



**NOTICE OF 2011 ANNUAL
MEETING OF SHAREHOLDERS
AND MANAGEMENT PROXY CIRCULAR**

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Letter from the Chairman and Chief Executive Officer

Dear Shareholder:

You are cordially invited to attend our annual meeting of shareholders of ACE Aviation Holdings Inc. It will be held on May 10, 2011 at 9:00 a.m. (Montreal time), at The Montreal Museum of Fine Arts, Maxwell-Cummings Auditorium, 1379 Sherbrooke Street West, 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 and Chief Executive Officer

NOTICE OF 2011 ANNUAL SHAREHOLDER MEETING

When

May 10, 2011 at 9:00 a.m. (Montreal time)

You are entitled to receive notice of, and vote at, our annual shareholder meeting or any adjournment thereof if you were a shareholder on April 8, 2011.

Where

The Montreal Museum of Fine Arts
Maxwell-Cummings Auditorium
1379 Sherbrooke Street West
Montreal, Québec

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 May 6, 2011.

Business of the 2011 Annual Shareholder Meeting

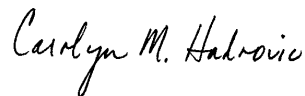
Four items will be covered at the meeting:

1. placement before shareholders of the annual consolidated financial statements of ACE Aviation Holdings Inc. for the year ended December 31, 2010, 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.

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



Montreal, Québec
March 30, 2011

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 May 10, 2011 ("**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 March 30, 2011, 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, 2010.

Your proxy is solicited by or on behalf of the management of ACE Aviation for use at the meeting.

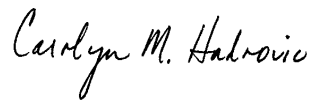
In addition to solicitation by mail, our employees or agents may solicit proxies by other means. The cost of any such solicitation will be borne by the Corporation. The Corporation may also reimburse brokers and other persons holding shares in their names, or in the names of nominees, for their costs 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



Montreal, Québec
March 30, 2011

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 May 6, 2011.

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 May 6, 2011.

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 May 6, 2011** 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 for admittance to the meeting.

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 May 5, 2011.

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 May 5, 2011.**

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 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, or in the telephone or 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 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 Chairman 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 March 30, 2011, there were 7,649,340 Class B voting shares, 24,823,380 Class A variable voting shares outstanding. Shareholders of record on April 8, 2011 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 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.

Accordingly, on establishing the Corporation in 2004 when ACE Aviation controlled Air Canada, a licence holder, the articles of the Corporation contained restrictions to ensure that ACE Aviation remained 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 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 March 30, 2011, 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 March 30, 2011
Polar Securities Inc. (" Polar ") ⁽¹⁾	4,431,267 Class A variable voting shares	17.9% of all outstanding Class A variable voting shares
Marathon Asset Management LLP (" Marathon ") ⁽²⁾	4,386,344 Class A variable voting shares	17.7% of all outstanding Class A variable voting shares
West Face Capital Inc. (" WFCI ") ⁽³⁾	3,800,500 Class A variable voting shares	15.3% of all outstanding Class A variable voting shares

- (1) Based on its alternative monthly early warning report dated May 10, 2010.
- (2) Marathon also exercises control or direction over 267,200 Class B voting shares and Mr. Jeremy Hosking, a partner of Marathon, also holds an aggregate of 37,010 Class A variable voting shares. Based on Marathon's early warning report dated January 4, 2011.
- (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 Mr. Gregory A. Boland, director, officer and shareholder of WFCI, together own 894,048 Class B voting shares representing 11.7% of all issued and outstanding Class B voting shares as at March 30, 2011.

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, 2010, 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, 2010, 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. Messrs. Milton and Yontef were appointed on June 29, 2004; Messrs. Attali, Ingersoll, Johnson and Richardson were appointed on September 30, 2004; and Messrs. Boland, Kassie and MacLellan 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 ACE Aviation in 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, 2010 and December 31, 2009 to PricewaterhouseCoopers LLP and its affiliates are \$277,938 and \$1,844,548, respectively, as detailed below:

	Year ended December 31, 2010	Year ended December 31, 2009
Audit fees	\$199,038	\$1,195,177
Audit-related fees	\$16,900	\$359,756
Tax fees	-	\$56,615
All other fees	\$62,000	\$233,000
	\$277,938	\$1,844,548

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 services.

More information on ACE Aviation's Audit, Finance and Risk Committee can be found in ACE Aviation's Annual Information Form dated March 30, 2011 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 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 March 30, 2011.

BERNARD ATTALI

Paris, France

Age: 67

ACE Aviation director since September 30, 2004



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: 46

ACE Aviation director since June 26, 2009



Gregory A. Boland is the President and Chief Executive Officer 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: 47

ACE Aviation director since September 30, 2004



W. Brett Ingersoll is the 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., Endura Care, LLC, Steward Health Care System, LLC and EntreCap Financial, LLC. Mr. Ingersoll holds a Master of Business Administration from Harvard Business School and a Bachelor of Arts from Brigham Young University.

Member of the Audit, Finance and Risk Committee

Member of the Human Resources and Compensation Committee

PIERRE MARC JOHNSON,
G.O.Q., FRSC
Montreal, Québec
Age: 64

ACE Aviation director since September 30, 2004



Pierre Marc Johnson, former Premier of Québec, is counsel to the offices of the Canadian law firm Heenan Blaikie LLP and advises, mediates and negotiates for or with various governments, United Nations related organizations and other international institutions. Mr. Johnson is also a director of Air Canada, Noveko International Inc., Holcim Canada, Médicago Inc. 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: 55

ACE Aviation director since June 26, 2009



David Kassie is Group Chairman of Canaccord Financial Inc. and Canaccord Genuity Corp. From 2004 to 2010, Mr. Kassie was Principal, Chairman and Chief Executive Officer 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 Bachelor of Commerce (Honours) in Economics from McGill University, and a Masters of Business Administration 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: 56

ACE Aviation director since June 26, 2009



Robert F. MacLellan is the 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 and 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) and T. Rowe Price Group Inc. (Member, Compensation Committee), a member of the Board of Trustees of the United Way of Greater Toronto (Chair, 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: 50

ACE Aviation director since June 29, 2004



Robert A. Milton is Chairman 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 in Industrial Management.

27,895 Class B voting shares of ACE Aviation

DAVID I. RICHARDSON

Grafton, Ontario

Age: 69

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 Vice Chair of the Board of Governors of Upper Canada College. Mr. Richardson holds a Bachelor of Commerce 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

MARVIN YONTEF

Toronto, Ontario

Age: 65

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.

Chair 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.

Non-executive directors of ACE Aviation receive a retainer of \$120,000 per year. The Chief Executive Officer receives no additional compensation in his capacity as Chairman and member of the Board of Directors. 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. Additionally, effective January 1, 2011, an airline transportation allowance of up to \$25,000 per year, plus an amount equivalent to applicable income taxes on such allowance, is granted to the directors of ACE Aviation.

The following table shows the amounts earned by individual non-executive directors of ACE Aviation for the year ended December 31, 2010 in respect of memberships on the Board of Directors and the Committees of the Corporation:

Name	Fees earned as director of ACE			All other compensation (\$)	Total (\$)
	Board retainer (\$)	Committee member retainer (\$)	Attendance Fees (\$)		
Bernard Attali ⁽¹⁾	120,000	13,269	Nil	Nil	133,269
Gregory A. Boland	120,000	15,000	Nil	Nil	135,000
Michael M. Green ⁽²⁾	78,750	7,500	Nil	Nil	86,250
W. Brett Ingersoll	120,000	15,000	Nil	Nil	135,000
Pierre Marc Johnson	120,000	15,000	Nil	Nil	135,000
David J. Kassie	120,000	10,000	Nil	Nil	130,000
Robert F. MacLellan	120,000	15,000	Nil	Nil	135,000
David I. Richardson	120,000	25,000	Nil	Nil	145,000
Marvin Yontef ⁽³⁾	120,000	7,052	Nil	Nil	127,052

(1) Mr. Attali was appointed Chair of the Nominating Committee on May 6, 2010.

(2) Mr. Green ceased to be a director of ACE Aviation on June 30, 2010.

(3) Mr. Yontef was appointed Chair of the Governance and Corporate Matters Committee on June 30, 2010.

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 Robert A. Milton was President and Chief Executive Officer and a director of Air Canada and Pierre Marc Johnson was a director of Air Canada when it filed for protection under the *Companies' Creditors Arrangement Act* (Canada) 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.

STATEMENT OF GOVERNANCE PRACTICES

The Board has extensively reviewed the Corporation's governance practices and concludes that the Corporation complies 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. 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 and Chief Executive Officer, Robert A. Milton and Marvin Yontef, are independent.

A majority of the directors of the Corporation, 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 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 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.

The Board has concluded that the fact that Robert A. Milton occupies both the office of Chairman of the Board and the office of Chief Executive Officer of ACE Aviation does not impair the ability of the Board to act independently of management. In the event of circumstances requiring leadership among the independent directors, the independent directors would appoint an ad hoc Chair amongst themselves.

Directorships of Other Reporting Issuers

Bernard Attali, W. Brett Ingersoll, Pierre Marc Johnson, David J. Kassie, Robert F. MacLellan and David I. Richardson are presently directors of several public entities. Bernard Attali is currently the Honorary 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, Médicago Inc. and Noveko International Inc. David J. Kassie is a director of Canaccord Financial Inc. Robert F. MacLellan is a director of T. Rowe Price Group, Inc. David I. Richardson is currently a director and Chairman of Air Canada and a director and Chairman of Nortel Networks Corporation.

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 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 2010, the non-executive directors held, during a scheduled meeting of the Board, two "in camera" sessions, at which the Chief Executive Officer was not in attendance. In 2010, the Board did not hold an "in camera" session during which only the independent directors were 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 and Chief Executive Officer

The Board has adopted a position description for Robert A. Milton, the Chairman and Chief Executive Officer. As 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 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) develop the agenda for Board meetings, Board procedures and the composition of Board Committees; (iii) ensuring 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, Marvin Yontef, 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 and Chief Executive Officer 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, seminars or courses relevant to their directorship at ACE Aviation.

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. 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. 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 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 "Compensation Discussion and Analysis" for a description of the compensation of the officers of ACE Aviation.

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". Neither ACE nor the Human Resources and Compensation Committee retained a compensation advisor in 2010.

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 and the process used to determine the compensation of the officers of ACE Aviation.

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, other than the Governance and Corporate Matters Committee, are composed entirely 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 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 2010.

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 three 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, 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 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.
- Periodically review and approve the Corporate Policy and Guidelines on Business Conduct.
- 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.
- Review such other corporate governance 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 met three (3) times in 2010.

The Governance and Corporate Matters Committee is currently composed of:

Members: Marvin Yontef (Chair)
Bernard Attali
Pierre Marc Johnson

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 CEO, evaluate the CEO's performance in light of those goals, objectives and business performance measures, and make recommendations to the Board with respect to the CEO's compensation level based on this evaluation.
- Make recommendations to the Board with respect to non-CEO officers' 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 Chief Executive Officer including the definition of the limits to management's responsibilities.

The Human Resources and Compensation Committee met four (4) times in 2010. 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.
- 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 two (2) times in 2010.

The Nominating Committee is currently composed of:

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

COMPENSATION DISCUSSION AND ANALYSIS

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

Since its inception, 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 (predecessor of Groupe Aeroplan Inc.), Jazz Air Income Fund (predecessor of Chorus Aviation Inc.) 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 2010, ACE Aviation continued to execute on its strategy, through (i) the completion in January 2010 of a substantial issuer bid pursuant to which ACE Aviation purchased for cancellation a total of 1,401,094 Class A variable voting shares and 1,824,711 Class B voting shares for an aggregate purchase price of \$20 million; (ii) the repayment by Air Canada on August 3, 2010 of ACE's \$150 million participation in its secured credit facility, together with interest and prepayment fees for total proceeds to ACE of \$156 million, and (iii) the completion of a secondary offering on a bought deal basis of 44,000,000 Class B voting shares of Air Canada at an offering price of \$3.70 per Class B voting share for aggregate gross proceeds of \$163 million (net proceeds of approximately \$156 million).

As at March 28, 2011, ACE's principal interests are cash and cash equivalents of approximately \$362 million, an 11.11% equity interest in Air Canada (31 million Class B voting shares of Air Canada) and 2.5 million Air Canada warrants for the purchase of Air Canada Class B voting shares at exercise prices of \$1.44 (1.25 million warrants) and \$1.51 (1.25 million warrants) per share. ACE Aviation has no operations other than managing these assets and related activities. As at March 30, 2011, ACE Aviation had one full-time employee and four part-time consultants (see below). Going forward, the Board of Directors of ACE Aviation will continue to review alternatives to maximize the return to its shareholders.

Prior to May 2009, ACE Aviation's executive compensation program, which was designed to emphasize incentive compensation linked to its annual and long-term financial performance, was made up of five components: (i) base salary established based on the responsibilities, contributions, experience and skill set of each executive; (ii) short-term incentive compensation in the form of an annual incentive plan designed to pay a cash award based on the successful execution of ACE Aviation's strategy; (iii) long-term incentive compensation in the form of stock options; (iv) pension and benefits, including a supplemental retirement executive plan; and (v) perquisites.

In 2009, the Board determined that it was appropriate to dramatically reduce the cost of ACE's executive compensation program. The Board sought advice from compensation consultant Hugessen Consulting Inc. with respect to strategies relating to the implementation of such reduction. As a result of its review, the Board eliminated the executive compensation program applicable prior to May 2009. This was achieved by terminating the employment agreements and compensation arrangements of each of the officers and, in order to ensure their continued availability to the Corporation, entering into variable cost consultancy agreements with them that reflected ACE's circumstances and operational requirements. The officers retained their titles and remain officers of ACE Aviation. In particular, Mr. Milton continues to fulfill all functions associated with his position as Chairman and Chief Executive Officer. Following the termination of the employment agreements, ACE Aviation no longer benchmarks the compensation payable to its Named Executive Officers against a comparator group.

ACE Aviation was contractually obligated under the 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 in 2009, as further described under "Compensation of Certain Executive Officers – Summary Compensation Table".

The consultancy arrangements, entered into in May 2009 for a period of twelve months, provided that the officers shall be available to dedicate time to ACE Aviation in consideration of a 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.

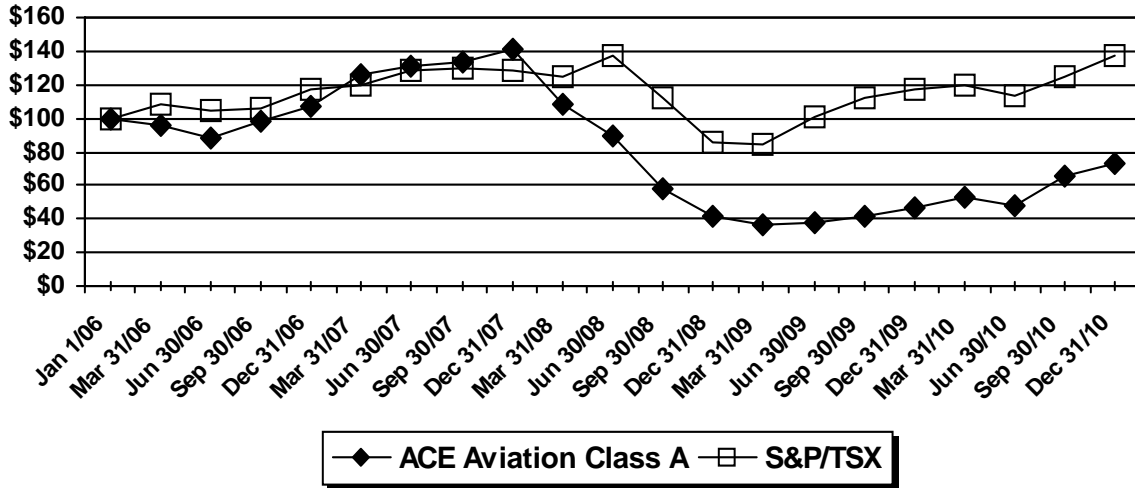
In May 2010, the Corporation and the officers agreed to enter into new consultancy arrangements for a further twelve months ending on May 31, 2011. The terms of the new agreements were substantially similar to the May 2009 agreements. In addition, as a retention incentive, the agreements provided for an additional upfront standby fee of \$135,000 for each of Mr. Milton, Mr. Dunne and Mr. Isaacs, and \$65,000 for Mr. McLean. The consulting agreements with Mr. Milton, Mr. McLean and Mr. Isaacs may be terminated by ACE Aviation upon giving a notice of 90 days or may be terminated by the consultants upon giving a notice of 90 days in the case of Mr. Milton and Mr. McLean and a notice of 45 days in the case of Mr. Isaacs.

In December 2010, the Corporation and Mr. Dunne entered into a new consulting agreement for a twelve month period ending on December 31, 2011. The agreement provides that Mr. Dunne shall be available to dedicate time to ACE Aviation in consideration of a yearly standby consulting fee of \$250,000. If his services are required for more than 10 days per quarter, he would receive a per diem in the amount of \$7,500 for every additional day worked, subject to a cumulative maximum of additional days of 20 days for the three-month period ended March 31, 2011, 40 days for the six-month period ended June 30, 2011, 60 days for the nine-month period ended September 30, 2011 and 80 days for the twelve-month period ended December 31, 2011. The consulting agreement may be terminated by either ACE Aviation or Mr. Dunne upon giving a notice of 120 days, provided that the consulting agreement may not be terminated prior to July 1, 2011.

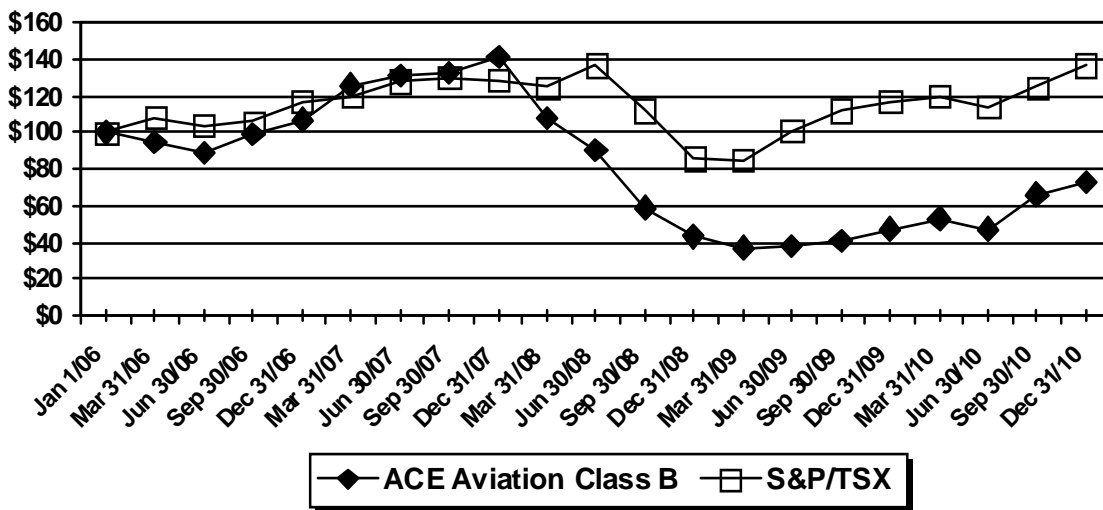
PERFORMANCE GRAPHS

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, 2006 with the cumulative return on the S&P/TSX Composite Index for the period beginning on January 1, 2006 and ended December 31, 2010.

**ACE Aviation Class A Shares
Versus S&P/TSX Composite Index
January 1, 2006 to December 31, 2010**



**ACE Aviation Class B Shares
Versus S&P/TSX Composite Index
January 1, 2006 to December 31, 2010**



The above performance graphs assume an investment of \$100 on January 1, 2006 at a price of \$38.00 per Class A variable voting share and \$37.86 per Class B voting share and the receipt and retention until December 31, 2010 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, 2010 and the trading prices of units of Aeroplan Income Fund and Jazz Air Income Fund (and shares of their respective successors, Groupe Aeroplan Inc. and Chorus Aviation Inc.) from the dates such units were received up to December 31, 2010. 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, \$500 million of shares at price of \$22 per share in June 2008 and \$20 million of shares at a price of \$6.20 per share in January 2010, 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".

During 2009 and 2010, 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. In 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. 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".

COMPENSATION OF CERTAIN EXECUTIVE OFFICERS

The following table provides a summary of the compensation earned for each of the years ended December 31, 2010, 2009 and 2008 by each of Robert A. Milton, ACE Aviation's Chairman and Chief Executive Officer, Brian Dunne, ACE Aviation's President and Chief Financial Officer, and the three remaining officers of ACE Aviation (together with the Chairman and Chief Executive Officer and the President and Chief Financial Officer, the "**Named Executive Officers**"). The compensation included in the following table for the financial years ended December 2009 and 2008 was previously disclosed in the management proxy circular dated May 25, 2010 for the shareholder meeting held on June 30, 2010.

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	2010	525,000	Nil	Nil	Nil	Nil	Nil	525,000
Chairman and Chief Executive Officer	2009	661,667	Nil	Nil	Nil	143,000	13,924,588	14,729,255
	2008	1,210,000	Nil	Nil	Nil	314,000	5,040,474	6,564,474
Brian Dunne	2010	693,320	Nil	Nil	Nil	Nil	Nil	693,320
President and Chief Financial Officer	2009	539,487	Nil	Nil	Nil	43,000	3,757,927	4,340,774
	2008	625,000	Nil	Nil	Nil	132,000	1,065,625	1,822,625
Sydney John Isaacs	2010	657,200	Nil	Nil	Nil	Nil	Nil	657,200
Senior Vice President, Corporate Development and Chief Legal Officer	2009	465,817	Nil	Nil	Nil	165,000	1,777,994	2,408,811
	2008	400,000	Nil	Nil	Nil	78,000	450,000	928,000
Jack McLean	2010	241,500	Nil	Nil	Nil	Nil	Nil	241,500
Controller	2009	213,235	Nil	Nil	Nil	117,000	1,233,617	1,563,852
	2008	250,000	Nil	Nil	Nil	35,000	229,167	514,167
Carolyn M. Hadrovic ⁽⁵⁾	2010	60,000	Nil	Nil	Nil	Nil	Nil	60,000
Corporate Secretary	2009	85,000	Nil	Nil	Nil	Nil	Nil	85,000
	2008	120,000	Nil	Nil	Nil	Nil	Nil	120,000

- (1) The amounts in this column for 2010 reflect, in the case of Messrs Milton, Dunne, Isaacs and McLean, initial standby consulting fees of \$270,000, \$135,000, \$135,000 and \$65,000, respectively, additional upfront standby consulting fees in May 2010 of \$135,000, \$135,000, \$135,000 and \$65,000, respectively, and "excess per diem" payments of \$120,000, \$423,320, \$387,200 and \$111,500, respectively. See "Compensation Discussion & Analysis".

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", standby consulting fees of \$157,500, \$78,750, \$78,750 and \$37,917, respectively, and "excess per diem" payments of \$0, \$200,680, \$220,400 and \$44,320, respectively, for the period from June 2009 to December 2009.

- (2) As a result of the consultancy arrangements described under "Compensation Discussion & Analysis", none of the Named Executive Officers is entitled to benefits and perquisites from ACE Aviation since May 2009. Perquisites and other personal benefits in 2008, and from January 1, 2009 to May 2009, 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; (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; 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 (as defined under "Retirement Plan Benefits") representing a value of \$1,275,000, \$286,000, \$124,000 and \$120,000, the whole in accordance with the terms of their employment agreements which were in force prior to the termination of such agreements described under "Compensation Discussion & Analysis". 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.
- (5) Ms. Hadrovic is Corporate Secretary of ACE Aviation. She is also Corporate Secretary of Air Canada. During the financial years ended December 31, 2010, 2009 and 2008, she received \$60,000, \$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

No stock options were granted in 2010 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, 2010 or vested during the financial year ended December 31, 2010.

No stock options were granted in 2009 to the Named Executive Officers under ACE's Aviation Stock Option Plan, 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.

As at December 31, 2010, there were 37,500 options issued and outstanding under the Stock Option Plan. For additional information relating to the Stock Option Plan, see "Equity Compensation Plan".

Retirement Plan Benefits

Until May 2009, ACE Aviation provided 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, until May 2009, 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 were 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.

For the reasons described under "Compensation Discussion and Analysis", 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 pension benefits, which, in the case of Mr. Milton, Mr. Dunne and Mr. Isaacs, were paid in 2009 in the form of a lump sum as per the terms of the Executive Pension Plan and SERP. The form of pension that Mr. McLean elected provides a pension of \$13,764 per month payable up until age 65 and \$13,315 per month thereafter. Since 2009, each of Mr. Milton, Mr. Dunne, Mr. Isaacs and Mr. McLean no longer accrues any pension benefits.

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.

EQUITY COMPENSATION PLAN

Terms of ACE Aviation's Stock Option Plan

The persons eligible to receive options ("**Eligible Optionees**") were the executives, senior managers and other employees, as the Human Resources and Compensation Committee determined, who were in key positions with the Corporation or its subsidiaries. Pursuant to an amendment implemented in 2005, the non-executive directors were not eligible to participate in the Stock Option Plan. The Stock Option Plan was designed to create a direct link between management's and shareholders' interests, since the full value of the Stock Option Plan could only be obtained when the Corporation's stock appreciated over a number of years.

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 March 30, 2011, the maximum number of shares remaining available for issuance under the Stock Option Plan was 1,289,397 or approximately 3.97% of the outstanding Class B voting shares and Class A variable voting shares. In addition, as of March 30, 2011, 37,500 shares were subject to outstanding options representing approximately 0.12% 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 Stock 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 Stock 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 Stock Option 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 his or her 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. None of the Named Executive Officers held options as at December 31, 2010.

Plan category	Number of securities to be issued upon the exercise of outstanding options⁽¹⁾	Weighted-average exercise price of outstanding options⁽¹⁾	Number of securities remaining available for future issuance under equity compensation plans⁽¹⁾
Equity compensation plans approved by security-holders ⁽¹⁾	37,500	\$15.36	1,289,397

(1) As at December 31, 2010.

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, 2010 to October 1, 2011 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\$808,500.

Indebtedness of directors and officers

As at March 30, 2011, 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

No director, executive officer or other insider, as applicable, of the Corporation, nor any associate or affiliate of the foregoing persons, has or has had any material interest, direct or indirect, in any transaction since the commencement of the Corporation's financial year ended December 31, 2010 or in any proposed transaction which has materially affected or would materially affect the Corporation or any of its subsidiaries.

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 2012 annual meeting

We will include proposals from shareholders that comply with applicable laws in next year's management proxy circular for our 2012 annual shareholder meeting. Please send your proposal to the Corporate Secretary of ACE Aviation at 5100 de Maisonneuve Blvd. West, Montreal, Québec, H4A 3T2 by January 3, 2012.

HOW TO REQUEST MORE INFORMATION

Documents you can request

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

- ACE Aviation's annual consolidated financial statements for the year ended December 31, 2010, including the accompanying auditors' report;
- our management discussion and analysis related to such annual consolidated financial statements;
- any interim consolidated financial statements that were filed after the annual consolidated financial statements for the year ended December 31, 2010;
- our management discussion and analysis related to such interim consolidated financial statements; and
- our Annual Information Form for the year ended December 31, 2010.

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.

SCHEDULE A

RECORD OF ATTENDANCE BY DIRECTORS

Record of Attendance by Directors for the 12 months ended December 31, 2010

Director	Number of meetings attended	
	Board ⁽⁷⁾	Committees
Bernard Attali	7 of 9	5 of 5
Gregory A. Boland	9 of 9	9 of 9
Michael M. Green ⁽¹⁾	3 of 4	1 of 4
W. Brett Ingersoll	7 of 9	6 of 9
Pierre Marc Johnson	7 of 9	7 of 7
David J. Kassie	9 of 9	6 of 6
Robert F. MacLellan	9 of 9	8 of 8
Robert A. Milton	8 of 9	N/A
David I. Richardson	9 of 9	6 of 6
Marvin Yontef	9 of 9	3 of 3

(1) Mr. Green ceased to be a director of ACE Aviation on June 30, 2010.

Summary of board and committee meetings held

Board	9
Audit, Finance and Risk Committee	4
Governance and Corporate Matters Committee	3
Human Resources and Compensation Committee	4
Nominating Committee	2
Ad Hoc Committee	1

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

A Chairman of the Board shall be appointed by the Board.

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
- (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.

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 would be appropriate. Additional meetings may be held at the request of any director.

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 Chairman 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.

June 30, 2010