the Board of Directors, Michael M. Green, an outside and independent director, was appointed as Lead Director to the Board.

A charter describing the role and responsibilities of the Lead Director has been adopted and pursuant to this charter the Lead Director assumes, among other things, responsibility for: (i) ensuring that the responsibilities of the Board are well understood by both the Board and management, and that the relative responsibilities of the Board and management are clearly understood and respected; (ii) ensuring that the Board works as a cohesive team and providing the requisite leadership to achieve this; (iii) ensuring that the resources available to the Board (in particular, timely and relevant information) are adequate to support its work; (iv) ensuring that a process is in place by which the effectiveness of the Board and its committees is assessed on a regular basis; (v) ensuring that a process is in place by which the contribution of individual directors to the effectiveness of the Board and committees is assessed on a regular basis; and (vi) adopting procedures to ensure that the Board can conduct its work effectively and efficiently, including committee structures and composition, scheduling, and management of meetings.

Independent Directors' Meetings

At each scheduled meeting of the Board, time is specifically reserved for non-executive directors to hold "in camera" sessions, in the absence of the non-independent directors. At each such meeting, the directors consider whether an "in camera" meeting would be appropriate in the circumstances. In 2009, the independent directors held, following a scheduled meeting of the Board, one "in camera" session at which the non-independent directors were not in attendance.

Attendance Record

See "Schedule A" of this circular for the attendance records of the directors of the Board and the Committees of the Corporation.

Board Size

The size of the Board will be set at nine (9) directors. The Board is of the view that this size and composition are currently adequate and allow for the efficient functioning of the Board as a decision making body.

Board Mandate

The Board has adopted a written charter which sets out, among other things, its roles and responsibilities. The Charter of the Board can be found as "Schedule B" to this circular.

Position Descriptions

Chairman, President and Chief Executive Officer

The Board has adopted a position description for Robert A. Milton, the Chairman, President and Chief Executive Officer. As President and Chief Executive Officer ("**CEO**"), the CEO shall have full responsibility for the day-to-day operations of the Corporation's business in accordance with its strategic plan as approved by the Board. The CEO is accountable to shareholders, through the Board, for the overall management of the Corporation, and for conformity with policies agreed upon by the Board. The approval of the Board (or appropriate Committee) shall be required for all significant decisions outside of the ordinary course of the Corporation's business. More specifically, the primary responsibilities of the CEO include the following: (i) developing, for the Board's approval, a strategic direction and positioning to ensure the Corporation's success; (ii) ensuring that the day-to-day business affairs of the Corporation are appropriately managed by developing and implementing processes that will ensure the achievement of financial and operating goals and objectives; (iii) keeping the Board of Directors aware of the Corporation's performance and events affecting its business, including opportunities in the marketplace and adverse or positive developments; and (iv) ensuring, in cooperation with the Board, that there is an effective succession plan in place for the CEO position.

As Chairman of the Board of Directors, the Chairman chairs Board meetings and, with the collaboration of the Lead Director, establishes procedures to govern the Board's work. More specifically, as Chairman of the Board of Directors, the primary responsibilities of the Chairman include the following: (i) adopting procedures to ensure that the Board can conduct its work effectively and efficiently, including committee structures and composition, scheduling, and management of meetings; (ii) collaborating with the Lead Director to develop the agenda for Board meetings, Board procedures and the composition of Board Committees; (iii) ensuring, with the Lead Director, proper flow of information to the Board; (iv) ensuring that the Board has access to such members of senior management as may be required by the Board; and (v) chair every meeting of the Board and encourage free and open discussion at meetings of the Board.

Chair of each Committee

The Chairs of the Audit, Finance and Risk Committee, the Governance and Corporate Matters Committee, the Human Resources and Compensation Committee and the Nominating Committee are respectively, David I. Richardson, Michael M. Green, Pierre Marc Johnson and Bernard Attali.

Position descriptions have been adopted by the Board of Directors for the Chair of each of the Audit, Finance and Risk Committee, the Governance and Corporate Matters Committee, the Human Resources and Compensation Committee and the Nominating Committee. According to such position descriptions, the Chair of each Committee shall, among other things: (i) ensure that the Committee fulfils the objectives and responsibilities set out in its charter; (ii) ensure that enough time and attention is given to each aspect of the Committee's responsibilities; (iii) ensure that members of the Committee maintain the level of independence required by applicable legislation; (iv) review the annual assessment of the Committee and take the appropriate measures to correct the weaknesses underlined by the assessment; (v) ensure that the other members of the Committee understand the role and responsibilities of the Committee; (vi) ensure that sufficient information is provided by management to enable the Committee to exercise its duties; and (vii) carry out other duties as requested by the Board, depending on need and circumstances.

Orientation and Continuing Education

The Corporation has in place an orientation program for new directors. New directors are invited to meet with members of senior management of the Corporation as well as with the CEO to improve their understanding of the Corporation's businesses. Each new director is also asked to review the Charter of the Board, the Charter of each Committee and the position descriptions of the Chairman, President and Chief Executive Officer, the Lead Director and the Chair of each Committee in order to fully grasp the role he is expected to play as a director and a Committee member. Extensive documentation on the Corporation is also provided to enable the directors to better understand the Corporation and their role and responsibilities.

As part of its mandate, the Governance and Corporate Matters Committee is also responsible for providing a continuous education program to the directors. The Corporation has in place a continuous education program. In this regard, the Corporation provides directors with regular reports on the affairs and finances of the Corporation. At each regular Board meeting, the directors are provided with updates and short summaries of relevant information. Extensive documentation and selected presentations are also provided to directors to ensure that their knowledge and understanding of the Corporation's business remains current. The Corporation encourages continuous education by offering to reimburse the costs and expenses of attending conferences or courses, including director education programs offered by leading institutions of higher education.

ACE Aviation Code of Business Conduct

The Corporation has adopted a Corporate Policy and Guidelines on Business Conduct (the "**Code**") which was amended by the Board on February 9, 2010. The Code applies to all directors, officers, employees and consultants of ACE Aviation and its subsidiaries, to the extent that policies and guidelines have not been adopted separately by them. A copy of the Code can be obtained on SEDAR at www.sedar.com or on the Corporation's website at www.aceaviation.com. The Code addresses, among other things, the following issues:

(a) conflicts of interest;

(b) use of company assets;

(c) confidential information;

(d) fair dealing with other people and organizations;

(e) compliance with laws, rules and regulations;

(f) employment policies;

(g) computer, e-mail and internet policies; and

(h) reporting suspected non-compliance.

The Board, with the assistance of the Governance and Corporate Matters Committee, has the responsibility for monitoring compliance with the Code. The Code has been communicated or brought to the attention of all employees and consultants of ACE Aviation and its subsidiaries that have not adopted their own policies and guidelines. All new members of management are required to complete an acknowledgement form whereby they confirm that they have read the Code and will follow its terms, and also undertake to promote the guidelines and principles of the Code and take all reasonable measures to ensure that the employees and consultants under their supervision fully comply with the Code. In addition, all members of management are required to complete the acknowledgement form on an annual basis. The Code also includes a "whistle-blower policy" whereby employees and consultants can report violations of the Code. The Board has concluded that such measures are appropriate and sufficient to ensure compliance with the Code. Since the adoption of the Code, ACE Aviation has not filed any material change report pertaining to any conduct of a director or executive officer that would constitute a departure from the Code.

The Code also provides that all employees and consultants, including executive officers, are required to disclose to the Corporation any and all business, commercial or financial interests or activities that may create a conflict of interest. As for directors, in addition to the relevant provisions of the *Canada Business Corporations Act*, the Charter of the Board provides that each director shall disclose all actual or potential conflicts of interest and refrain from voting, on matters in which the director has a conflict of interest. The Charter also provides that a director shall excuse himself or herself from any discussion or decision on any matter in which the director is precluded from voting as a result of a conflict of interest or which otherwise affects his or her personal, business or professional interests.

Nomination of Directors

The Nominating Committee is composed entirely of independent directors. It is responsible for considering and making recommendations on the desired size of the Board, the need for recruitment and the expected skill-set of new candidates. In consultation with the Chairman, President and Chief Executive Officer, the Nominating Committee determines the expected skill-set of new candidates by taking into account the existing strength of the Board and the needs of the Corporation. The Nominating Committee then identifies a list of potential Board candidates and reviews the competencies and skill-set of each candidate. The Nominating Committee recommends to the Board candidates for nomination as directors and approves the final choice of candidates for nomination and election by the shareholders.

Board members must have an appropriate mix of skills, knowledge and experience in business and an understanding of the industry and the geographical areas in which the Corporation operates. Directors selected should be able to commit the requisite time for all of the Board's business. Board members are expected to possess the following characteristics and traits:

(a) demonstrate high ethical standards and integrity in their personal and professional dealings;

(b) act honestly and in good faith with a view to the best interest of the Corporation;

(c) devote sufficient time to the affairs of the Corporation and exercise care, diligence and skill in fulfilling their responsibilities both as Board members and as a Committee members;

(d) provide independent judgment on a broad range of issues;

(e) understand and challenge the key business plans and the strategic direction of the Corporation;

(f) raise questions and issues to facilitate active and effective participation in the deliberation of the Board and of each Committee;

(g) make all reasonable efforts to attend all Board and Committee meetings; and

(h) review the materials provided by management in advance of the Board and Committee meetings.

Please consult the section titled "Committees" of this circular for a description of the responsibilities, powers and operations of the Nominating Committee.

Compensation

The Human Resources and Compensation Committee is composed entirely of independent directors. Please see the section titled "Remuneration of Directors" for the criteria used to determine the remuneration of directors of ACE Aviation and the section titled "Compensation Discussion and Analysis" for the process and criteria used to determine the compensation of the officers of ACE Aviation.

Up to 2008, Towers Watson was retained to provide executive compensation market data as well as compensation trend intelligence relating to base salaries, bonuses and long term compensation for the CEO and other Named Executive Officers (as defined below). Towers Watson also provided consulting services prior to 2008 with respect to market practices for various other compensation arrangements, such as the retention arrangements referred to under "Compensation Discussion and Analysis – Modifications to Executive Compensation Program to Reflect Strategy and Wind-Up Process". In 2008, ACE Aviation and the Human Resources and Compensation Committee retained the consulting services of Towers Watson to provide them with executive compensation market data as well as compensation trend intelligence. Towers Watson's scope of compensation services included competitive market analysis of bonuses payable in 2008 under the Annual Incentive Plan of ACE Aviation for performance relating to 2007.

In 2009, ACE Aviation and the Human Resources and Compensation Committee retained the consulting services of Hugessen Consulting Inc. to provide them with advice in relation to the severance and consulting arrangements referred to under "Compensation Discussion and Analysis – Rationalization of the Compensation Structure in May 2009".

Please consult the section entitled "Committees" of this circular for a description of the responsibilities, powers and operations of the Human Resources and Compensation Committee.

Other Board Committees

There are four standing Committees of the Board: the Audit, Finance and Risk Committee, the Governance and Corporate Matters Committee, the Human Resources and Compensation Committee and the Nominating Committee. The roles and responsibilities of each Committee are described in the respective Committee charters. Please consult the section titled "Committees" of this circular for a description of the responsibilities, powers and operations of such Committees.

Assessments

It is the role of the Chair of the Governance and Corporate Matters Committee to assess, on an annual basis, the contribution of each individual director, the effectiveness of the Board and the effectiveness of the Committees. For this purpose, the directors are asked to complete an evaluation survey on the effectiveness of the Board and of its Committees. The Chair of the Governance and Corporate Matters Committee reports the results to the Board. Also, on an as-required basis, the Chair of each committee reports to the Board on the activities of the Committee. If appropriate, the Board then considers procedural or substantive changes to increase the effectiveness of the Board and its Committees.

COMMITTEES

The Board has four standing committees:

- the Audit, Finance and Risk Committee;
- the Governance and Corporate Matters Committee;
- the Human Resources and Compensation Committee; and
- the Nominating Committee.

All committees of the Board are composed of independent directors. The roles and responsibilities of each committee are set out in formal written charters. These charters are reviewed from time to time to ensure that they reflect best practices as well as applicable regulatory requirements.

This section tells you about the members, responsibilities and activities of each committee.

Audit, Finance and Risk Committee

ACE Aviation is required by law to have an audit committee**.** The Audit, Finance and Risk Committee 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. The members of the Audit, Finance and Risk 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, Finance and Risk Committee member shall not receive, other than for service on the Board or the Audit, Finance and Risk 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, Finance and Risk Committee shall possess the mix of characteristics, experiences and skills to provide an appropriate balance for the performance of the duties of the Audit, Finance and Risk Committee and in particular each member of the Audit, Finance and Risk Committee shall be "financially literate" and at least one member of the Audit, Finance and Risk Committee shall be a "financial expert" as defined by relevant securities legislation or regulations.

The objectives of the Audit, Finance and Risk Committee include the following:

- To assist the Board in the discharge of its responsibility to monitor the component parts of the Corporation's financial reporting and audit process.
- 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.
- To assist the Board in its oversight of the independence, qualifications and appointment of the external auditor.
- To monitor the performance of the internal financial and accounting controls and of the internal and external auditors.
- To provide independent communication between the Board and the internal auditor and the external auditor.
- To facilitate in-depth and candid discussions between the Audit, Finance and Risk Committee and management and the external auditor regarding significant issues involving judgment and impacting quality of controls and reporting.

The Audit, Finance and Risk Committee's responsibilities include the following:

- Monitor and review the quality and integrity of the Corporation's accounting and financial reporting process through discussions with management, the external auditor and the internal auditor.
- Determine, 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.
- 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.
- Review with management, the external auditor and legal counsel, the Corporation's procedures to ensure compliance with applicable laws and regulations.
- Meet with the Corporation's external auditor to review and approve their audit plan.
- Review and approve estimated audit and audit-related fees and expenses.
- Review and approve 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.
- 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.
- Evaluate the performance of the external auditor.
- Review the mandate of and the services provided by the internal audit department.
- Review significant emerging accounting and reporting issues.
- 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.
- Review risk management systems and controls, especially in relation to derivatives, foreign currency exposure, hedging and insurance.
- Review and approve the Corporation's Public Disclosure Policy.
- Identify and address material financial and other risks to the business and affairs of the Corporation and make recommendations in that regard to the Board.
- Review and approve policies relating to the financial control, conduct, regulation and administration of subsidiary companies.

The Audit, Finance and Risk Committee met four (4) times in 2009.

The Audit, Finance and Risk Committee is currently composed of:

Members: David I. Richardson (Chair)
Gregory A. Boland
W. Brett Ingersoll
Robert F. MacLellan

Please refer to the section of the Annual Information Form of ACE Aviation titled "Audit Committee" for additional information on the Audit, Finance and Risk Committee. The Annual Information Form is available on SEDAR at www.sedar.com or ACE Aviation's website at www.aceaviation.com.

Governance and Corporate Matters Committee

The Governance and Corporate Matters Committee shall be comprised of four or more directors as determined by the Board, all of whom shall comply with eligibility and qualification standards under applicable legislation in effect from time to time.

The primary objective of the Governance and Corporate Matters Committee is to assist the Board of Directors in fulfilling its responsibilities by ensuring that corporate governance guidelines are adopted, disclosed and applied including director qualification standards, director responsibilities, director access to management and independent advisors, director compensation, director orientation and continuing education, management succession and annual performance evaluation of the Board:

The Governance and Corporate Matters Committee's responsibilities include the following:

- Review and develop position descriptions for the Board and for the Chairman, President and Chief Executive Officer.
- Ensure that appropriate structures and procedures are in place so that the Board can function independently of management.
- Put in place an orientation and continuing education program for new directors on the Board.
- Ensure corporate compliance with applicable legislation including directors' and officers' compliance.
- Review proposed amendments to the Corporation's by-laws.
- Make recommendations to the Board with respect to monitoring, adoption and disclosure of corporate governance guidelines.
- Recommend the types, charters and composition of the Board committees.
- Recommend the nominees to the chairmanship of the Board committees.
- Monitor the governance structure and, as required, report to the Board on the necessity or advisability of modifications to such structure.
- Review such other corporate governance and strategic planning committee functions customarily carried out by such committees as well as such other matters which may be referred to it by the Board from time to time.

The Governance and Corporate Matters Committee did not hold a formal meeting in 2009. Certain governance matters were discussed at the level of the Board of Directors in 2009.

The Governance and Corporate Matters Committee is currently composed of:

Members: Michael M. Green (Chair)
Bernard Attali
Pierre Marc Johnson
Marvin Yontef

Human Resources and Compensation Committee

The Human Resources and Compensation Committee shall be comprised of five or more directors as determined by the Board, all of whom shall be independent (as defined under applicable securities laws).

The primary purpose of the Committee is to assist the Board of Directors in fulfilling its oversight responsibilities in the field of human resources and compensation as well as succession planning including appointing, training and monitoring of senior management, compensation of officers, organization plans and compensation philosophy.

The responsibilities of the Human Resources and Compensation Committee include the following:

- Develop compensation philosophy and guidelines.
- Review and approve corporate goals, objectives and business performance measures relevant to the compensation of the Chief Executive Officer, evaluate the Chief Executive Officer's performance in light of those goals, objectives and business performance measures, and make recommendations to the Board with respect to the Chief Executive Officer's compensation level based on this evaluation.
- Make recommendations to the Board with respect to non-CEO officer compensation, incentive compensation and equity-based plans.
- Review and make recommendations to the Board with respect to incentive compensation plans and equity based plans and any amendments thereto.
- Review and approve, on behalf of the Board, salary ranges for all positions including executive management.
- Administer the stock option plan of the Corporation and to generally oversee the administration thereof.
- Review executive compensation disclosure before public dissemination, including the review of the Compensation Discussion & Analysis and disclosure of executive compensation for inclusion in the Corporation's management proxy circular, in accordance with applicable rules and regulations.
- Review on an ongoing basis management's organization plans and essential elements of succession plans for executive management of the Corporation and its non-publicly traded subsidiaries so as to ensure that successors have been identified and that their career development is appropriate in the context of the challenges facing the organization.
- Review and approve the training, monitoring and development of senior officers.
- Review and approve the senior management organizations and reporting structure.
- Review and approve the contingency plans in the event of the disability of key executives.
- Review and develop in conjunction with the Governance and Corporate Matters Committee position descriptions for the Board and for the President and Chief Executive Officer including the definition of the limits to management's responsibilities.
- With respect to the Air Canada Executive Pension Plan and the Air Canada Supplemental Executive Retirement Plan, review the plan reorganization, governance structure, fund mission, funding policy, annual contributions and plan amendments, in conjunction with the board of directors of Air Canada.

The Human Resources and Compensation Committee met two (2) times in 2009. The Human Resources and Compensation Committee is currently composed of:

Members: Pierre Marc Johnson (Chair)
Gregory A. Boland
W. Brett Ingersoll
David J. Kassie
Robert F. MacLellan

Nominating Committee

The Nominating Committee shall be comprised of at least three directors as determined by the Board, all of whom shall be independent (as defined under applicable securities laws).

The primary objective of the Nominating Committee is to assist the Board of Directors in fulfilling its responsibilities by identifying individuals qualified to become new Board members and recommending to the Board the new director nominees for each annual meeting of shareholders.

The responsibilities of the Nominating Committee include the following:

- Assist the Board in determining what competencies and skills the Board, as a whole, should possess and what competencies and skills each existing director possesses.
- Assist the Board in determining the appropriate size of the Board, with a view to facilitating effective decision-making.
- Develop and review criteria regarding personal qualification for Board membership, such as background, experience, technical skill, affiliations and personal characteristics, and develop a process for identifying and recommending candidates.
- Identify individuals qualified to become new Board members and recommend them to the Board.
- Consider whether or not each new nominee can devote sufficient time and resources to his duties as a Board member.
- Recommend the slate of nominees for each annual meeting of shareholders.
- Recommend candidates to fill vacancies on the Board occurring between annual meetings of shareholders.
- Review and make recommendations relative to non-management nominees of the Corporation to the boards of subsidiaries of the Corporation or of companies in which the Corporation has an interest.

The Nominating Committee met three (3) times in 2009.

The Nominating Committee is currently composed of:

Members:	Bernard Attali (Chair) Michael M. Green David J. Kassie David I. Richardson

Background

ACE Aviation's Executive Compensation Program is designed to retain the key people the Corporation needs to meet its strategic plans.

ACE Aviation's strategy has been focused on surfacing, realizing and returning to its shareholders the value of its underlying businesses. Implementation of such strategy has notably involved the initial public offerings of Aeroplan Income Fund, Jazz Air Income Fund and Air Canada and subsequent distributions or sales of ACE Aviation's interests in such entities, together with the monetization of ACTS LP and substantial issuer bids to repurchase outstanding securities.

During 2009 and the first quarter of 2010, ACE Aviation continued to execute on its strategy on several fronts, including:

(i) completion in January 2009 of a substantial issuer bid pursuant to which ACE Aviation purchased for cancellation 8.3 million preferred shares (66% of the then outstanding preferred shares) at a purchase price of $166 million;

(ii) completion in January 2009 of a substantial issuer bid pursuant to which ACE Aviation purchased for cancellation $259 million principal amount of 4.25% Convertible Senior Notes due 2035 (the "Notes") (80% of the then outstanding Notes) at a purchase price of $233 million;

(iii) completion in March 2009 of a substantial issuer bid pursuant to which ACE Aviation purchased for cancellation an additional one million preferred shares (an additional 8% of the initial outstanding preferred shares) at a purchase price of $20 million;

(iv) completion in July 2009 of credit agreement providing for ACE Aviation's $150 million participation in Air Canada's $700 million credit facility;

(v)completion in September 2009 of the indirect acquisition for cancellation of the remaining 3.2 million preferred shares of ACE Aviation for an aggregate purchase price of $73.6 million;

(vi) completion in December 2009 of the redemption of all of the remaining Notes for an aggregate redemption price of approximately $64 million; and

(vii) completion in January 2010 of a substantial issuer bid pursuant to which ACE Aviation purchased for cancellation a total of 1,401,094 Variable Voting Shares and 1,824,711 Voting Shares for an aggregate purchase price of $20 million;

Further to Air Canada's offering on October 27, 2009 of 160,500,000 units each 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, and Air Canada's issuance on October 26, 2009 of 17.6 million Class B voting shares under the pension funding agreements announced in July 2009, the percentage of the issued and outstanding shares of Air Canada held by ACE has decreased to 27%.

Further to such transactions, ACE Aviation's principal remaining assets consist of its 75 million Class B voting shares in Air Canada (27%); a secured loan of $150 million to Air Canada; cash and cash equivalents of approximately $55 million and 2.5 million warrants for the purchase of Air Canada Class B voting shares. ACE Aviation has no operations other than managing these assets and related activities.

On December 10, 2008, ACE Aviation 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 would be distributed, in an orderly fashion, after providing for outstanding liabilities and costs of the transaction. On January 21, 2009, ACE Aviation announced that, subject to court and regulatory approvals, the special meeting of shareholders, initially scheduled for February 27, 2009, had been postponed to April 7, 2009. On March 2, 2009, ACE Aviation announced that it was continuing to engage with its shareholders and, in light of current market conditions and stated opposition by certain shareholders to a liquidation at this time, 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.

Rationalization of Compensation Structure in May 2009

On the basis that ACE Aviation's sole operation is to manage it cash and its interests in Air Canada and related activities, the Board sought advice from compensation consultant Hugessen Consulting Inc. in 2009 with respect to strategies relating to rationalizing the compensation structure of the Corporation. As a result of its review, the Board determined that it was appropriate to dramatically reduce ACE Aviation's annual expenses relating to salary, benefits, incentives and pension of the officers of ACE Aviation in order to reflect its current circumstances and operational requirements.

This substantial reduction in compensation expenses was achieved on a mutually accepted basis by replacing each of the officers' employment agreements with variable cost consultancy arrangements, effective at the end of May 2009 with a duration of twelve months to May 31, 2010. Such consultancy arrangements provide that the officers shall be available to dedicate their time to ACE Aviation in consideration of a limited yearly standby consulting fee of $270,000 in the case of Mr. Milton, $135,000 for each of Mr. Dunne and Mr. Isaacs and $65,000 for Mr. McLean. If their services are required for more than 40 days per year, they would receive a per diem in the amount of $8,000 in the case of Mr. Milton, $4,000 in the case of Mr. Dunne and Mr. Isaacs and $2,000 in the case of Mr. McLean for every additional day worked.

The rationalization of the compensation structure allows ACE Aviation to realize aggregate annual savings of approximately $4 million. These savings result from, among other items, ACE Aviation no longer being required to pay fixed base salaries to Mr. Milton, Mr. Dunne, Mr. Isaacs and Mr. McLean, which represented approximately $2.5 million in 2008. Additional savings to ACE are realized through the elimination of (i) short-term incentive compensation under the Annual Incentive Plan, (ii) long-term incentive compensation in the form of the Stock Option Plan, and (iii) the costs relating to providing for the pension and benefits arrangements of the officers of ACE.

The officers of ACE Aviation retain their current titles and remain officers of ACE Aviation and their continuing services are ensured by the Corporation through consulting agreements entered into with each of them. In particular, Mr. Milton continues to fulfill all functions associated with his position as Chairman, President and Chief Executive Officer of the Corporation. The consultancy arrangements would have ceased on May 31, 2010 and were otherwise terminable by either the Corporation or the officer upon giving a notice of 90 days.

In May 2010, the Corporation and the officers agreed to enter into new consultancy arrangements for a further twelve months ending on May 31, 2011. The new consulting services agreements contain similar terms to the previous arrangements except that (i) in the case of Mr. Dunne and Mr. Isaacs, the consultancy arrangements may be terminated by the officer upon giving a notice of 45 days instead of 90 days; and (ii) the agreements provide for an additional upfront standby fee of $135,000 for each of Mr. Milton, Mr. Dunne and Mr. Isaacs, and $65,000 for Mr. McLean.

ACE Aviation was contractually obligated under the previously existing employment agreements of the officers of ACE Aviation to pay certain severance payments and other amounts to such officers, which would also have been payable upon the wind-up of ACE Aviation or other similar transaction aimed at terminating the status of ACE Aviation as a stand alone holding company, and ACE Aviation did pay such severance payments and amounts, as further described under "Compensation of Certain Executive Officers – Employment Contracts and Termination and Change of Control Benefits".

Executive Compensation Program Applicable up to May 2009

ACE Aviation's Executive Compensation Program which was applicable in 2008 and from January to May 2009 until the rationalization described above under "Rationalization of Compensation Structure" was designed to emphasize incentive compensation linked to its annual and long-term financial performance to ensure that executives' interests are linked to those of its shareholders. ACE Aviation's Executive Compensation Program was made up of five components:

(i) Base salary;

(ii) Short-term incentive compensation in the form of an annual incentive plan;

(iii) Long-term incentive compensation in the form of stock options;

(iv) Pension and benefits; and

(v) Perquisites.

Refer to "Modifications to Executive Compensation Program to Reflect Strategy" below for a description of retention arrangements which were implemented in 2007 as an additional component of ACE Aviation's Executive Compensation Program.

These components were evaluated together to determine the appropriate level of compensation for ACE Aviation executives. All proposed changes to any compensation component, including any grant of stock options or amendment to the Stock Option Plan, were first reviewed internally with the Chief Executive Officer followed by a review with the Human Resources and Compensation Committee prior to final submission to the Board. For an additional description of the role of the Human Resources and Compensation Committee, see "Committees – Human Resources and Compensation Committee".

Up to 2008, Tower Perrin was retained to provide executive compensation market data as well as compensation trend intelligence relating to base salaries, bonuses and long term compensation for the CEO and other Named Executive Officers (as defined below). Towers Perrin also provided consulting services prior to 2008 with respect to market practices for various other compensation arrangements, such as the retention arrangements referred to under "Compensation Discussion and Analysis – Modifications to Executive Compensation Program to Reflect Strategy". In 2008, ACE Aviation and the Human Resources and Compensation Committee retained the consulting services of Towers Perrin to provide them with executive compensation market data as well as compensation trend intelligence. Tower Perrin's scope of compensation services included competitive market analysis of bonuses payable in 2008 under the Annual Incentive Plan of ACE Aviation for performance relating to 2007.

Modifications to Executive Compensation Program to Reflect Strategy

In 2007, in order to ensure the Corporation's ability to execute its strategy, and given the uncertainty that would otherwise prevail as a result of the wind-down of its operations, the Board reviewed various human resource matters, such as the retention of key personnel, and implemented measures to ensure that the interests of the executive officers would be aligned with the strategy of the Corporation and that the Corporation's ability to execute its strategy and achieve an optimal outcome for its shareholders would not be damaged by the loss of critical personnel. Further to such review, the Corporation implemented the retention arrangements described below. No retention arrangements were implemented in respect of Mr. Milton, Chairman, President and Chief Executive Officer.

In order to secure the services of the officers of the Corporation throughout the execution of its strategy, the Board, having received advice from its external compensation consultants, formally adopted the following retention arrangements: (i) a retention multiple of an additional one and one-half month's salary payable to Mr. Dunne, Executive Vice President and Chief Financial Officer, for each month during which he remained employed by ACE Aviation commencing February 2007; (ii) a retention multiple of an additional one month's salary, increasing to one and one-half month's salary after remaining with ACE Aviation for twelve months from February 2007, payable to Mr. Isaacs, Senior Vice President, Corporate Development and Chief Legal Officer, and (iii) a retention multiple of an additional one month's salary, increasing to one and one-half month's salary after remaining with ACE Aviation for twelve months from February 2007, payable to Mr. McLean, Controller. The retention payments were payable for a period of 28 months only and such payments were made in early 2008, January 1, 2009 and thereafter monthly until May 2009. The 2009 payments are captured in the "All other compensation" column of the Summary Compensation Table.

No bonuses or other short-term incentive compensation, including awards under ACE Aviation's Annual Incentive Plan were granted by the Corporation to the NEOs in either 2008 or 2009. As well, in 2007, 2008 and 2009, the Corporation did not grant any stock options under ACE Aviation's Stock Option Plan or any other form of long-term incentive compensation of ACE Aviation to the NEOs, other than as described in footnote three to the Summary Compensation Table.

Components of Executive Compensation Applicable From January to May 2009

The principal components of ACE Aviation's Executive Compensation Program, their primary role and how the components were linked together are presented in the table below:

Elements	Primary Role	Link to Other Elements	2009
Base Salary	Reflected skills, competencies and experience	Influenced short-term incentive, long-term incentive, pension and benefits	Up until May 2009
Short-term Incentive – Annual Incentive Plan	Reflected Board's assessment of successful execution of ACE strategy	None, except that the value of these elements was considered within total compensation	Discontinued in 2009
Long-term Incentive – Stock Option	Linked interests of executives with interests of shareholders	None, except that the value of these elements was considered within total compensation	No awards in 2009. Some options exercisable within one day were awarded in 2009 to facilitate the payment of other compensation - see footnote 3 to the Summary Compensation Table
Pension	Provided for replacement income upon retirement, based on years of service with the Corporation	None, except that the value of these elements was considered within total compensation	Until May 2009 Not applicable thereafter
Group Benefits	Provided protection in case of sickness, disability or death	None, except that the value of these elements was considered within total compensation	Until May 2009 Not applicable thereafter
Perquisites	Provided tools to support the conduct of the business	None, except that the value of these elements was considered within total compensation	Until May 2009 Not applicable thereafter

Base Salary

Competitive base salaries were established by the Human Resources and Compensation Committee based on the responsibilities, contribution, experience and skill set of the executive. The Human Resources and Compensation Committee also considered equity within the officer group and salaries offered in the Corporation's reference group for similar positions when reviewing base salaries. The Human Resources and Compensation Committee's policy for base salaries aimed at providing the median compensation level offered in the Corporation's reference group. However, base salaries could be set below or above the median depending on each executive's profile.

Short-Term Incentive Compensation - ACE Aviation's Annual Incentive Plan

ACE Aviation's Annual Incentive Plan was designed to pay a cash award based on an assessment by the Board of the successful execution by the officers of ACE Aviation's strategy to illuminate the value of ACE's business and to realize shareholder value.

Yearly target bonuses range were as follows:

Executive Level	Target Bonus (as a % of base salary)
Chief Executive Officer	100%
Executive Vice President	75%
Senior Vice President	45%
Vice President	40%

As the Annual Incentive Plan was discontinued in 2009, no bonus was awarded under the plan in 2009

Long-Term Incentive Compensation

No options were granted to the Named Executive Officers under the Option Plan in 2009, other than as disclosed in footnote 3 to the Summary Compensation Table. No options were held by any Named Executive Officer as of December 31, 2009.

The persons eligible to receive options ("**Eligible Optionees**") are the ACE Aviation, and include ACE Aviation senior managers and other employees, as the Human Resources and Compensation Committee determined, who are in key positions with the Corporation or its subsidiaries. This Option Plan was designed to create a direct link between management's and shareholders' interests, since the full value of the Option Plan can only be obtained when the Corporation's stock appreciates over a number of years.

On November 10, 2005, the shareholders of ACE Aviation approved an amendment to the Option Plan whereby the number of shares available for issuance under the Option Plan was increased from 5,052,545 to 6,078,882 shares. The amendment was made to maintain the number of shares available for issuance under the Option Plan at 5% of the fully diluted equity of ACE Aviation. Also, on December 15, 2005, the Board approved an amendment to the Option Plan pursuant to which the non-executive directors will no longer be eligible to participate in the Option Plan.

Options granted were based on the Eligible Optionee's position and annual compensation, taking into account the market price of the shares and each Eligible Optionee's potential contribution to ACE Aviation's success in a given year. The terms of the grants were determined by the Board. Previous grants of options were taken into account when considering new grants. As of May 25, 2010, the maximum number of shares that could be issued under the Option Plan was 1,287,363 or approximately 4.0% of the outstanding Class B voting shares and Class A variable voting shares. Of this amount, as of May 25, 2010, 46,770 shares were subject to outstanding options representing approximately 0.1% of the outstanding Class B voting shares and Class A variable voting shares.

The aggregate number of shares reserved for issuance at any time to any one Eligible Optionee shall not exceed 5% of the outstanding Class B voting shares and Class A variable voting shares. The aggregate number of shares issued to any one insider within any one-year period shall not exceed 5% of the outstanding Class B voting shares and Class A variable voting shares. The Option Plan provides that the options have an exercise price of not less than 100% of the market price of the underlying shares at the time of grant. The market price of the underlying shares at the time of grant is equal to the greater of the (i) average closing price of the underlying shares on the TSX for the five trading day period ending on the last trading day before the day on which the option is granted and (ii) the average of the high and low trading prices of the underlying shares on the TSX for the five trading day period ending on the last trading day before the day on which the option is granted. The Option Plan provides that the term of the options shall not be more than ten (10) years from the date of grant. Options granted under the Plan may not be assigned or transferred.

Unless otherwise provided for in an individual's employment agreement with the Corporation, the following table details the treatment of an employee's stock options upon an executive's retirement, resignation, termination for reasons other than cause or for cause.

Event	Vesting of Stock Options and Exercise Limitations
Retirement	Rights to vesting continue to accrue. All vested options must be exercised by the earlier of: (i) the third anniversary date of the retirement and (ii) the scheduled expiry date of the options
Resignation	No further options vest. All vested options must be exercised within 30 days from the date of the resignation
Termination for reasons other than cause	No further options vest. All vested options must be exercised within 30 days from the date of the termination for reasons other than cause
Termination for cause	Forfeiture of all unexercised options

In the event of a change of control of the Corporation, any unvested options held by participants shall become exercisable immediately prior to the date of such change of control and all options must be exercised prior to their original term.

Equity Compensation Plan Information

The following table details the number of securities to be issued upon the exercise of options outstanding under ACE's equity compensation plans, as well as the weighted-average exercise price of outstanding options and the number of securities remaining available for future issuance under ACE Aviation's equity compensation plans.

Plan category	Number of securities to be issued upon the exercise of outstanding options (1)	Weighted-average exercise price of out-standing options(1)	Number of securities remaining available for future issuance under equity compensation plans(1)
Equity compensation plans approved by security-holders(1)	47,812	$14.61	1,286,321

(1) As at December 31, 2009.

Pension and Benefits

ACE Aviation's group health, other insurance benefits and executive pension plan were, in the view of the Human Resources and Compensation Committee, aligned with the median of the Corporation's comparator group.

The Corporation offered retirement benefits to its Named Executive Officers including the SERP. The main provisions of the SERP are described in more detail in the section "Retirement Plan Benefits". The purpose of the SERP was to complement ACE Aviation's retirement plan to provide Named Executive Officer's with an appropriate replacement income upon retirement and provide benefits over and above those provided by ACE Aviation's executive registered retirement plan.

As a result of the consultancy arrangements described under "Rationalization of Compensation Structure in May 2009", none of the Named Executive Officers continues to accrue pension and benefits.

Perquisites

Perquisites were aligned with the median of the Corporation's reference group. Perquisites were determined based on past practice and include leased automobiles, a medical top-up plan, health counselling and financial counselling. As a result of the consultancy arrangements described under "Rationalization of Compensation Structure in May 2009", none of the Named Executive Officers is entitled to such benefits and perquisites from ACE Aviation.

Compensation of the Chairman, President and Chief Executive Officer

The Human Resources and Compensation Committee, in consultation with the Board, formally assessed the performance of the Chairman, President and Chief Executive Officer of ACE Aviation to determine an appropriate compensation level.

The Board established the compensation of the Chairman, President and Chief Executive Officer in the context of ACE Aviation's business plan and mission to surface, realize and return to its shareholders the value of its underlying businesses. The Board took into account ACE Aviation's status as an investment holding company with the objective of maximizing and realizing value through dispositions in the relative short term and returning proceeds to shareholders.

In 2008 and 2009, Mr. Milton did not receive any salary increase, bonus or other short-term incentive. Effective as of the end of May 2009, Mr. Milton no longer receives a salary, bonus or other short-term incentive and his compensation is now governed by a consultancy arrangement described under "Rationalization of Compensation Structure in May 2009".

An annual comparative analysis of compensation practices was conducted in 2007 by an independent third party consulting firm and the analysis consisted of a comparator group described below under "Benchmark". The position of the Chairman, President and Chief Executive Officer of ACE Aviation was benchmarked to positions in the comparator companies which were comparable in their roles and responsibilities and the base salary, short-term incentives, long-term incentives, benefits and perquisites were measured against the comparator group using the same standards for each component. Due to the unique circumstances of ACE Aviation and the nature of the incentive awards described below, such incentive awards were not taken into account in any benchmark comparison. ACE Aviation aimed at rewarding its CEO for such components of compensation at the median compensation levels offered in its comparator group for performance that meets corporate goals, excluding special bonuses that may be declared by the Board. The compensation of the CEO was benchmarked when it was initially established. Taking into account that the compensation of Mr. Milton for the period from January to May 2009 had been established prior to 2008 and that his compensation was not increased in 2008 or 2009, the Board did not update the comparative analysis of the CEO's compensation against the comparator group in 2008 and 2009.

As previously disclosed and as provided for in Mr. Milton's original ACE Aviation employment agreement dated May 12, 2005, in the event of certain value-enhancing transactions such as sales, dispositions or other transactions that resulted in distributions to the shareholders of ACE Aviation, Mr. Milton had the right to receive incentive awards. Such incentive awards were based on the amount of the value created since ACE Aviation was established that resulted in distributions to ACE Aviation shareholders. The last instalment of such incentive awards, in the amount of $5 million, was paid on February 24, 2009.

Benchmark

An annual comparative analysis of compensation practices was conducted by Towers Watson, an independent third party consulting firm, and the analysis consists of a comparator group of 35 large autonomous Canadian companies with at least one billion dollars in annual sales. The comparator group, which was validated from time to time by the Board, was a diversified mixture of Canadian companies containing transportation, financial institutions, manufacturing, energy and communications. ACE Aviation aimed at rewarding its executives at the median compensation levels offered in its comparator group for performance that met corporate goals, excluding special bonuses that may have been declared by the Board. The compensation of the officers of ACE Aviation for the period from January to May 2009 was benchmarked when it was established prior to 2008. Taking into account that the compensation of the officers of ACE Aviation for the period from January to May 2009 had been established prior to 2008 and that their base salaries were not increased in 2008 or 2009, the Board did not update the comparative analysis of the officer's compensation against the comparator group in 2008 and 2009.

ACE Aviation's Comparator Group (Benchmark Companies)

ACE Aviation's comparator group in 2007, detailed below, was made up of a diversified mixture of Canadian transportation, financial institution, manufacturing, energy and communication companies.

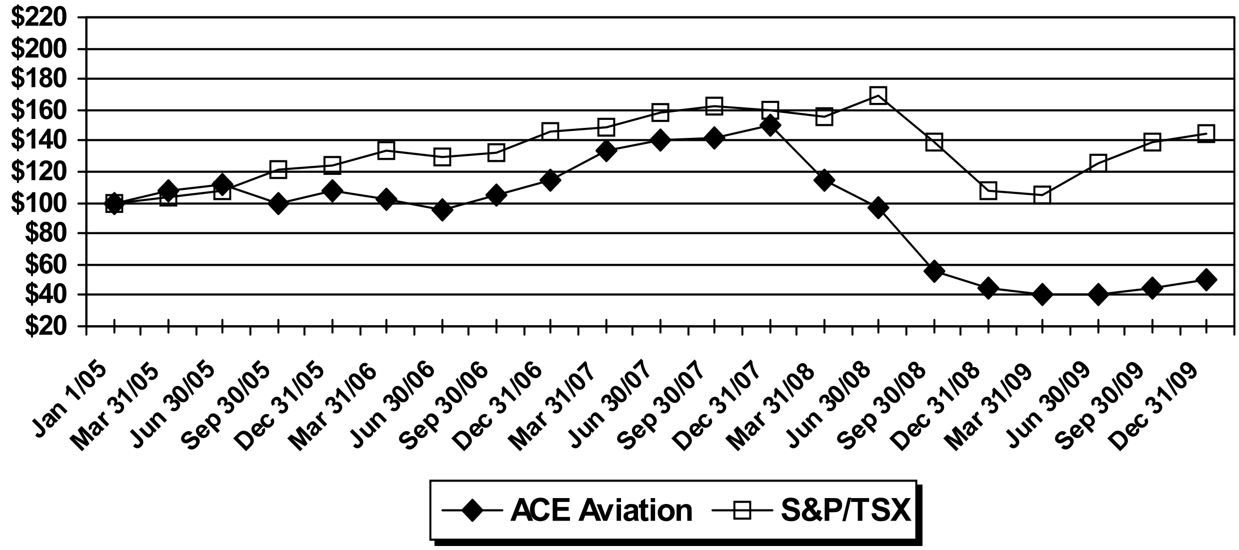
The Comparator Group (Benchmark Companies)

- AbitibiBowater Canada Inc.
- Alcan Inc.
- BCE Inc.
- Bombardier Inc.
- Canadian National Railway Company
- Canadian Pacific Railway Limited
- Canadian Tire Corporation Limited
- Canfor Corporation
- Celestica Inc.
- Domtar Corporation
- Empire Company Limited
- Enbridge Inc.
- EnCana Corporation
- Falconbridge Limited
- George Weston Limited
- Imperial Oil Limited
- Inco Limited
- Magna International Inc.
- MTS Allstream
- Nortel Networks Corporation
- Onex Corporation
- Petro-Canada
- Power Corporation of Canada
- Quebecor World Inc.
- Rogers Communication Inc.
- Sears Canada Inc.
- SNC-Lavalin Group Inc.
- Sobeys Inc.
- Teekay Shipping Canada Limited
- Telus Communications Corporation
- Thomson Corporation
- Torstar Corporation
- Transat A.T. Inc.
- TransCanada PipeLines Limited
- The Woodbridge Group

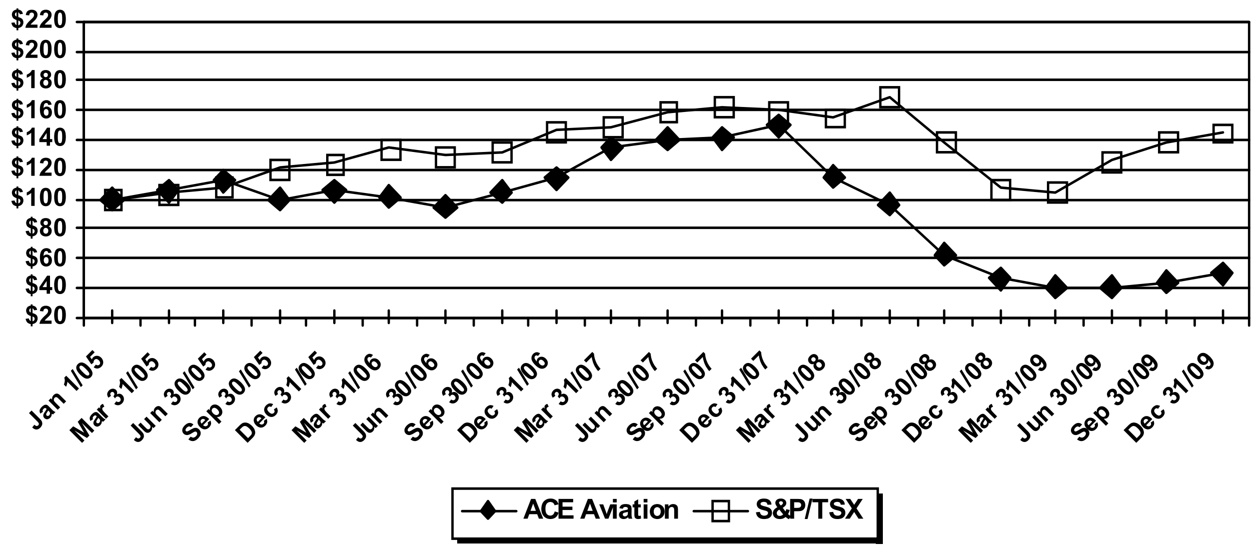
PERFORMANCE GRAPHS

The following performance graphs compare the total cumulative return of a $100 investment in the Class A variable voting shares and Class B voting shares of the Corporation made on January 1, 2005 with the cumulative return on the S&P/TSX Composite Index for the period beginning on January 1, 2005 and ended December 31, 2009.

ACE Aviation Class A Variable Voting Shares
versus S&P/TSX Composite Index
January 1, 2005 to December 31, 2009



ACE Aviation Class B Voting Shares
versus S&P/TSX Composite Index
January 1, 2005 to December 31, 2009



The above performance graphs assume an investment of $100 on January 1, 2005 at a price of $35.55 per Class A variable voting share and $35.57 per Class B voting share and the receipt and retention until December 31, 2009 of distributions to the shareholders of ACE Aviation of units of Aeroplan Income Fund and Jazz Air Income Fund in 2006 and 2007. Accordingly, the performance graphs reflect the trading prices of shares of ACE Aviation up to December 31, 2009 and the trading prices of units of Aeroplan Income Fund and Jazz Air Income Fund from the dates such units were received up to December 31, 2009. The performance graph assumes that investors would not have participated in the repurchase by ACE through substantial issuer bids of $1.5 billion of shares at a price of $30 per share in January 2008 and $500 million of shares at price of $22 per share in June 2008, the value of which is not reflected in the performance graphs.

During the period covered by the performance graphs, ACE Aviation focused on its strategy of surfacing, realizing and returning to its shareholders the value of its underlying businesses, as further described under "Compensation Discussion and Analysis – Background".

During 2009, the share price of ACE Aviation was driven by economic and market conditions, including the variations in the share price of Air Canada. During 2008, the share price of ACE Aviation was impacted by, among other factors, a realignment to reflect the value of its remaining assets further to the disposition of certain of its underlying businesses, and the return of a portion of the proceeds thereof to shareholders through two substantial issuer bids totaling $2 billion. The share price was also driven by economic and market conditions, including the decline in equity values and the specific decline in the share price of Air Canada.

Generally, base salaries were increased in 2006 only to reflect additional responsibilities further to promotions or otherwise, and in 2007 as a result of a market review of compensation. The awards under the Annual Incentive Plan over the period covered by the performance graph were determined based on performance factors that contributed to shareholder returns. From 2004 to 2006, the short-term incentive compensation under the Annual Incentive Plan was based on the achievement of earnings before interest, taxes, depreciation, amortization and obsolescence and aircraft rent (EBITDAR). In 2007, in order to recognize that EBITDAR would no longer be an appropriate financial measurement given ACE Aviation's strategy for its underlying businesses, the plan's financial measurement was replaced with an assessment by the Board of the successful execution by the officers of ACE Aviation's strategy, the implementation of which contributed to the maximization of shareholder value. No short-term incentive awards were made under the Annual Incentive Plan in 2008 and 2009.

The compensation of the officers of ACE Aviation has also been aligned with corporate performance through incentive awards and special bonuses granted to recognize the efforts of the officers of ACE Aviation related to value-enhancing transactions, such as the closings of the initial public offerings of Aeroplan Income Fund, Jazz Air Income Fund and Air Canada, the disposal of ACE Aviation's investment in US Airways, the monetization of ACTS LP and the distributions totaling $2.25 billion of units of Aeroplan Income Fund and Jazz Air Income Fund to the shareholders of ACE Aviation.

In 2007, the Board implemented retention arrangements based on fixed amounts to ensure that the Corporation’s ability to execute its strategy and achieve an optimal outcome for its shareholders would not be damaged by the loss of critical personnel, as further described under "Compensation Discussion and Analysis - Modifications to Executive Compensation Program to Reflect Strategy". In 2009, the Board determined that it was appropriate to dramatically reduce ACE Aviation's annual expenses relating to salary, benefits, incentives and pension of the officers of ACE Aviation in order to reflect its current circumstances and operational requirements, as further described under "Compensation Discussion and Analysis - Rationalization of Compensation Structure in May 2009".

COMPENSATION OF CERTAIN EXECUTIVE OFFICERS

The following table provides a summary of the compensation earned for the year ended December 31, 2009 by each of Robert A. Milton, ACE Aviation's Chairman, President and Chief Executive Officer, Brian Dunne, ACE Aviation's Executive Vice President and Chief Financial Officer, and the three remaining officers of ACE Aviation (together with the Chairman, President and Chief Executive Officer and the Chief Financial Officer, the "**Named Executive Officers**").

SUMMARY COMPENSATION TABLE

Name and principal position	Year	Salary and Consulting Fees ($)[1]	Share-based awards ($)	Option-based awards ($)	Non-equity Incentive plan compensation ($)	Pension Value ($)	All other compensation ($)[2][3][4]	Total compensation ($)
Robert A. Milton	2009	661,667	Nil	Nil	Nil	143,000	13,924,588	14,729,255
Chairman, President and Chief Executive Officer	2008	1,210,000	Nil	Nil	Nil	314,000	5,040,474	6,564,474
Brian Dunne	2009	529,167	Nil	Nil	Nil	43,000	3,757,927	4,330,094
Executive Vice President and Chief Financial Officer	2008	625,000	Nil	Nil	Nil	132,000	1,065,625	1,822,625
Sydney John Isaacs	2009	451,417	Nil	Nil	Nil	165,000	1,777,994	2,394,411
Senior Vice President, Corporate Development and Chief Legal Officer	2008	400,000	Nil	Nil	Nil	78,000	450,000	928,000
Jack McLean	2009	212,915	Nil	Nil	Nil	117,000	1,233,617	1,563,532
Controller	2008	250,000	Nil	Nil	Nil	35,000	229,167	514,167
Carolyn M. Hadrovic[5]	2009	85,000	Nil	Nil	Nil	Nil	Nil	85,000
Corporate Secretary	2008	120,000	Nil	Nil	Nil	Nil	Nil	120,000

(1) The amounts in this column for 2009 reflect, in the case of Messrs Milton, Dunne, Isaacs and McLean (i) salary of $504,167, $260,417, $166,667 and $130,998, respectively, under their employment agreements for the period from January 2009 to May 2009; and (ii) further to the rationalization of the compensation structure described under "Compensation Discussion & Analysis – Rationalization of the Compensation Structure in May 2009", standby consulting fees of $157,500, $78,750, $78,750 and $37,917, respectively, and "excess per diem" payments of $0, $190,000, $206,000 and $44,000, respectively, for the period from June 2009 to December 2009.

(2) Perquisites and other personal benefits did not equal $50,000 or more and did not equal 10% or more of the amount of total salary for the Named Executive Officers.

(3) The amounts in this column for 2009 reflect (i) in the case of Mr. Milton, the final payment in the amount of $5 million with respect to incentive awards provided for in his employment agreement dated May 12, 2005, as described under "Compensation Discussion and Analysis – Compensation of the Chairman, President and

Chief Executive Officer"; (ii) in the case of Messrs Dunne, Isaacs and McLean, retention payments in the amount of $1,171,875, $750,000 and $520,833, respectively, described under "Compensation Discussion and Analysis – Modifications to Executive Compensation Program to Reflect Strategy"; and (iii) in the case of Messrs Milton, Dunne, Isaacs and Mclean, severance payments and cash in lieu of benefits and perquisite payments in the amount of $7,615,325, $2,300,052, $903,994 and $592,784, respectively, and the credit or early vesting of additional years of pensionable service under the SERP representing a value of $1,275,000, $286,000, $124,000 and $120,000, respectively, the whole as described under “Employment Contracts and Termination and Change of Control Benefits”. Mr. Milton declined to receive the severance payments referred to in (iii) in cash and elected to receive the estimated after-tax amount in the form of 784,350 Class B shares through the grant and immediate exercise of 784,350 stock options at an exercise price of $5.34.

(4) The amounts in this column for 2008 reflect (i) in the case of Mr. Milton, an incentive award in the amount of $5 million provided for in his employment agreement dated May 12, 2005, (ii) in the case of Mr. Dunne, payment of an amount of $50,000 pursuant to his employment agreement; and (iii) in the case of Messrs Dunne, Isaacs and McLean, retention payments in the amount of $1,015,625, $450,000 and $229,167, respectively, described under "Compensation Discussion and Analysis – Modifications to Executive Compensation Program to Reflect Strategy ".

(5) Ms. Hadrovic is Corporate Secretary of ACE Aviation. She is also Corporate Secretary of Air Canada. During the financial years ended December 31, 2009 and December 31, 2008, she received $85,000 and $120,000, respectively, in salary for her duties of Corporate Secretary of ACE Aviation, in addition to her compensation as Corporate Secretary of Air Canada. Such amounts were paid to Ms. Hadrovic by Air Canada and were charged by Air Canada to ACE Aviation.

ACE Aviation Long-Term Incentive Plan Awards

Except for the options referred to in footnote 3 to the Summary Compensation Table above in respect of Mr. Milton, which were exercisable for one day only, no ACE Aviation stock options were granted in 2009 to the Named Executive Officers under ACE Aviation's Stock Option Plan, and no stock options were held by the Named Executive Officers as at December 31, 2009 or vested during the financial year ended December 31, 2009.

Retirement Plan Benefits

ACE Aviation provides its Named Executive Officers with a non-contributory, final average earnings defined benefit registered pension plan under the terms of the Air Canada Executive Pension Plan (the "**Executive Pension Plan**") and the non-registered Air Canada Supplementary Executive Retirement Plan (the "**SERP**").

The participants in the Executive Pension Plan are executives of Air Canada and ACE Aviation. The defined benefit SERP is a non-registered partially funded supplemental arrangement that is separate from the Executive Pension Plan and that was implemented for executives of Air Canada. The terms of the Executive Pension Plan and SERP were subsequently extended to executives of ACE Aviation, which became a participating employer in both arrangements. The Executive Pension Plan and the SERP are separate from the pension plans applicable to the employees of Air Canada other than executives and any payments made to the Named Executive Officers are made solely from the Executive Pension Plan and the SERP and not from the pension plans applicable to employees of Air Canada other than executives. ACE Aviation contributed to the Executive Pension Plan and SERP in respect of service and benefits accruing with ACE Aviation up until May 2009, when service with ACE Aviation ceased accruing.

Benefits under the Executive Pension Plan and SERP are calculated by multiplying (i) 2% of the final average annual salary (excluding bonuses, honoraria and special allowances) during the executive's highest paid 36 successive months of company service, less an amount equal to 0.25% times the Canada / Quebec pension plan's average annual yearly maximum pensionable earnings during the same 36-month period used to determine the executive's average annual salary by (ii) the executive's years of service (maximum 35 years).

Unless specified otherwise, Named Executive Officers are eligible to retire at the earliest of: (i) 25 years of credited service, (ii) when their age plus years of service equals the sum of 80 or (iii) at age 65. If a Named Executive Officer is eligible to retire based on the foregoing criteria, their retirement benefits will not be reduced if they retire at or after age 55.

Under the terms of federal pension legislation, should any member leave employment at least 10 years prior to the date they become eligible for an unreduced pension, he or she is entitled to elect a lump sum payment from the Executive Pension Plan in lieu of an immediate or deferred pension. Such eligibility is determined without regard to additional years of pensionable service which are credited in the SERP. In accordance with the terms of the SERP, the payment option that an executive elects in the Executive Pension Plan is also applicable to the SERP. However, under the terms of the SERP, US taxpayers who are eligible to elect their Executive Pension Plan benefits in a lump sum must receive their SERP benefits in a lump sum also, so as to comply with US tax legislation, which restricts elections of optional forms of payment.

The following table provides information on the pension benefits of each Named Executive Officer calculated as of December 31, 2009. Ms Hadrovic is not entitled to pension benefits from ACE Aviation.

PENSION BENEFITS

Name	Number of years of credited service (#)[(1)]	Annual benefits payable ($)		Accrued obligation at start of year ($)[(4)]	Compensatory change ($)[(5)]	Non-compensatory change ($)[(6)]	Accrued obligation at year end ($)[(7)]
		At year end[(2)]	At age 65[(3)]				
Robert A. Milton[(8)]	33.0833	Nil	Nil	11,084,000	143,000	- 11,165,000	62,000
Brian Dunne[(8)]	8.75	Nil	Nil	330,000	43,000	-362,000	11,000
Sydney John Isaacs[(8)]	8.4167	Nil	Nil	396,000	165,000	-529,000	32,000
Jack McLean[(8)]	34.250	165,200	159,800	1,492,000	117,000	426,000	2,035,000
Carolyn M. Hadrovic[(9)]	Nil	Nil	Nil	Nil	Nil	Nil	Nil

(1) This column reflects the number of years of credited service for each Named Executive Officer as of the year ended December 31, 2009.

Pursuant to the terms of their respective individual employment agreements, the above Named Executive Officers were credited for additional years of pensionable service under the SERP, namely:

(i) Mr. Milton's 2005 ACE employment agreement confirmed his accrued years of pensionable service at 25.67 years as of January 1, 2005. He continued to accrue pensionable service from that date until the termination of this employment agreement on the basis of his actual years of service in accordance with the rules of the relevant pension plans. Mr. Milton's employment terms also provided for a credit of three years of pensionable service corresponding to the 36 months of severance period applicable under his employment agreement in the event of termination without cause.

(ii) Mr. Dunne was entitled to be credited for an additional five years of pensionable service in 2010 upon his completion of five years of service with ACE Aviation. Mr. Dunne's contract also provided for the vesting of such five years pension credit in the event of termination without cause before completion of five years of service, which was done in May 2009 in connection with the termination of his employment agreement described under "Employment Contracts and

Termination and Change of Control Benefits – Rationalization of the Compensation Structure in May 2009".

(iii) Mr. Isaacs' employment agreement provided for a pension credit of two years of pensionable service upon termination of his employment corresponding to the 24 months of severance period applicable under his agreement in the event of termination without cause. Such credit was made in May 2009 in connection with the termination of Mr. Isaacs's employment agreement described under "Employment Contracts and Termination and Change of Control Benefits – Rationalization of the Compensation Structure in May 2009".

(iv) Mr. McLean's employment agreement provided for a pension credit of two years of pensionable service upon termination of his employment corresponding to the 24 months of severance period applicable under his agreement in the event of termination without cause. Such credit was made in May 2009 in connection with the termination of Mr. McLean's employment agreement described under "Employment Contracts and Termination and Change of Control Benefits – Rationalization of the Compensation Structure in May 2009".

All such credits are included in the above table.

(2) Annual unreduced pension benefits are based on the average annual salary during the executive's highest paid 36 successive months of company service and the credited service as of December 31, 2009, or the termination of their employment agreement, if earlier. The payment of such unreduced pension benefit cannot commence earlier than an executive's unreduced early retirement date. The amounts are nil for Mr. Milton, Mr. Dunne and Mr. Isaacs as they received a lump sum settlement in 2009 upon the termination of their employment agreements described under "Employment Contracts and Termination and Change of Control Benefits – Rationalization of the Compensation Structure in May 2009". The amount for Mr. McLean reflects the form of pension he elected which provides a pension of $13,764 per month payable up until age 65 and $13,315 per month thereafter.

(3) Projected annual pension benefits that would be payable to the Named Executive Officer as of age 65, based on his average annual salary during his highest paid 36 successive months of company service as of December 31, 2009 and his credited service being projected to age 65 (subject to a maximum of 35 years). The amount for Mr. McLean reflects the form of pension he elected.

(4) The accrued obligation at the beginning of the year represents the value of pension benefits for company service rendered prior to that date, using the same assumptions that were used for 2008 year-end financial statement reporting purposes. Except for Mr. Milton, these assumptions include future earnings projections at the rate of 2.5% per annum until retirement, as well as assumptions regarding retirement, termination and death, assuming ACE Aviation is a going-concern entity and the Named Executive Officer remains in employment. Benefits are valued using a discount rate of 7.35%, which reflects corporate AA bond yields at the beginning of the year as was adopted for 2008 year-end disclosure. The service prorate method was applied, meaning that the benefit obligation, including the liability pursuant to additional credited service promised under individual employment agreements entered into prior to 2009, is spread equally over the Named Executive Officer's projected career with ACE Aviation and/or Air Canada, as the case may be, regardless of when the credited service is granted.

For 2008 year-end financial statement reporting purposes, the pension obligations established for Mr. Milton assumed his retirement was imminent. The 2008 year-end obligations were therefore calculated on the assumption of a lump sum amount had he retired on January 1, 2009. Specifically, the value was established using a discount rate of 3.75% for 10 years, 5.25% thereafter, which are the rates required by pension legislation and actuarial standards for Executive Pension Plan lump sums. These rates are based on Government of Canada bond yields and vary monthly. Pursuant to the Corporation's policies, the same rates are applicable to the SERP. There is no projection of salary.

(5) The compensatory change represents the value of pension benefits accrued in the most recently completed financial year due to the accumulation of company service and changes in salary or the terms of the plan. It includes service costs, differences between actual and estimated earnings and any plan changes that have retroactive impact. The amounts disclosed reflect 2008 year-end assumptions and include the increase in the

liability for Mr. Isaacs and Mr. McLean due to the grant of additional pension service upon the termination of their employment agreement as described under footnote (1) above.

(6) The non-compensatory change in the accrued obligation for the most recently completed financial year of ACE Aviation includes all items that are not compensatory, such as changes in assumptions and interest on the accrued obligation at the start of the year, less benefits payment received.

(7) The accrued obligation at the end of the most recently completed financial year of ACE Aviation represents the value of pension benefits for company service rendered prior to December 31, 2009 and is based on 2009 year-end assumptions. For Mr. McLean, the 2009 year-end assumptions include a discount rate of 6.4%, which reflects corporate AA bond yields at the end of the year. No future earnings projections are required as he had already retired. For the other Named Executives, the accrued obligation is determined as the residual amount payable from the Executive Pension Plan (see footnote (8) below), with interest to December 31, 2009.

(8) For the other reasons described under "Compensation Discussion and Analysis – Rationalization of Compensation Structure", the Board determined that it was appropriate to rationalize its compensation structure and dramatically reduce its annual expenses relating to the compensation of executive officers. This was achieved by eliminating the obligation of the Corporation to provide base salaries, retention payments, pension and benefits and other perquisites through the termination of the employment agreements of Mr. Milton, Mr. Dunne, Mr. Isaacs and Mr. McLean. Such officers are retained by way of variable cost consultancy arrangements. As a result of the termination of their employment agreements, the officers were entitled to the pension benefits described below.

Mr. Milton was entitled to his accrued immediate pension using 33.08 years of credited service, including the additional three years pension credit which was credited to him upon termination of his employment agreement and which corresponds to his severance period under his employment agreement. As Mr. Milton is to leave the company more than 10 years prior to being eligible for an unreduced pension in the Executive Pension Plan, with such eligibility being determined without regard to additional years of pensionable service which are credited in the SERP, he was eligible to receive a lump sum payment from the Executive Pension Plan, in accordance with pension legislation. Mr. Milton elected to do so. Under the terms of the SERP as they existed prior to 2008, Mr. Milton would have been permitted to elect to receive his SERP pension benefits either in the form of an annuity or a lump sum as well. As Mr. Milton is a US taxpayer, the Corporation was required in 2007 to eliminate any optional forms of payment that existed under the SERP. Accordingly, the SERP was amended in 2007 so that US taxpayers who are eligible to receive a lump sum payment under the terms of the Executive Pension Plan must receive their SERP benefits in the form of a lump sum. Further to the termination of his employment agreement, he became entitled to an aggregate lump sum amount of $12,178,595 at May 31, 2009 determined using the discount rate of 3.1% for 10 years, 5.5% thereafter applicable for May 2009. This aggregate entitlement was comprised of a transfer to a locked-in arrangement of $182,828 from the Executive Pension Plan, which was paid together with interest in October 2009, plus a cash payment of $11,934,824 from the SERP, which was paid together with interest in December 2009. The payment from the Executive Pension Plan of a residual amount of $60,943 as of May 31, 2009, plus interest, was delayed in accordance with pension legislation as the plan is not fully funded, bringing the total from the Executive Pension Plan to $243,771. Therefore, most of his pension benefits were paid from the SERP. The payment of his pension benefits was made solely from the Executive Pension Plan and the SERP and was not made from the pension plans applicable to employees of Air Canada other than executives.

As Mr. Dunne's employment agreement was terminated more than 10 years prior to being eligible for an unreduced pension, he was eligible to receive a lump sum payment from the Executive Pension Plan and the SERP equal to the value of his deferred pension using 8.75 years of credited service, including the additional five years pension credit that was vested upon termination of his employment agreement. Further to the termination of his employment agreement on May 27, 2009, he received a transfer of $32,736 from the Executive Pension Plan plus a cash payment of $456,928 attributed to SERP obligations. The payment from the Executive Pension Plan of a residual amount of $10,912 as of May 31, 2009, plus interest, has been delayed in accordance with pension legislation as the plan is not fully funded, bringing the total from the Executive Pension Plan to $43,648. The aggregate lump sum amount of $500,576 was determined using the discount rate of 3.1% for 10 years, 5.5% thereafter applicable for May 2009.

As Mr. Isaacs's employment agreement was terminated more than 10 years prior to being eligible for an unreduced pension, he was eligible to receive a lump sum payment from the Executive Pension Plan and the SERP equal to the value of his deferred pension using 8.42 years of credited service, including the additional two years pension credit which was credited to him upon termination of his employment agreement and which corresponds to the severance period under his employment agreement. Further to the termination of his employment agreement, he received on May 31, 2009 a transfer of $95,200 from the Executive Pension Plan plus a cash payment of $394,558 attributed to SERP obligations. The payment from the Executive Pension Plan of a residual amount of $31,733 as of May 31, 2009, plus interest, has been delayed in accordance with pension legislation as the plan is not fully funded, bringing the total from the Executive Pension Plan to $126,933. The aggregate lump sum amount of $521,491 was determined using the discount rate of 3.1% for 10 years, 5.5% thereafter applicable for May 2009.

Mr. McLean's employment agreement was terminated effective June 1, 2009. The form of pension he elected provides a pension of $13,764 per month payable up until age 65 and $13,315 per month thereafter.

(9) Ms Hadrovic does not receive any pension benefits in respect of her duties of Corporate Secretary of ACE Aviation. She participates in the Executive Pension Plan and SERP only in respect of her compensation and service as Corporate Secretary of Air Canada.

Employment Contracts and Termination and Change of Control Benefits

ACE Aviation Employments Contracts Prior to May 2009

ACE Aviation had employment agreements with Mr. Milton, Mr. Dunne, Mr. Isaacs and Mr. McLean. Such employment agreements were terminated as a result of the events described below under "Rationalization of Compensation Structure in May 2009".

If Mr. Milton's employment was terminated without cause, or upon shareholder approval of the wind-up of ACE Aviation or completion of liquidation proceedings or a merger, recombination, sale or transfer of assets or other similar transaction aimed at terminating the status of ACE Aviation as a stand alone holding company (a "**Transaction**"), Mr. Milton was entitled to receive a severance payment equal to three times his annual salary and target bonus. Mr. Milton's employment terms also provided for a credit of three years of pensionable service in the event that he was terminated without cause, corresponding to the 36 months of severance period to which he was entitled under his employment agreement.

If Mr. Dunne was terminated without cause or upon shareholder approval of the wind-up of ACE Aviation or completion of any transaction described above in the definition of "Transaction", he was entitled to receive a severance payment equal to two times his annual salary and target bonus. Mr. Dunne's contract also provided for a pension credit of five years of pensionable service upon completion of five years service and the right to the five years pension credit in the event of termination without cause before completion of five years of service.

If Mr. Isaacs was terminated without cause, or upon shareholder approval of the wind-up of ACE Aviation or completion of any transaction described above in the definition of "Transaction", he was entitled to receive two times his annual salary. Mr. Isaacs' contract also provided for a pension credit of two years of pensionable service upon termination of employment.

If Mr. McLean was terminated without cause, or upon shareholder approval of the wind-up of ACE Aviation or completion of any transaction described above in the definition of "Transaction", he was entitled to receive two times his annual salary. Mr. McLean's contract also provided for a pension credit of two years of pensionable service upon termination of employment.

Rationalization of Compensation Structure in May 2009

On the basis that ACE Aviation's sole operation is to manage it cash and its interests in Air Canada and related activities, the Board determined that it was appropriate to dramatically reduce ACE Aviation's annual expenses relating to salary, benefits, incentives and pension by replacing each of the officers' employment agreements with variable cost consultancy arrangements, as further described under "Compensation Discussion and Analysis - Rationalization of Compensation Structure in May 2009".

Mr. Milton, Chairman, President and Chief Executive Officer

Pursuant to the implementation of the rationalization of the compensation structure described above, Mr. Milton's existing employment agreement entered into in 2005 was terminated effective May 31, 2009. As a result of the termination of such agreement, ACE Aviation was contractually obligated under the pre-existing terms of the agreement to pay to Mr. Milton a severance indemnity in the amount of $7,260,100 equal to 36 months of base salary and target bonus, together with a credit of the corresponding three years of pensionable service under the SERP representing a value of $1,275,000, as well as a payment in lieu of benefits and perquisites in the amount of $355,225 covering a period of 36 months. Mr. Milton was also entitled to pension benefits in accordance with the terms of the SERP and the Executive Pension Plan.

The employment agreement of Mr. Milton required ACE Aviation to pay the severance amounts in cash. Mr. Milton has declined to receive such payment in cash and has requested that the estimated after-tax amount of severance and benefits of $4,188,429 be paid to him in the form of shares of ACE Aviation. As a result, on May 22, 2009, Mr. Milton's after-tax amount was used to acquire and retain 784,350 Class B voting shares of ACE Aviation. Such subscription was effected through a grant of options that were exercised immediately upon the grant at an exercise price of $5.34, which is equal to the market price determined under the terms of the Stock Option Plan.

Mr. Dunne, Executive Vice President and Chief Financial Officer

Pursuant to the implementation of the rationalization of the compensation structure described above, Mr. Dunne's existing employment agreement was terminated effective May 27, 2009. As a result of the termination of such agreement, ACE Aviation was contractually obligated under the pre-existing terms of the agreement to pay to Mr. Dunne a severance indemnity in the amount of $2,187,500 equal to 24 months of base salary and target bonus, together with the accelerated vesting of five years of additional pensionable service under the SERP representing a value of $286,000, as well as a cash payment in lieu of benefits and perquisites in the amount of $112,552 covering a period of 24 months. Mr. Dunne was also entitled to pension benefits in accordance with the terms of the SERP and the Executive Pension Plan.

Mr. Isaacs, Senior Vice President, Corporate Development and Chief Legal Officer

Pursuant to the implementation of the rationalization of the compensation structure described above, Mr. Isaacs' existing employment agreement was terminated effective May 31, 2009. As a result of the termination of such agreement, ACE Aviation was contractually obligated under the pre-existing terms of the agreement to pay to Mr. Isaacs a severance indemnity in the amount of $800,000 equal to 24 months of base salary, together with a credit of the corresponding two years of pensionable service under the SERP representing a value of $124,000, as well as a cash payment in lieu of benefits and perquisites in the amount of $103,994 covering a period of 24 months. Mr. Isaacs was also entitled to pension benefits in accordance with the terms of the SERP and the Executive Pension Plan.

Mr. McLean, Controller

Pursuant to the implementation of the rationalization of the compensation structure described above, Mr. McLean's existing employment agreement was terminated effective May 31, 2009. As a result of the termination of such agreement, ACE Aviation was contractually obligated under the pre-existing terms of the agreement to pay to Mr. McLean a severance indemnity in the amount of $500,000 equal to 24 months of base salary, together with a credit of the corresponding two years of pensionable service under the SERP representing a value of $120,000, as well as a cash payment in lieu of benefits and perquisites in the amount of $92,784 covering a period of 24 months. Mr. McLean is also entitled to pension benefits in accordance with the terms of the SERP and the Executive Pension Plan.

OTHER IMPORTANT INFORMATION

Directors' and Officers' Liability Insurance

ACE Aviation maintains directors' and officers' liability insurance for the benefit of the directors and officers of ACE Aviation and its subsidiaries. The coverage limit of such insurance is US$220,000,000 per claim and US$220,000,000 in the annual aggregate. The current policy is effective from October 1, 2009 to October 1, 2010 and protects the directors and officers for allegations of alleged "wrongful acts" in the conduct of their activities as directors and officers. The premium for this period of insurance is US$1,137,000.

Indebtedness of directors and officers

As at May 25, 2010, none of the directors or executive officers of the Corporation nor any associate of such director or executive officer are indebted to the Corporation. Additionally, the Corporation has not provided any guarantee, support agreement, letter of credit or similar arrangement or undertaking in respect of any indebtedness of any such person to any other person or entity.

Interest of Informed Persons in Material Transactions

On September 30, 2004, as part of Air Canada's restructuring process, Promontoria Holding III B.V. ("**Promontoria**") invested $250 million in ACE Aviation in consideration for the issuance of 12,500,000 preferred shares of ACE. Promontoria is an affiliate of Cerberus Capital Management, L.P. W. Brett Ingersoll, a director of ACE Aviation, is Managing Director and Co-Head of Cerberus Capital Management, L.P. Michael M. Green, a director of ACE Aviation, was Managing Director of Cerberus Capital Management, L.P. until 2009. In January 2009, Promontoria tendered all of its preferred shares into ACE Aviation's offer to purchase for cancellation all of the preferred shares in its capital at a price of $20 per share, and ACE Aviation has purchased for cancellation all of the preferred shares that were tendered, including the preferred shares held by Promontoria.

On June 22, 2007, ACE Aviation 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, Mr. Milton and Mr. Dunne transferred their shares in ACTS Aero to a newly formed company, in which ACE, Mr. Milton and Mr. Dunne have no interest, for nil consideration.

Mail service interruption

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

Alberta	**Ontario**	**British Columbia**	**Québec**
600 The Dome Tower 6th Floor 333 – 7th Avenue S.W. Calgary, Alberta	320 Bay Street Banking Hall Toronto, Ontario	1066 West Hastings St. The Oceanic Plaza Suite 1600 Vancouver, B.C.	2001 University Street Suite 1600 Montreal, Québec

Nova Scotia

1660 Hollis Street
Centennial Building
Suite 406
Halifax, Nova Scotia

Shareholder proposals for our 2011 annual meeting

We will include proposals from shareholders that comply with applicable laws in next year's management proxy circular for our 2011 annual shareholder meeting. Please send your proposal to us by February 24, 2011.

HOW TO REQUEST MORE INFORMATION

Documents you can request

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

- ACE Aviation's financial statements for the year ended December 31, 2009, including the accompanying auditors' report;
- our management discussion and analysis related to such annual financial statements;
- any interim financial statements that were filed after the annual financial statements for the year ended December 31, 2009;
- our management discussion and analysis related to such interim financial statements; and
- our Annual Information Form for the year ended December 31, 2009.

Please write to Shareholder Relations of ACE Aviation at 5100 de Maisonneuve Boulevard West, Montreal, Québec, H4A 3T2.

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

Receiving information electronically

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

How to sign up – registered shareholders

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

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

To sign up for electronic delivery of documents, go to the website www.cibcmellon.com/electronic delivery and follow the instructions.

How to sign up – non-registered shareholders

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

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

To sign up for electronic delivery of documents, go to the website www.investordelivery.com and follow the instructions.

Questions and further assistance

If you have any questions or require more information with regard to the procedures for voting or completing your transmittal documentation, please contact ACE Aviation's Shareholder Relations at (514) 205-7855 for service in English or in French.

ACE AVIATION

SCHEDULE A

RECORD OF ATTENDANCE BY DIRECTORS

Record of Attendance by Directors for the 12 months ended December 31, 2009

Director	Number of meetings attended	
	Board [7]	Committees
Bernard Attali	12 of 17	2 of 3
Gregory A. Boland [1]	8 of 9	2 of 2
Robert E. Brown [2]	9 of 11	0 of 0
Michael M. Green [3]	16 of 18	3 of 3
W. Brett Ingersoll	18 of 23	4 of 6
Pierre Marc Johnson	17 of 17	2 of 2
David J. Kassie [4]	8 of 9	0 of 0
Robert F. MacLellan [5]	9 of 9	2 of 2
Richard H. McCoy [6]	17 of 17	7 of 7
Robert A. Milton	25 of 25	N/A
David I. Richardson	17 of 17	6 of 6
Marvin Yontef	21 of 21	0 of 0

(1) Mr. Boland became a director of ACE Aviation on June 26, 2009.

(2) Mr. Brown was a director of ACE Aviation until April 28, 2009.

(3) Mr. Green is not standing for re-election as a director of ACE Aviation and will cease to be a director of ACE Aviation on June 30, 2010.

(4) Mr. Kassie became a director of ACE Aviation on June 26, 2009.

(5) Mr. MacLellan became a director of ACE Aviation on June 26, 2009.

(6) Mr. McCoy was a director of ACE Aviation until June 29, 2009.

(7) During the year ended December 31, 2009, the Board of Directors held 25 meetings. Mr. W. Brett Ingersoll and Mr. Michael Green did not attend two Board meetings of ACE Aviation as a result of their status as officers of Cerberus Capital Management, LP which had an interest in the matters being discussed at such Board meetings. Mr. Green subsequently ceased to be an officer of Cerberus Capital Management, LP. Mr. Bernard Attali, Mr. Pierre Marc Johnson, Mr. David I Richardson and Mr. Marvin Yontef did not attend eight Board meetings of ACE Aviation, and Mr. Green did not attend five Board meetings of ACE Aviation, in each case as a result of their status as directors of Air Canada which had an interest in the matters being discussed at such Board meetings.

Summary of board and committee meetings held

Board	25
Audit, Finance and Risk Committee	4
Governance and Corporate Matters Committee	0
Human Resources and Compensation Committee	2
Nominating Committee	3

SCHEDULE B

CHARTER OF THE BOARD OF DIRECTORS

ACE AVIATION HOLDINGS INC.

CHARTER OF THE BOARD OF DIRECTORS

I. PURPOSE

This charter describes the role of the Board of Directors (the "**Board**") of ACE Aviation Holdings Inc. (the "**Corporation**"). This charter is subject to the provisions of the Corporation's articles of incorporation and by-laws and to applicable laws. This charter is not intended to limit, enlarge or change in any way the responsibilities of the Board as determined by such articles, by-laws and applicable laws. Directors are elected annually by the shareholders of the Corporation and together with those appointed to fill vacancies or appointed as additional directors throughout the year, collectively constitute the Board.

II. ROLE

The Board is responsible for the stewardship of the Corporation and its business and is accountable to shareholders for the performance of the Corporation.

The Board establishes the overall policies for the Corporation, monitors and evaluates the Corporation's strategic direction, and retains plenary power for those functions not specifically delegated by it to its Committees or to management. Accordingly, in addition to the duties of directors of a Canadian corporation as prescribed by applicable laws, the mandate of the Board is to supervise the management of the business and affairs of the Corporation with a view to evaluate, on an ongoing basis, whether the Corporation's resources are being managed in a manner consistent with ethical considerations and stakeholder's interests and in order to enhance shareholder value. In discharging their duties, directors must act honestly and in good faith, with a view to the best interests of the Corporation. Directors must exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

III. COMPOSITION

Selection

The Board shall be comprised of that number of directors as shall be determined from time to time by the Board upon recommendation of the Nominating Committee of the Board.

The Nominating Committee of the Board maintains an overview of the desired size of the Board, the need for recruitment and the expected skill-set of new candidates. The Nominating Committee reviews and recommends to the Board candidates for nomination as directors. The Board approves the final choice of candidates for nomination and election by the shareholders.

Board members must have an appropriate mix of skills, knowledge and experience in business and an understanding of the industry and the geographical areas in which the Corporation operates. Directors selected should be able to commit the requisite time for all of the Board's business.

Chairman and Lead Director

A Chairman of the Board shall be appointed by the Board. If the President and Chief Executive Officer of the Corporation is also the Chairman of the Board, a Lead Director shall be appointed among the Board's independent directors. The responsibilities of the Lead Director shall be set out in a written charter.

Independence

A majority of the Board shall be composed of directors who must be determined to have no material relationship with the Corporation and who, in the reasonable opinion of the Board, must be unrelated and independent under the laws, regulations and listing requirements to which the Corporation is subject.

Criteria for Board Membership

Board members are expected to possess the following characteristics and traits:

(a) demonstrate high ethical standards and integrity in their personal and professional dealings;

(b) act honestly and in good faith with a view to the best interest of the Corporation;

(c) devote sufficient time to the affairs of the Corporation and exercise care, diligence and skill in fulfilling their responsibilities both as Board members and as a Committee members;

(d) provide independent judgment on a broad range of issues;

(e) understand and challenge the key business plans and the strategic direction of the Corporation;

(f) raise questions and issues to facilitate active and effective participation in the deliberation of the Board and of each Committee;

(g) make all reasonable efforts to attend all Board and Committee meetings;

(h) review the materials provided by management in advance of the Board and Committee meetings.

Retirement Age for Directors

The policy of the Board is that no person shall be appointed or elected as a director if the person exceeds 75 years of age. The policy allows for an exception where the Board determines it is in the interest of the Corporation to request a director to extend his/her term beyond the regular retirement age, provided however that such extension is requested in one-year increments.

IV. COMPENSATION

The Board has determined that the directors should be compensated in a form and amount which is appropriate and which is customary for comparable corporations, having regard for such matters as time commitment, responsibility and trends in director compensation.

V. RESPONSIBILITIES

Without limiting the Board's governance obligations, general Board responsibilities shall include the following:

(a) discussing and developing the Corporation's approach to corporate governance, with the involvement of the Governance and Corporate Matters Committee;

(b) reviewing and approving management's strategic and business plans on an annual basis, including developing an in-depth knowledge of the business being served, understanding and questioning the plans' assumptions, and reaching an independent judgment as to the probability that the plans can be realized;

(c) monitoring corporate performance against the strategic business plans, including overseeing operating results on a regular basis to evaluate whether the business is being properly managed;

(d) appointing the Corporation's Chief Executive Officer, ensuring a succession plan is in place and developing his or her position description with the recommendation of the Governance and Corporate Matters Committee;

(e) reviewing, through the Human Resources and Compensation Committee, the compensation of the Chief Executive Officer;

(f) identifying the principal risks of the Corporation's businesses and ensuring the implementation of appropriate systems to manage these risks;

(g) ensuring that appropriate structures and procedures are in place so that the Board and its Committees can function independently of management;

(h) ensuring the proper and efficient functioning of its Committees;

(i) providing a source of advice and counsel to management;

(j) reviewing and approving key policies developed by management;

(k) reviewing, approving and as required, overseeing compliance with the Corporation's disclosure policy by directors, officers and other management personnel and employees;

(l) overseeing the Corporation's disclosure controls and procedures;

(m) monitoring, through the Audit, Finance and Risk Committee, the Corporation's internal controls and information systems;

(n) ensuring that members of management possess the ability required for their roles, are adequately trained and monitored and that planning for their succession is ongoing;

(o) ensuring that the Chief Executive Officer and the other members of management have the integrity required for their roles and the capability to promote a culture of integrity and accountability within the Corporation;

(p) conducting, through the Governance and Corporate Matters Committee, an annual assessment of the Board and the Committees and of individual members of the Board;

(q) reviewing, through the Human Resources and Compensation Committee, management's succession plans;

(r) selecting, upon the recommendation of the Nominating Committee, nominees for election as Directors;

(s) selecting a Chairman of the Board and a Lead Director; and

(t) reviewing with the Governance and Corporate Matters Committee that the Board as a whole, the Committees of the Board and the directors are capable of carrying out and do carry out their roles effectively.

VI. MEETINGS

The Board will meet at least quarterly, with additional meetings scheduled as required. Each director has a responsibility to attend and participate in meetings of the Board. The Chairman will prepare and distribute the meeting agenda and minutes to the Board in consultation with the Lead Director.

Information and materials that are important to the Board's understanding of the agenda items and related topics will be distributed in advance of a meeting. The Corporation will deliver information on the business, operations and finances of the Corporation, to the Board on an as-required basis.

On the occasion of each Board meeting, non-management directors will consider if an "in-camera" meeting under the chairmanship of the Lead Director would be appropriate. Additional meetings may be held at the request of any director. The Lead Director will forward to the President and Chief Executive Officer any questions, comments or suggestions of the directors.

VII. DECISIONS REQUIRING PRIOR BOARD APPROVAL

In addition to those specific matters requiring prior Board approval pursuant to the Corporation's by-laws or applicable laws, the Board will be responsible for approving the following:

(a) interim and annual financial statements, provided that the Board may delegate to the Audit, Finance and Risk Committee the responsibility to review such financial statements and make its recommendations to the Board;

(b) strategic plans, business plans and capital expenditure budgets;

(c) raising of debt or equity capital and other major financial activities;

(d) hiring, compensation and succession for the Chief Executive Officer and other senior executives;

(e) major organizational restructurings, including spin-offs;

(f) material acquisitions and divestitures; and

(g) major corporate policies.

VIII. BOARD COMMITTEES

There are four Committees of the Board: the Audit, Finance and Risk Committee, the Governance and Corporate Matters Committee, the Nominating Committee and the Human Resources and Compensation Committee. The roles and responsibilities of each Committee are described in the respective Committee charters.

Members of the Audit, Finance and Risk Committee, the Human Resources and Compensation Committee and the Nominating Committee shall be independent as required under the charter of each Committee and the laws, regulations and listing requirements to which the Corporation is subject.

IX. COMMUNICATION WITH THE BOARD

Shareholders and other constituencies may communicate with the Board and individual board members by contacting Shareholder Relations.

X. ADVISERS

The Board has determined that any director who wishes to engage a non-management advisor to assist on matters involving the director's responsibilities as a director at the expense of the Corporation should have its request reviewed by, and obtain the authorization of, the Lead Director of the Board.

XI. OTHER MATTERS

The Board expects directors as well as officers and employees of the Corporation to act ethically at all times and to acknowledge their adherence to the policies comprising the Corporate Policy and Guidelines on Business Conduct (the "**Code**"). The Board, with the assistance of the Governance and Corporate Matters Committee, is responsible for monitoring compliance with the Code.

Directors shall disclose all actual or potential conflicts of interest and refrain from voting on matters in which the director has a conflict of interest. In addition, a director shall excuse himself or herself from any discussion or decision on any matter in which the director is precluded from voting as a result of a conflict of interest or which otherwise affects his or her personal, business or professional interests.

December 14, 2006