

ACE AVIATION

ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS TO BE HELD ON APRIL 25, 2012

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS AND MANAGEMENT PROXY CIRCULAR

March 9, 2012

These materials are important and require your immediate attention. They require shareholders of ACE Aviation Holdings Inc. to make important decisions. If you are in doubt as to how to make your decisions, please contact your financial, legal or other professional advisors. If you have any questions or require more information with regard to the procedures for voting or completing your transmittal documentation or have questions regarding the arrangement described in this Notice of Annual and Special Meeting and Management Proxy Circular, please contact Kingsdale Shareholder Services Inc., toll-free in North America at 1-866-851-2571 or collect call outside North America at 416-867-2272 or by email at contactus@kingsdaleshareholder.com.

ACE AVIATION

Letter from the Chairman and Chief Executive Officer

March 9, 2012

Dear Shareholders:

We cordially invite you to attend the annual and special meeting of shareholders of ACE Aviation Holdings Inc. ("ACE") to be held commencing at 8:00 a.m. (Montreal time) on Wednesday, April 25, 2012, at The Montreal Museum of Fine Arts, Maxwell-Cummings Auditorium, 1379 Sherbrooke Street West, Montreal, Québec.

As at March 9, 2012, ACE's principal assets are cash and cash equivalents of approximately \$351 million, an 11.11% equity interest in Air Canada (31 million Class B voting shares of Air Canada) and warrants for the purchase of Class B voting shares of Air Canada at exercise prices of \$1.44 (1.25 million warrants) and \$1.51 (1.25 million warrants) per share. ACE has no operations other than managing these assets and related activities. ACE's 11.11% interest in Air Canada had a value of approximately \$29 million as at March 9, 2012 based on the average of the closing prices on the Toronto Stock Exchange of Air Canada's Class A variable voting shares and Class B voting shares on such date. ACE's warrants to purchase Air Canada shares have a nominal value.

In March 2010, ACE applied for certificates of discharge from the Canada Revenue Agency and Revenu Québec in order to determine the amount of any remaining tax liabilities of ACE for the fiscal years of ACE up to and including 2010 and thereafter be in a position to liquidate ACE. ACE actively assisted the Canada Revenue Agency and Revenu Québec with their audits which required a detailed review of all of the significant corporate transactions undertaken by ACE since its incorporation in 2004, together with a detailed review of all of its returns. A certificate of discharge was issued by the Canada Revenue Agency on March 7, 2012 in connection with all taxation years ended on or prior to December 31, 2010. A similar certificate is expected to be issued by Revenu Quebec shortly. As a result of the completion of the process and the other factors stated in the attached management proxy circular, the Board determined that it is appropriate to propose to shareholders to approve the liquidation and dissolution of ACE, which will result in the distribution of ACE's remaining assets to its shareholders, after providing for outstanding liabilities, contingencies and costs of the liquidation.

It is currently contemplated that ACE will make an initial distribution to its shareholders of an aggregate amount between \$250 million and \$300 million within the weeks following the shareholder meeting, at the time to be determined by the Board. The range of the initial distribution has been determined having regard to the possible contingent liabilities of ACE and costs of the liquidation and considering that the claims process will still be pending at the time of the initial distribution.

The final distribution to shareholders will be made once all of the other liquidation steps have been completed. In order to allow any remaining contingent liabilities, including those described in the attached management proxy circular under "Claims Process – Contingent Liabilities", to expire or be otherwise settled or provided for, the final distribution will not occur before mid-year 2013.

At the meeting, shareholders of ACE will be asked to consider and vote on:

- an amendment to the articles of ACE pursuant to which all of the Class A variable voting shares and Class B voting shares of ACE will be converted into a single class of common shares, each entitled to one vote per share regardless of the residency or status as Canadian of the shareholder. The share conversion forms part of the steps being implemented by ACE in order to complete its winding-up and dissolution in a tax-efficient manner. At the time of incorporation of ACE in 2004, when ACE controlled Air Canada, the articles of ACE provided for ownership restrictions through a dual-class share structure to ensure that ACE, as the controlling shareholder of Air Canada, remained Canadian under the *Canada Transportation Act*. ACE no longer holds a significant interest in any holder of a license under the *Canada Transportation Act* and accordingly, ACE's dual class structure is no longer necessary;
- a special resolution providing for (A) the voluntary liquidation of ACE pursuant to section 211 of the *Canada Business Corporations Act*, through distributions of its remaining assets to its shareholders, after providing for outstanding liabilities, contingencies and costs of the liquidation, (B) the appointment of a liquidator at a time to be determined by the board of directors of ACE, and (C) the ultimate dissolution of ACE in the future once all of the liquidation steps have been completed;
- the election of the directors who will serve until the end of the next annual shareholder meeting or until their successors are elected or appointed; and
- the appointment of the auditors.

The record date to determine the shareholders entitled to receive notice of and to vote at the meeting is March 6, 2012.

The amendment to the articles of ACE must be approved by a resolution passed by at least 66 $\frac{2}{3}$ % of the votes cast by the holders of Class A variable voting shares and Class B voting shares of ACE, voting together, and by at least 66 $\frac{2}{3}$ % of the votes cast by the holders of Class A variable voting shares and Class B voting shares, voting as separate classes. The liquidation resolution must be approved by at least 66 $\frac{2}{3}$ % of the votes cast by the holders of all of the outstanding shares of ACE, voting together, and will also be submitted to the approval of 66 $\frac{2}{3}$ % of votes cast by the holders of Class A variable voting shares and Class B voting shares (as they existed prior to their conversion into a single class of common shares), voting as separate classes.

The board of directors of ACE has unanimously approved the amendment to the articles and the presentation to shareholders of the liquidation resolution and unanimously recommends that shareholders of ACE vote FOR the resolutions approving the amendment and the liquidation.

As a shareholder of ACE, you have the right to vote your shares on all items that come before the meeting. The accompanying notice of annual and special meeting and management proxy circular will provide you with additional information with respect to the amendments to the articles of ACE and related conversion of all outstanding shares of ACE into a single class of common shares and the liquidation and dissolution of ACE. **You are urged to read this information carefully and, if you require assistance, to consult your financial, legal or other professional advisor.**

The management proxy circular will also provide you with information about the director nominees, the proposed auditors, the compensation of directors and officers, and our corporate governance practices.

Your vote is important regardless of the number of shares of ACE that you own. If you are unable to be present at the meeting in person, we encourage you to take the time now to complete, sign, date and return the enclosed form of proxy so that your shares can be voted at the meeting in accordance with your instructions. You can also submit voting instructions through the internet or over the phone as described in the management proxy circular.

If you have any questions or require more information with regard to the procedures for voting or completing your transmittal documentation, please contact ACE's proxy solicitation agent, Kingsdale Shareholder Services Inc., toll-free in North America at 1-866-851-2571 or collect call outside North America at 416-867-2272 or by email at contactus@kingsdaleshareholder.com.

On behalf of ACE, we would like to thank all of our shareholders for their ongoing support.

Sincerely,

A handwritten signature in black ink, appearing to read 'RAM', followed by a horizontal line extending to the right.

Robert A. Milton
Chairman and Chief Executive Officer

ACE AVIATION HOLDINGS INC.

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS
to be held on April 25, 2012

NOTICE IS HEREBY GIVEN that an annual and special meeting of the shareholders of ACE Aviation Holdings Inc. ("ACE" or the "Corporation") will be held at The Montreal Museum of Fine Arts, Maxwell-Cummings Auditorium, 1379 Sherbrooke Street West, Montreal, Québec, on Wednesday, April 25, 2012 at 8:00 a.m. (Montreal time) (the "Meeting") to:

1. consider and adopt a special resolution (the "**Share Conversion Resolution**") approving an amendment to the articles of ACE pursuant to which (A) a new class of common shares (the "**Common Shares**"), each entitled to one vote per share, will be created, and (B) each outstanding Class A variable voting share and Class B voting share of ACE will be converted into one Common Share;
2. elect the directors who will serve until the end of the next annual shareholder meeting or until their successors are elected or appointed;
3. appoint the auditors;
4. consider and adopt a special resolution (the "**Liquidation Resolution**") providing for (A) the voluntary liquidation of ACE pursuant to section 211 of the *Canada Business Corporations Act*, through distributions of its remaining assets to its shareholders, after providing for outstanding liabilities, contingencies and costs of the liquidation, (B) the appointment of a liquidator at a time to be determined by the board of directors of ACE, and (C) the ultimate dissolution of ACE in the future once all of the liquidation steps have been completed; and
5. transact such other business as may be properly brought before the Meeting or any adjournment thereof.

The full text of the Share Conversion Resolution is set out in Appendix A and the full text of the Liquidation Resolution is set out in Appendix C to the accompanying management proxy circular dated March 9, 2012 (the "**Proxy Circular**") and the matters to be voted upon at the Meeting are described therein. A form of proxy for each of the Class A variable voting shares and Class B voting shares also accompanies this notice.

The record date for determination of the holders of Class A variable voting shares and Class B voting shares entitled to receive notice of and to vote at the Meeting is March 6, 2012.

As a shareholder, it is very important that you read this material carefully and vote your shares, either by proxy or in person at the Meeting. The following pages tell you more about how to exercise your right to vote your shares and provide additional information relating to the matters to be dealt with at the Meeting.

DATED this 9th day of March, 2012.

BY ORDER OF THE BOARD OF DIRECTORS



Carolyn M. Hadrovic, Corporate Secretary

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ACE AVIATION

MANAGEMENT PROXY CIRCULAR

Introduction

This Proxy Circular is furnished in connection with the solicitation of proxies by and on behalf of the management of ACE for use at the Meeting and any adjournment(s) or postponement(s) thereof. No person has been authorized to give any information or make any representation in connection with any matters to be considered at the Meeting other than those contained in this Proxy Circular and, if given or made, any such information or representation must not be relied upon as having been authorized.

In addition to solicitation by mail, employees or agents of ACE may solicit proxies by telephone or by other means. The cost of any such solicitation will be borne by ACE. ACE 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. Kingsdale is acting as ACE's proxy solicitation agent for which it will be paid a fee. ACE anticipates that the fees in respect of such services will not exceed approximately \$59,000 plus additional variable fees based on the services actually provided by Kingsdale. Kingsdale will also be reimbursed for its reasonable out-of-pocket expenses in connection with the solicitation. The fees and expenses of Kingsdale will be paid by ACE.

Information contained in this Proxy Circular is given as of March 9, 2012 unless otherwise specifically stated.

Currency and Exchange Rates

Unless otherwise indicated, all dollar amounts in this Proxy Circular are expressed in Canadian dollars.

On March 9, 2012, the exchange rate for one Canadian dollar expressed in United States dollars based on the noon buying rate quoted by the Bank of Canada, was Cdn\$1.00 = US\$1.0106.

Incorporation by Reference of ACE Documents

Information has been incorporated by reference in this Proxy Circular from documents filed by ACE with securities commissions or similar regulatory authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) website at www.sedar.com.

The following documents of ACE, filed by ACE with the various Canadian securities regulatory authorities in each of the provinces of Canada, are specifically incorporated by reference into, and form an integral part of, this Proxy Circular:

- a) Audited Consolidated Financial Statements of ACE for the year ended December 31, 2011, together with the notes thereto and the auditors' report thereon;

- b) Management's Discussion and Analysis of Results of Operations and Financial Condition of ACE for the year ended December 31, 2011; and
- c) Annual Information Form of ACE dated March 30, 2011 relating to the year ended December 31, 2010.

Any documents of the type referred to in the preceding paragraph, or required to be incorporated by reference in a short-form prospectus pursuant to National Instrument 44-101 – *Short Form Prospectus Distributions*, including annual information forms, information circulars, annual and interim financial statements and related management's discussion and analysis, material change reports (excluding confidential reports, if any) and business acquisition reports, filed by ACE with the applicable securities regulatory authorities subsequent to the date of this Proxy Circular and prior to the date of the Meeting shall be deemed to be incorporated by reference in this Proxy Circular.

Any statement contained in this Proxy Circular or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for the purposes of this Proxy Circular, to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not constitute a part of this Proxy Circular, except as so modified or superseded.

Forward Looking Statements

This Proxy Circular contains forward looking statements. All statements other than statements of historical fact contained in this Proxy Circular are forward looking statements. Such statements include words such as "believe", "expects", "will", "intends", "projects", "anticipates", "estimates", "continues" or similar words or the negative thereof. These forward looking statements include statements with respect to the expected timing of the distributions to shareholders and other steps under the liquidation process and other statements relating to the liquidation process and the exercise by the board of directors, or a liquidator appointed by the board of directors, of its discretion under the liquidation process, the listing of the Common Shares on any stock exchange, the status of the Corporation as a reporting issuer, the timing of the delisting of the Common Shares, the period required to implement the liquidation and the timing of the dissolution of ACE. There can be no assurance that the plans, intentions or expectations upon which these forward looking statements are based will occur. Forward looking statements are subject to risks, uncertainties and assumptions, including those discussed elsewhere in this Proxy Circular and in the documents incorporated by reference in this Proxy Circular. Although ACE believes that the expectations represented in such forward looking statements are reasonable, there can be no assurance that such expectations will prove to be correct.

The forward looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward looking statements included in this Proxy Circular are made as of the date of this Proxy Circular and ACE undertakes no obligation to publicly update such forward looking statements to reflect new information, subsequent events or otherwise, except as required by applicable securities legislation.

Distributions

Throughout this Proxy Circular, references to and descriptions of the distributions to shareholders pursuant to the liquidation are made on a prospective basis assuming the distributions will be completed. The completion of the distributions may be subject to satisfaction of the liabilities and contingencies of ACE, the discretion of the board of directors, or if a liquidator has then been appointed, the discretion of the liquidator and a number of factors and conditions which are described in this Proxy Circular and there can be no assurances as to the amounts and timeline of distributions.

Note to United States Shareholders

Shareholders in the United States should be aware that the distributions to be made to shareholders pursuant to the liquidation may have tax consequences both in the United States and in Canada. Such consequences for investors who are resident in, or citizens of, the United States may not be described fully herein. See "Certain Income Tax Considerations – Certain United States Federal Income Tax Considerations" and "Certain Income Tax Considerations - Certain Canadian Federal Income Tax Considerations". Shareholders should consult their own tax advisors with respect to their own particular circumstances.

The Class A variable voting shares and the Class B voting shares of ACE are not registered under U.S. Securities Exchange Act of 1934, as amended (the "**U.S. Exchange Act**"). As a consequence, the solicitation of proxies hereby is not subject to the proxy requirements of Section 14(a) of the U.S. Exchange Act. Accordingly, this Proxy Circular has been prepared in accordance with applicable disclosure requirements in Canada. Shareholders in the United States should be aware that such requirements are different than those of the United States.

Financial statements and information included or incorporated by reference herein have been prepared in accordance with generally accepted accounting principles in Canada, and are subject to auditing and auditor independence standards in Canada, and thus may not be comparable to financial statements of United States companies.

The enforcement by investors of civil liabilities under the United States federal securities laws may be affected adversely by the fact that ACE is incorporated or organized outside the United States, that some or all of its officers and directors and the experts named herein are residents of a country other than the United States, and that all or a substantial portion of the assets of ACE and said persons are located outside the United States. As a result, it may be difficult or impossible for shareholders in the United States to effect service of process within the United States upon ACE, its officers or directors or the experts named herein, or to realize against them upon judgments of courts of the United States predicated upon civil liabilities under the federal securities laws of the United States or "blue sky" laws of any state within the United States. In addition, shareholders in the United States should not assume that the courts of Canada: (a) would enforce judgments of United States courts obtained in actions against such persons predicated upon civil liabilities under the federal securities laws of the United States or "blue sky" laws of any state within the United States; or (b) would enforce, in original actions, liabilities against such persons predicated upon civil liabilities under the federal securities laws of the United States or "blue sky" laws of any state within the United States.

SUMMARY

The following is a summary of certain information contained elsewhere in this Proxy Circular, including the Appendices hereto, and is qualified in its entirety by reference to the more detailed information contained or referred to elsewhere in this Proxy Circular or in the Appendices hereto.

The Meeting

The Meeting will be held at The Montreal Museum of Fine Arts, Maxwell-Cummings Auditorium, 1379 Sherbrooke Street West, Montreal, Québec, on Wednesday, April 25, 2012, at 8:00 a.m. (Montreal time). The purpose of the Meeting is for Shareholders to consider and adopt:

- a special resolution (the "**Share Conversion Resolution**") approving an amendment to the articles of ACE pursuant to which the issued and outstanding Class A variable voting shares and Class B voting shares will be converted, on a one-for-one basis, into a new class of common shares (the "**Common Shares**"), each entitled to one vote per share (the "**Share Conversion**");
- a special resolution (the "**Liquidation Resolution**") providing for (A) the voluntary liquidation of ACE pursuant to section 211 of the *Canada Business Corporations Act*, through distributions of its remaining assets to its shareholders after providing for outstanding liabilities, contingencies and costs of the liquidation, (B) the appointment of a liquidator at a time to be determined by the board of directors of ACE, and (C) the ultimate dissolution of ACE in the future once all of the liquidation steps have been completed (collectively, the "**Liquidation**"); and
- annual resolutions relating to the election of directors and the appointment of auditors.

The full text of each of the Share Conversion Resolution and the Liquidation Resolution is reproduced as Appendix A and Appendix C, respectively, to this Proxy Circular.

Overview – Share Conversion

The Share Conversion forms part of the steps being implemented by ACE in order to complete its liquidation described below in a tax-efficient manner for ACE and its shareholders. At the time of incorporation of ACE in 2004, when ACE controlled Air Canada, the articles of ACE provided for ownership restrictions through a dual-class share structure to ensure that ACE, as the controlling shareholder of Air Canada, remained Canadian under the Canada Transportation Act ("CTA"). ACE no longer holds a significant interest in any holder of a license under the CTA and accordingly, ACE's dual class structure is no longer necessary.

The terms of the Common Shares pertaining to dividend entitlements, right to vote and entitlement upon liquidation or dissolution will be the same as the rights currently attaching to the Class A variable voting shares and the Class B voting shares of ACE. The Common Shares will not be subject to any ownership restriction. For additional information relating to the terms of the Common Shares, see "Amendment to Articles – Share Conversion".

The Toronto Stock Exchange (the "**TSX**") has conditionally approved the listing of the Common Shares issuable upon completion of the Share Conversion, subject to satisfaction of the customary listing conditions of the TSX.

Overview – Liquidation

On February 10, 2012, ACE announced that it would seek shareholder approval for (A) the voluntary liquidation of ACE pursuant to section 211 of the *Canada Business Corporations Act*, through distributions of its remaining assets to its shareholders after providing for outstanding liabilities, contingencies and costs of the liquidation, (B) the appointment of a liquidator at the time determined by the board of directors of ACE, and (C) the ultimate dissolution of ACE in the future once all of the liquidation steps have been completed.

As at March 9, 2012, ACE's principal assets are cash and cash equivalents of approximately \$351 million, an 11.11% equity interest in Air Canada (31 million Class B voting shares of Air Canada) and warrants to purchase Class B voting shares of Air Canada at exercise prices of \$1.44 (1.25 million warrants) and \$1.51 (1.25 million warrants) per share. ACE has no operations other than managing these assets and related activities.

ACE's 11.11% interest in Air Canada had a value of approximately \$29 million on March 9, 2012 based on the average of the closing prices on the TSX of Air Canada's Class A variable voting shares and Class B voting shares on such date. ACE's warrants to purchase Air Canada shares have a nominal value.

In March 2010, ACE applied for certificates of discharge from the Canada Revenue Agency (the "**CRA**") and the Ministère du Revenu du Québec ("**Revenu Québec**") in order to address any outstanding tax liabilities. ACE actively assisted the CRA and Revenu Québec with their audits of ACE's income tax returns for the years 2005 to 2010. In addition to the audits of income tax returns, ACE assisted with audits in respect of other taxes. The audits of income tax returns required a detailed review of all of the significant corporate transactions undertaken by ACE since its incorporation in 2004, together with a detailed review of all of its returns. The audits of income tax returns and of all other taxes are now complete and a certificate of discharge was issued by the CRA on March 7, 2012 in connection with all taxation years ended on or prior to December 31, 2010. A similar certificate is expected to be issued by Revenu Québec shortly. ACE does not expect to incur any income tax liabilities for the taxation years ended December 31, 2011 and beyond, or to incur liabilities for other taxes over and above the amounts incurred in the ordinary course of business. Liabilities for all taxes up to March 9, 2012 have been paid or provided for.

ACE has also obtained an advance tax ruling from the CRA in order to confirm that neither the Share Conversion nor the liquidation steps described below will result in the Common Shares being considered short-term preferred shares or taxable preferred shares for the purposes of the Income Tax Act (Canada) (the "**Tax Act**") and the regulations thereunder, such that no tax under Part VI.1 of the Tax Act will be payable by ACE in connection with the liquidation steps.

Following the approval of the liquidation by the shareholders, the Corporation will review and make an assessment of its remaining assets and outstanding liabilities, including contingent liabilities. The Corporation will also consider and assess all other factors relevant to the liquidation process. Based on such assessment, the Corporation will, in its discretion, determine the amount and timing of the distributions to be made to shareholders under the liquidation process. The Corporation will pay or otherwise provide for its liabilities, including any contingent liabilities, and, to the extent of remaining net assets, the Corporation will distribute any such remaining net assets to its shareholders. ACE will review alternatives to dispose of its remaining Class B voting shares and warrants of Air Canada with a view to distributing the cash proceeds as part of the liquidation.

It is currently contemplated that the Corporation will make an initial distribution to its shareholders of an aggregate amount between \$250 million and \$300 million within the weeks following the Meeting,

at the time to be determined by the Board. The range of the initial distribution has been determined having regard to the possible contingent liabilities of ACE and costs of the liquidation and considering that the claims process referred to below will still be pending at the time of the initial distribution.

The final distribution to shareholders will be made once all of the other liquidation steps have been completed. In order to allow any remaining contingent liabilities, including those described under "The Liquidation – Claims Process – Contingent Liabilities", to expire or be otherwise settled or provided for, the final distribution will not occur before mid-year 2013. The final distribution could occur later than mid-year 2013 depending on the factors described under "The Liquidation – Final Distribution and Cancellation of Shares".

However, distributions to shareholders under the liquidation process will remain at the discretion of the Corporation and no assurances can be given as to the amount and timing of distributions under the liquidation process.

Reasons for the Liquidation

As a result of the completion of the process described above leading to the issuance of a certificate of discharge on March 7, 2012 by the CRA with a similar certificate from Revenu Québec being expected shortly, the Board determined that it was appropriate to propose to shareholders to approve the liquidation and dissolution of ACE on the terms outlined in this Proxy Circular. In reaching its conclusions, the Board considered a number of factors, including:

Liquidation Represents Concluding Step in the Execution of ACE's Value-Enhancement Strategy. From 2004 to 2011, ACE implemented its value enhancement strategy through stand-alone financings, sales of equity interests and the return of approximately \$4.5 billion of funds to shareholders by way of distributions of equity interests in Aeroplan Income Fund (a predecessor of Groupe Aeroplan Inc. doing business as Aimia) and Jazz Air Income Fund (a predecessor of Chorus Aviation Inc.) and six share buybacks. The liquidation of ACE is the logical and consistent concluding step in the execution of this strategy through the distribution of the remaining net assets of ACE to its shareholders.

Gradual Elimination of On-Going Operating Costs of ACE as a Stand-alone Holding Company. ACE has no operations other than managing its holdings in shares and warrants of Air Canada and related activities. Through the liquidation and ultimate dissolution of ACE, the on-going operating costs of ACE as a stand-alone holding company will be gradually eliminated. Currently, such costs are only partially offset by the low rate of interest (currently approximately 1.00%) earned on the cash and cash equivalents held by ACE.

Shareholders Receive their Pro Rata Share of ACE's Remaining Net Cash. Pursuant to the liquidation, shareholders will receive their proportionate share of ACE's remaining net cash and cash equivalents, after payments made to ACE's creditors and provisions for contingent liabilities. Such cash is earning a low rate of interest at ACE. Shareholders will be able to exercise their independent investment decision to earn potentially higher returns in respect of their pro rata share of ACE's cash received as distributions.

Liquidation to Return ACE's Remaining Assets in a Tax-Efficient Manner. ACE has obtained certificates of discharge from the CRA and Revenu Québec in order to address any outstanding tax liabilities for taxation years ended on or prior to December 31, 2010, therefore addressing a substantial portion of any remaining potential liabilities of ACE. ACE has also obtained an advance tax ruling from the CRA in order to confirm that the liquidation steps described below will not result in tax under Part VI.1 of the Tax Act being payable by ACE in connection with the liquidation steps.

Liquidation Steps

In connection with the liquidation of ACE, subject to shareholder approval, the following events will occur at the time determined by the Corporation in its discretion (and not necessarily in the following order):

- 1- the establishment of a process to identify, establish, adjudicate and otherwise resolve the rights of any remaining creditors of ACE (the "**Claims Process**");
- 2- an initial distribution by ACE to its shareholders of an aggregate amount between \$250 million and \$300 million, within the weeks following the Meeting, at the time to be determined by the Board;
- 3- the review of the Corporation's property and the disposition of non-cash assets of the Corporation, including the remaining Class B voting shares and warrants of Air Canada held by ACE, as part of the liquidation process;
- 4- one or more distributions to the shareholders of the remaining assets of the Corporation;
- 5- at the time determined by the Board, the appointment of a liquidator and the termination and vesting in the liquidator of all of the powers of the directors and the shareholders of the Corporation;
- 6- the cancellation of all outstanding shares of the Corporation and the termination of all remaining rights to acquire shares, including outstanding stock options issued pursuant to the Stock Option Plan of ACE; and
- 7- following the liquidation of the Corporation and the final payments to the Corporation's creditors and the final distribution to its shareholders, the dissolution of the Corporation through the filing by ACE of articles of dissolution and the issuance by the Director appointed under the *Canada Business Corporations Act* of a certificate of dissolution.

The timing and order of each step of the liquidation, including the appointment of the liquidator, the Claims Process, the distributions to shareholders and the cancellation of the shares of the Corporation, will be determined by the Corporation in its discretion based in part on the factors described herein under "The Liquidation". The Corporation expects that, shortly following the initial distribution to shareholders referred to above, the directors of the Corporation will cease to hold office and the liquidator will be appointed.

The Corporation will hold undistributed cash or other assets of the Corporation as a reserve to satisfy the costs of the liquidation and the winding down of the affairs of ACE and its ultimate dissolution, which costs are currently estimated to be approximately \$4 million from the date of the Meeting until mid-year 2013, as well as any potential claims or liabilities, including the contingent liabilities referred to under "The Liquidation – Claims Process – Contingencies", that may arise or be asserted after the Meeting.

The final distribution to shareholders will be made once all of the other liquidation steps have been completed. In order to allow any remaining contingent liabilities of ACE, including those described below under "The Liquidation – Claims Process – Contingencies", to expire or be otherwise settled or provided for, the final distribution will not occur before mid-year 2013. The final distribution could occur later than mid-year 2013 depending on the factors described below under "The Liquidation – Final Distribution and

Cancellation of Shares". Except as specified herein or in the Liquidation Resolution, no step shall be conditional on another step having first been completed. For additional information relating to each of the steps of the liquidation and dissolution, see "The Liquidation".

Stock Exchange Listing and Status as a Reporting Issuer

Until an application is made and an order is issued by the Canadian securities regulatory authorities deeming ACE to no longer be a "reporting issuer", ACE will continue to be subject to ongoing disclosure and other obligations as a reporting issuer under applicable securities legislation in Canada. It is intended that, after the cancellation of the Common Shares, which is not expected to occur before mid-year 2013, ACE will apply to the Canadian securities regulatory authorities for such an order.

ACE intends to have the Common Shares to be issued upon the Share Conversion listed on the TSX. There can be no assurance that the Common Shares will continue to be listed on, and meet the listing requirements of, the TSX. Although the Corporation may seek an alternative listing should the Common Shares be delisted from their current market, there can be no assurance that such listing can be obtained or that such listing will provide appropriate liquidity for the shareholders. Furthermore, the Corporation may decide to cancel the Common Shares and thus delist them but no such cancellation will occur until mid-year 2013.

Deliberations and Recommendations of the Board

The Board deliberated and concluded that the Share Conversion and the Liquidation are in the best interests of ACE and its shareholders. Accordingly, the Board approved the presentation of the Share Conversion Resolution and the Liquidation Resolution to shareholders for approval, approved this Proxy Circular and recommends that shareholders vote in favour of the Share Conversion and the Liquidation.

Shareholder Approval

The Share Conversion must be approved by at least 66⅔% of the votes cast at the Meeting, in person or by proxy, by the holders of Class A variable voting shares and Class B voting shares, voting together, and by at least 66⅔% of the votes cast at the Meeting, in person or by proxy, by the holders of Class A variable voting shares and the holders of Class B voting shares, voting as separate classes. If adopted, the Share Conversion will become effective prior to the vote by the shareholders on the resolution relating to the liquidation of the Corporation and such effectiveness will be evidenced by the issuance of a certificate of amendment by the Director appointed under the *Canada Business Corporations Act*.

The Liquidation Resolution must be approved by at least 66⅔% of the votes cast at the Meeting, in person or by proxy, by the holders of all of the outstanding shares of ACE, voting together, and will also be submitted to the approval of the holders of Class A variable voting shares and Class B voting shares (as they existed prior to their conversion into a single class of Common Shares pursuant to the Share Conversion), voting as separate classes. In the event that the Share Conversion Resolution is not approved by the required percentage of votes described above, the resolution relating to the liquidation and dissolution of ACE will not be submitted to the shareholders for approval.

Shareholders Rights of Dissent

Under the provisions of Section 190 of the *Canada Business Corporations Act*, registered shareholders are entitled to exercise dissent rights in connection with the Share Conversion Resolution. A dissenting shareholder is required to send to the Corporation at or before the Meeting a dissent notice. A

shareholder entitled to dissent under Section 190 of the Act and who complies with the dissent procedure under such Section is entitled to be paid the fair value of the shares held by the shareholder in respect of which such shareholder dissents. See "Shareholders Dissent Rights".

Deduction and Withholding Obligations

Notwithstanding any other provision in this Proxy Circular or the Liquidation Resolution, the Corporation and, from the time of the appointment of a liquidator by the Board, the liquidator shall be entitled to deduct and withhold from any amount otherwise payable pursuant to transactions contemplated by the Liquidation to any holder of shares of the Corporation, such amounts as the Corporation, or the liquidator, as applicable, is required to deduct and withhold with respect to such payment under the Tax Act, or the regulations thereunder, or any equivalent provincial tax legislation, the United States Internal Revenue Code of 1986, as amended, or any provision of applicable law, in each case, as amended, or the administrative practice of the relevant governmental entity administering such law.

Certain Income Tax Considerations

Certain Canadian Federal Income Tax Considerations

Resident Holders and Non-Resident Holders (as defined in "Certain Income Tax Considerations – Certain Canadian Federal Income Tax Considerations") will not recognize a gain or loss on the conversion of their Class A variable voting shares and/or Class B voting shares into Common Shares. For Canadian federal income tax purposes, the distributions pursuant to the Liquidation should be treated as deemed taxable dividends received from a taxable Canadian corporation, subject to gross-up and dividend tax credit if the recipient is an individual resident in Canada, subject to the 33 1/3% refundable Part IV tax to the extent that the recipient is a "private corporation" or a "subject corporation" resident in Canada, and subject to withholding tax if the recipient is a non-resident of Canada. The Shareholders may realize a capital loss on the acquisition for cancellation of the Common Shares. Shareholders should carefully read "Certain Income Tax Considerations – Certain Canadian Federal Income Tax Considerations" and should consult their own tax advisors about the particular tax consequences of the Share Conversion and the Liquidation.

Certain U.S. Federal Income Tax Considerations

In general, U.S. Holders (as defined in "Certain Income Tax Considerations – Certain United States Federal Income Tax Considerations") will not recognize a gain or loss on the conversion of their Class A variable voting shares and/or Class B voting shares into Common Shares. The distributions to shareholders pursuant to the Liquidation should be treated as a taxable liquidation of ACE in which U.S. Holders are treated as receiving a series of liquidating distributions to shareholders as full payment in exchange for their Common Shares. The U.S. federal income tax treatment of any gain or loss recognized by a U.S. Holder will depend on whether ACE is a "passive foreign investment company" ("**PFIC**") with respect to such U.S. Holder. If ACE is classified as a PFIC for any taxable year during which a U.S. Holder held shares of the Corporation, a gain recognized by such U.S. Holder on a liquidating distribution to shareholders or sale of Common Shares during that year will generally be taxable as ordinary income and such U.S. Holder may have other adverse tax consequences; however, a U.S. Holder with a timely and effective "mark-to-market" election may mitigate some of those adverse tax consequences. It is likely that ACE is currently a PFIC. U.S. Holders should carefully read "Certain Income Tax Considerations – Certain United States Federal Income Tax Considerations" and should consult their own tax advisors about the particular tax consequences of the Share Conversion and the Liquidation.

INFORMATION CONCERNING VOTING AT THE MEETING

Your vote is important

As a shareholder of ACE, 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 Canadian Stock Transfer Company Inc. as administrative agent for CIBC Mellon Trust Company, our transfer agent, at 1-800-387-0825.

By proxy

On the Internet

Go to the website www.proxypush.ca/ace and follow the instructions on the screen. Your voting instructions are then conveyed electronically over the Internet.

You will need your 12 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 5:00 p.m. (Montreal time) on April 23, 2012.

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 the principal Offices of Canadian Stock Transfer Company Inc. as administrative agent for CIBC Mellon Trust Company, our transfer

agent, in Halifax, Montreal, Toronto, Calgary or Vancouver **for receipt before 5:00 p.m. (Montreal time) on April 23, 2012.** If the Meeting is adjourned or postponed, our transfer agent 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 Offices of the Transfer Agent is set forth at the end of this Proxy 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 Canadian Stock Transfer Company Inc. as administrative agent for CIBC Mellon Trust Company, our transfer agent, 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 April 22, 2012.

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 5:00 p.m. (Montreal time) on April 22, 2012.**

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 chose to vote "For" or "Against" for the Share Conversion Resolution and the Liquidation Resolution. 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, 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 approving the Share Conversion Resolution, FOR electing the director nominees who are named in this Proxy Circular, FOR appointing PricewaterhouseCoopers LLP as auditors of the Corporation, and FOR approving the Liquidation Resolution.**

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 the Internet voting instructions to inform the Corporation whether you are Canadian or not in order to enable ACE to comply with the restrictions currently 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 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's proxy solicitation agent, Kingsdale Shareholder Services Inc., toll-free, in North America at 1-866-851-2571, for service in English or in French, or collect call outside North America at 416-867-2272 or by email at contactus@kingsdaleshareholder.com.

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 Canadian Stock Transfer Company Inc. as administrative agent for CIBC Mellon Trust Company, our transfer agent, 2001 University Street, Suite 1600, Montreal, Québec, or at ACE'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 amendment to the articles of ACE and related conversion of each Class A variable voting share and Class B voting share into one Common Share pursuant to the Share Conversion Resolution must be approved by at least 66 $\frac{2}{3}$ % of the votes cast at the Meeting, in person or by proxy, by the holders of Class A variable voting shares and Class B voting shares, voting together, and by at least 66 $\frac{2}{3}$ % of the votes cast at the Meeting, in person or by proxy, by the holders of Class A variable voting shares and the holders of Class B voting shares, voting as separate classes. If adopted, the conversion will become effective prior to the vote by the shareholders on the resolution relating to the liquidation of the Corporation and such effectiveness will be evidenced by the issuance of a certificate of amendment by the Director appointed under the *Canada Business Corporations Act*.

The election of the directors must be approved by a resolution passed by at least the majority of the votes cast at the Meeting, in person or by proxy, by the holders of all of the outstanding shares of ACE, voting together.

The Liquidation Resolution must be approved by at least 66 $\frac{2}{3}$ % of the votes cast at the Meeting, in person or by proxy, by the holders of all of the outstanding shares of ACE, voting together, and will also be submitted to the approval of the holders of Class A variable voting shares and Class B voting shares (as they existed prior to their conversion into a single class of common shares), voting as separate classes.

The amendment to the articles of ACE and the related conversion of all Class A variable voting shares and Class B voting shares into Common Shares form part of the steps being implemented by ACE in order to complete its liquidation and dissolution in a tax-efficient manner. In the event that the Share Conversion Resolution is not approved by the required percentage of votes described above, the resolution relating to the liquidation and dissolution of ACE will not be submitted to the shareholders for approval.

Voting shares and quorum

As of March 9, 2012, there were 10,142,786 Class B voting shares, and 22,332,648 Class A variable voting shares outstanding. Shareholders of record on March 6, 2012 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 from March 16, 2012 during usual business hours at the Montreal office of Canadian Stock Transfer Company Inc. as administrative agent for CIBC Mellon Trust Company, ACE's transfer agent, 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 airlines be Canadian, such that a corporation which holds a license as an airline under the Act must be controlled in fact by Canadians and at least 75% of its voting interests must be owned and controlled by Canadians.

Accordingly, at the time of the incorporation of ACE in 2004, when ACE controlled Air Canada, a license holder, the articles of ACE provided for restrictions to ensure that ACE, as the controlling shareholder of Air Canada, 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.

As of the date of this Proxy Circular, ACE's authorized capital is composed of 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 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 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, 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 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 does not expect that these provisions will come into effect before the Meeting.

See "Voting requirements" above for a description of the levels of approvals required for the items being considered at the Meeting and the items with respect to which approvals of each class of shares, voting as separate classes, will be required at the Meeting.

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 to comply with the restrictions currently 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 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 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 9, 2012, 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 9, 2012
Polar Securities Inc. (" Polar ") ⁽¹⁾	4,431,267 Class A variable voting shares	19.8% of all outstanding Class A variable voting shares
West Face Capital Inc. (" WFCI ") ⁽²⁾	3,800,500 Class A variable voting shares	17.0% of all outstanding Class A variable voting shares
Marathon Asset Management LLP (" Marathon ") ⁽³⁾	3,405,764 Class A variable voting shares	15.3% of all outstanding Class A variable voting shares
Fidelity Management & Research Company, Pyramis Global Advisors, LLC, Pyramis Global Advisors Trust Company, Strategic Advisors Incorporated and FIL Limited ⁽⁴⁾	1,395,300 Class B voting shares	13.8% of all outstanding Class B voting shares

- (1) Based on its alternative monthly early warning report dated May 10, 2010.
- (2) Based on WFCI's alternative monthly report dated July 10, 2009. WFCI also exercises control or direction over 894,048 Class B voting shares which are owned by West Face Long Term Opportunities Limited Partnership, a managed account of WFCI, and Mr. Gregory A. Boland, director, officer and shareholder of WFCI, representing 8.8% of all outstanding Class B voting shares.
- (3) Marathon also exercises control or direction over 113,364 Class B voting shares and Mr. Jeremy Hosking, a partner of Marathon, also holds an aggregate of 37,025 Class A variable voting shares. Based on Marathon's early warning report dated March 1, 2012.
- (4) Based on its alternative monthly early warning report dated October 7, 2011.

Advice to Non-Registered Shareholders

The information set forth in this section is of significant importance to many shareholders, as a substantial number of shareholders do not own shares in their own name. Non-registered shareholders of ACE should note that only proxies deposited by shareholders whose names appear in the central securities register of ACE as registered holders of shares at the close of business on March 6, 2012 can be recognized and acted upon at the Meeting. If shares are listed in an account statement provided to a shareholder by a broker, then in almost all cases those shares will not be registered in the shareholders' name in the central securities register of ACE. Such shares will more likely be registered in the name of the shareholder's broker or an agent of that broker. A significant portion of the shares are registered in the

name of CDS & Co. (the nominee of CDS), or Cede & Co (the nominee of The Depository Trust company). Shares held by brokers or their agents or nominees can only be voted upon the instructions of the non-registered shareholders. Without specific instructions, brokers and their agents and nominees are prohibited from voting shares for the brokers' clients. Therefore, non-registered shareholders should ensure that instructions respecting the voting of their shares are communicated to the appropriate person.

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from non-registered shareholders in advance of shareholders' meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions to clients, which should be carefully followed by non-registered shareholders in order to ensure that their shares are voted at the Meeting. The voting instruction form supplied to a non-registered shareholder by its broker (or the agent of that broker) is similar to the form of proxy provided to shareholders by ACE. However, its purpose is limited to instructing the registered shareholders (the broker or agent of the broker) how to vote on behalf of the non-registered shareholders. A non-registered shareholder receiving a voting instruction form cannot use it to vote shares directly at the Meeting – that voting instruction form must be returned in accordance with its instructions well in advance of the Meeting in order to have the shares voted.

Although a non-registered shareholder will not be recognized directly at the Meeting for the purposes of voting shares of ACE registered in the name of a broker (or agent of the broker), a non-registered shareholder may attend the Meeting as proxyholder for the registered shareholders and vote its shares in that capacity. Non-registered shareholders who wish to attend the Meeting and indirectly vote their shares as proxyholder for the registered shareholders should enter their own names in the blank space on the voting instruction form provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker (or agent), well in advance of the Meeting.

BUSINESS OF THE MEETING

Six items will be covered at the meeting:

- a) the amendment of the articles of ACE pursuant to which all of the Class A variable voting shares and Class B voting shares of ACE will be converted into a new single class of Common Shares;
- b) the placement before shareholders of the annual consolidated financial statements of ACE for the year ended December 31, 2011, including the auditors' report thereon;
- c) the election of directors who will serve until the end of the next annual shareholder meeting or until their successors are elected or appointed;
- d) the appointment of auditors;
- e) a resolution providing for (A) the voluntary liquidation of ACE pursuant to section 211 of the *Canada Business Corporations Act*, through distributions of its remaining assets to its shareholders after providing for outstanding liabilities, contingencies and costs of the liquidation, (B) the appointment of a liquidator at the time determined by the board of directors of ACE, and (C) the ultimate dissolution of ACE in the future once all of the liquidation steps have been completed; and
- f) consideration of such other business, if any, that may properly come before the meeting or any adjournment thereof.

As of the date of this Proxy 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.

AMENDMENT TO ARTICLES – SHARE CONVERSION

Background

The *Canada Transportation Act* requires that airlines be Canadian, such that a corporation which holds a license as an airline under the Act must be controlled in fact by Canadians and at least 75% of its voting interests must be owned and controlled by Canadians.

At the time of the incorporation of ACE in 2004, when ACE controlled Air Canada, its articles provided for ownership restrictions to ensure that ACE, as the controlling shareholder of Air Canada, 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.

The existing dual class structure of inter-convertible Class A variable voting shares and Class B voting shares was designed to enable Air Canada and other former subsidiaries of ACE holding licenses under the *Canada Transportation Act* to comply with the Canadian ownership restrictions of the Act. As ACE no longer holds a significant interest in any holder of such a license, ACE's dual class structure is no longer necessary.

ACE's Share Capital

As of March 9, 2012, ACE's authorized capital is composed of three classes of shares: (i) an unlimited number of Class A variable voting shares, (ii) an unlimited number of Class B voting shares, and (iii) 12,500,000 preferred shares. As of March 9, 2012, 22,332,648 Class A variable voting shares and 10,142,786 Class B voting Shares and no preferred shares were issued and outstanding.

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 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 exceeds 25%, 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% 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% of the aggregate votes attached to all issued and outstanding voting shares of ACE and (ii) the total number of votes cast by or on behalf of holders of Class A variable voting at any meeting do not exceed 25% of the votes that may be cast at such meeting.

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 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 per share.

Proposed Share Conversion

At the Meeting, ACE proposes that shareholders consider and adopt a resolution approving an amendment to the articles of ACE pursuant to which (A) a new class of Common Shares, each entitled to one vote per share, will be created, and (B) each outstanding Class A variable voting share and Class B voting share of ACE will be converted into one Common Share (collectively, the "**Share Conversion**").

The Share Conversion forms part of the steps being implemented by ACE in order to complete the liquidation and dissolution in a tax-efficient manner for ACE and its shareholders. ACE has obtained an advance tax ruling from the Canada Revenue Agency ("**CRA**") in order to confirm that neither the Share Conversion nor the liquidation steps described below under "The Liquidation" will result in the Common Shares being considered short-term preferred shares or taxable preferred shares for the purposes of the *Income Tax Act* (Canada) (the "**Tax Act**") and the regulations thereunder such that no tax under Part VI.1 of the Tax Act will be payable by ACE in connection with the liquidation steps.

In the event that the Share Conversion Resolution is not approved by the required percentage of votes described under "Information Concerning Voting at the Meeting - Voting Requirements" above, the resolution relating to the liquidation and dissolution of ACE will not be submitted to the shareholders for approval.

The Corporation reserves the right not to implement the Share Conversion Resolution in the event that shareholders holding more than 5% of the issued and outstanding shares of ACE exercise dissent rights in connection with the Share Conversion Resolution. See "Shareholders Dissent Rights".

Terms of the New Common Shares

The terms of the Common Shares pertaining to dividend entitlements, right to vote and entitlement upon liquidation or dissolution will be the same as the rights currently attaching to Class A variable voting shares and Class B voting shares of ACE. The Common Shares will carry one vote per share and will not be subject to any ownership restriction.

The holders of the Common Shares will be entitled to receive notice of, and to attend and vote at, all meetings of the shareholders of ACE and each Common Share will confer the right to one vote in person or by proxy at all meetings of shareholders of ACE.

With respect to dividends, the holders of the Common Shares will, if declared at the discretion of the directors, be entitled to receive, out of monies, assets or property of ACE properly applicable to the payment of dividends, any dividends declared and payable by ACE on the Common Shares.

Upon liquidation, dissolution or winding up of ACE or other distribution of ACE's assets among its shareholders for the purpose of winding up its affairs, the holders of the Common Shares will be entitled to receive the remaining property of ACE and will be entitled to share equally, share for share, in all distributions of such assets.

The authorized share capital of ACE will no longer include a class of preferred shares. A complete copy of the articles of amendment pursuant to which the Share Conversion will be implemented and which include a complete description of the rights attached to the new class of Common Shares is reproduced at Appendix B to this Proxy Circular.

TSX Listing of the New Common Shares

The Toronto Stock Exchange (the "**TSX**") has conditionally approved the listing of the Common Shares issuable upon completion of the Share Conversion, subject to satisfaction of the customary listing conditions of the TSX.

Share Certificates

If the Share Conversion Resolution is approved by the shareholders of ACE, registered holders of Class A variable voting shares and Class B voting shares will automatically become registered holders of the Common Shares upon completion of the Share conversion, and share certificates representing the Class A variable voting shares and the Class B voting shares will be deemed to represent Common Shares.

If you wish to exchange your existing share certificates, please contact Canadian Stock Transfer Company Inc., as administrative agent for CIBC Mellon Trust Company, ACE's transfer agent. Canadian Stock Transfer Company Inc.'s contact information is provided on page 75 of this Circular.

Your vote is important to ACE. 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 Share Conversion Resolution.

PLACEMENT OF ACE'S FINANCIAL STATEMENTS

The annual consolidated financial statements for the year ended December 31, 2011, 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.

ELECTION OF DIRECTORS

Seven (7) 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. To the extent that the liquidation of the Corporation described under "The Liquidation" is approved by the shareholders, the Corporation expects that the directors of the Corporation will cease to hold office and the liquidator will be appointed shortly following the initial distribution to shareholders referred to below under "The Liquidation - Distributions".

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 9, 2012.

GREGORY A. BOLAND

Toronto, Ontario

Age: 47

ACE 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. He is a Leslie Wong Fellow with the UBC Portfolio Management Foundation. Mr. Boland is a director of Maple Leaf Foods Inc., SilverBirch Energy Corporation and Connacher Oil & Gas Limited. 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 beneficially owned, or over which control or direction is exercised, by Mr. Boland and West Face Capital.

**PIERRE MARC
JOHNSON, G.O.Q., FRSC**
Montreal, Québec
Age: 65



ACE 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, 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

DAVID J. KASSIE
Toronto, Ontario
Age: 56



ACE 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. 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.

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

**ROBERT F.
MACLELLAN**
Toronto, Ontario
Age: 57

ACE 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 from 2003 to 2009. 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 is a director of Right to Play (Projects Committee) and T. Rowe Price Group Inc. (Member, Compensation and Audit Committees), a member of the United Way of Greater Toronto Investment Committee and the Toronto Community Foundation Investment Committee and serves on the Advisory Committee to Birch Hill Equity Partners. 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.

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

10,000 Class B voting shares of ACE

ROBERT A. MILTON
London, England
Age: 51

ACE director since June 29, 2004



Robert A. Milton is Chairman and Chief Executive Officer of ACE. 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 is the lead director of Air Lease Corp. and a director of the National Air and Space Museum, as well as a trustee of the Georgia Tech Foundation. 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

DAVID I. RICHARDSON

Grafton, Ontario

Age: 70

ACE 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: 66

ACE 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

COMPENSATION OF DIRECTORS

Non-executive directors of ACE receive a retainer of \$120,000 per year. The Chair of the Audit, Finance and Risk Committee, the Governance and Corporate Matters Committee, the Human Resources and Compensation Committee and the Nominating Committee, respectively, receive an additional retainer of \$20,000, \$10,000, \$10,000 and \$10,000 per year. The members of the Audit, Finance and Risk Committee, the Governance and Corporate Matters Committee, the Human Resources and Compensation Committee and the Nominating Committee, respectively, receive an additional retainer of \$10,000, \$5,000, \$5,000 and \$5,000 per year.

The Chief Executive Officer receives no additional compensation in his capacity as Chairman and member of the Board of Directors.

Since 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 all directors of ACE. The additional allowance for tax equals \$20,290 for a Canadian resident director who is entitled to the entire \$25,000 allowance.

The following table shows the amounts earned by individual non-executive directors of ACE for the year ended December 31, 2011 in respect of memberships on the Board of Directors and the Committees of the Corporation and the airline transportation allowance:

Name	Fees earned as director of ACE				All other compensation (\$)	Total (\$)
	Board retainer (\$)	Committee member retainer (\$)	Attendance fees (\$)	Airline transportation allowance (\$)		
Bernard Attali ⁽¹⁾	120,000	15,000	Nil	Nil	Nil	135,000
Gregory A. Boland	120,000	15,000	Nil	39,268	Nil	174,268
W. Brett Ingersoll ⁽²⁾	120,000	15,000	Nil	32,065	Nil	167,065
Pierre Marc Johnson	120,000	15,000	Nil	31,709	Nil	166,709
David J. Kassie	120,000	10,000	Nil	45,290	Nil	175,290
Robert F. MacLellan	120,000	15,000	Nil	45,290	Nil	180,290
David I. Richardson	120,000	25,000	Nil	45,290	Nil	190,290
Marvin Yontef	120,000	10,000	Nil	9,450	Nil	139,450

(1) Mr. Attali ceased to be a director of ACE on December 31, 2011.

(2) Mr. Ingersoll ceased to be a director of ACE on December 31, 2011.

Certain Proceedings

To the knowledge of ACE, none of the proposed nominees for election as directors of ACE: (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 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 Robert A. Milton and Marvin Yontef, are independent.

A majority of the directors of the Corporation, namely Gregory A. Boland, Pierre Marc Johnson, David J. Kassie, Robert F. MacLellan 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 and Marvin Yontef is not independent because of payments for legal services billed to ACE 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 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

Gregory A. Boland, Pierre Marc Johnson, David J. Kassie, Robert F. MacLellan, Robert A. Milton and David I. Richardson are presently directors of several public entities. Gregory A. Boland is a director of Maple Leaf Foods Inc., SilverBirch Energy Corporation and Connacher Oil & Gas Limited. Pierre Marc Johnson is currently a director of Air Canada and Médicago Inc. David J. Kassie is a director of Canaccord Financial Inc. Robert F. MacLellan is a director of T. Rowe Price Group, Inc. Robert A. Milton is a director of Air Lease Corp. David I. Richardson is currently a director and Chairman of Air Canada and a director and Chairman of Nortel Networks Corporation.

Please see "Election of 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 2011,

the non-executive directors did not hold "in camera" sessions during which only the independent directors were in attendance.

Attendance Record

See "Appendix E" 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 seven (7) directors. The Board is of the view that this size and the composition of the Board are adequate for a company in the process of distributing its remaining net assets through a liquidation. To the extent that the liquidation of the Corporation described under "The Liquidation" is approved by the shareholders, the Corporation expects that the directors of the Corporation will cease to hold office and the liquidator will be appointed shortly following the initial distribution to shareholders referred to below under "The Liquidation - Distributions".

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 "Appendix F" 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 has full responsibility for the operations of the Corporation's business. 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) is 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 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 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 David J. Kassie.

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, among other things: (i) ensures that the Committee fulfills the objectives and responsibilities set out in its charter; (ii) ensures that enough time and attention is given to each aspect of the Committee's responsibilities; (iii) ensures that members of the Committee maintain the level of independence required by applicable legislation; (iv) reviews the annual assessment of the Committee and take the appropriate measures to correct the weaknesses underlined by the assessment; (v) ensures that the other members of the Committee understand the role and responsibilities of the Committee; (vi) ensures that sufficient information is provided by management to enable the Committee to exercise its duties; and (vii) carries 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 any 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. 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.

ACE Code of Business Conduct

The Corporation has adopted a Corporate Policy and Guidelines on Business Conduct (the "**Code**"), which was amended and restated on November 4, 2011. The Code applies to all directors, officers, employees and consultants of ACE. 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. 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 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

Please consult the section entitled "Committees – Human Resources and Compensation Committee" of this circular for a list of the current members of the Human Resources and Compensation Committee, all of whom are independent, a description of the responsibilities, powers and operations of the Human Resources and Compensation Committee and the process and policies used to determine the compensation of the officers of ACE. Additional disclosure relating to the Human Resources and Compensation Committee and any retainer of compensation advisory firms by the Board or the committee is also included under the section entitled "Compensation Discussion and Analysis" of this circular.

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 is required by law to have an audit committee. The Audit, Finance and Risk Committee is comprised of at least three directors, all of whom 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 must 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 must be "financially literate" and at least one member of the Audit, Finance and Risk Committee must 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, as applicable:

- 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 times in 2011.

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

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

Please refer to the section of the Annual Information Form of ACE 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's website at www.aceaviation.com.

Governance and Corporate Matters Committee

The Governance and Corporate Matters Committee is comprised of at least two directors, as determined by the Board, all of whom 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, as applicable:

- 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 times in 2011.

The Governance and Corporate Matters Committee is currently composed of:

Members: Marvin Yontef (Chair)
 Pierre Marc Johnson

Human Resources and Compensation Committee

The Human Resources and Compensation Committee is comprised of at least two directors, as determined by the Board, all of whom are 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 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 three times in 2011. The Human Resources and Compensation Committee is currently composed of:

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

Nominating Committee

The Nominating Committee is comprised of at least two 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, as applicable:

- 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 times in 2011.

The Nominating Committee is currently composed of:

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

COMPENSATION DISCUSSION AND ANALYSIS

Background - ACE

Since its inception, ACE'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. doing business as Aimia), Jazz Air Income Fund (predecessor of Chorus Aviation Inc.) and Air Canada and subsequent distributions or sales of ACE's interests in such entities, together with the monetization of ACTS LP and substantial issuer bids to repurchase outstanding securities.

As a result, as at March 9, 2012, ACE's principal assets are cash and cash equivalents of approximately \$351 million, an 11.11% equity interest in Air Canada (31 million Class B voting shares of Air Canada), and warrants for the purchase of Class B voting shares of Air Canada which have a nominal value. ACE has no operations other than managing these assets and related activities. As at March 9, 2012, ACE had one full-time employee and four part-time consultants.

In March 2010, ACE applied for certificates of discharge from the CRA and the ministère du Revenu du Québec ("**Revenu Québec**") in order to address any remaining tax liabilities of ACE for the fiscal years of ACE up to and including 2010 and thereafter be in a position to liquidate ACE. A certificate of discharge was issued by the CRA on March 7, 2012 in connection with all taxation years ended on or prior to December 31, 2010. A similar certificate is expected to be issued by Revenu Quebec shortly. As result of the completion of such process and other factors stated in the attached management proxy circular, the Board has determined that it is appropriate to propose to shareholders to approve the liquidation and dissolution of ACE, as described herein under "The Liquidation".

To the extent that the liquidation of ACE is approved by the shareholders, ACE expects that the officers of ACE will cease to hold office and the liquidator will be appointed shortly following the initial distribution to shareholders referred to below under "The Liquidation - Distributions".

ACE's Executive Compensation Program

Prior to May 2009, ACE'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'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 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. 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 no longer benchmarks the compensation payable to its Named Executive Officers against a comparator group.

The consultancy arrangements, entered into in May 2009 for a period of twelve months, provided that the officers would be available to dedicate time to ACE 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 were 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 in the case of each of Messrs. Dunne, Mr. Isaacs and Mr. McLean and, in the case of Mr. Milton, for an indeterminate term. 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 could be terminated by ACE upon giving a notice of 90 days or could 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 the twelve month period ending on December 31, 2011. The agreement provided that Mr. Dunne would be available to dedicate time to ACE in consideration of a yearly standby consulting fee of \$250,000. If his services were 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 could be terminated by either ACE or Mr. Dunne upon giving a notice of 120 days.

In May 2011, the Corporation and each of Messrs. Isaacs and McLean agreed to enter into new consultancy agreements for a further twelve months ending May 31, 2012. The terms of these agreements were substantially similar to the May 2010 agreements, except that Mr. Isaacs' new consultancy agreement provides that if his services are required for more than 10 days per quarter, he receives a per diem in the amount of \$4,000 for every additional day worked, subject to a cumulative maximum of additional days of 8 days for the three-month period ended August 31, 2011, 16 days for the six-month period ended November 30, 2011, 24 days for the nine-month period ending February 29, 2012 and 32 days for the twelve-month period ending May 31, 2012. As a retention incentive, the May 2011 agreements provide for an upfront standby fee of \$135,000 for Mr. Isaacs and \$65,000 for Mr. McLean, similar to the May 2010 agreements.

In December 2011, the Corporation and Mr. Dunne entered into a new consulting agreement for a further six month period ending on June 30, 2012. The agreement provides that Mr. Dunne shall be available to dedicate time to ACE in consideration of a yearly standby consulting fee of \$250,000. If his services are required for more than 10 days per quarter, he receives 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, 2012 and 40 days for the six-month period ended June 30, 2012. The consulting agreement may be terminated by either ACE or Mr. Dunne upon giving a notice of 60 days.

Since all of the compensation paid to the officers of ACE is determined pursuant to the consulting agreements described above based on a retainer amount, plus a per diem based on the amount of days worked, the Board considers that ACE's compensation policies and practices do not create risks for ACE.

Officers and directors of AC are not permitted to purchase financial instruments that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by an officer or a director.

Compensation Governance

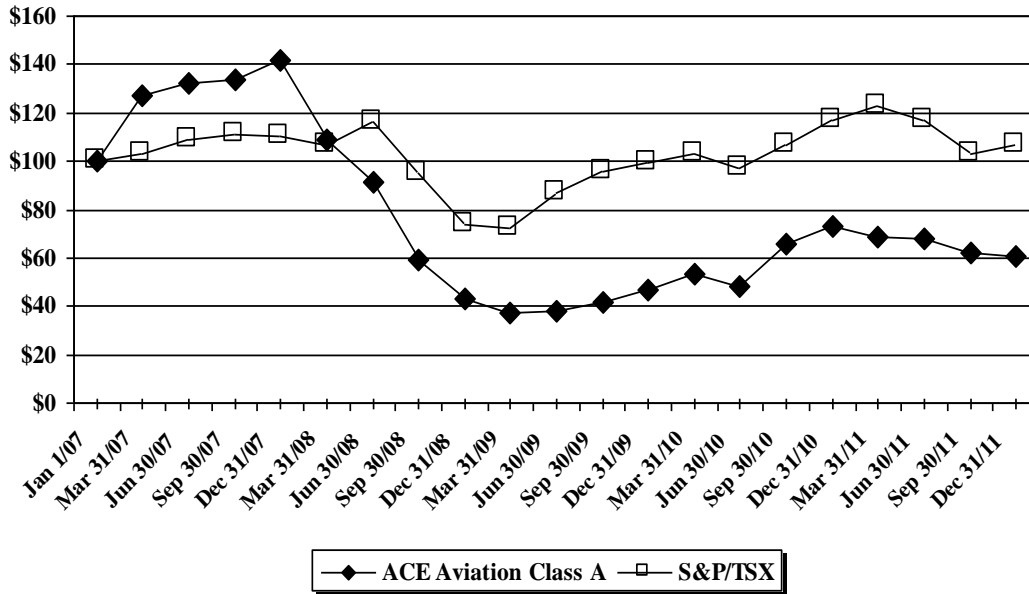
The Human Resources and Compensation Committee is composed entirely of independent directors. Please consult the section entitled "Committees – Human Resources and Compensation Committee" of this circular for a list of the current members of the Human Resources and Compensation Committee, a description of the responsibilities, powers and operations of the Human Resources and Compensation Committee and the process and policies used to determine the compensation of the officers of ACE. Members of the Human Resources and Compensation Committee have experience as directors and/or members of the compensation committees of other public companies which is of benefit to the Human Resources and Compensation Committee in making decisions on the suitability of ACE's compensation policies and practices.

As a result of the retainer of ACE's officers through variable-cost consulting agreements as described under "Compensation Discussion and Analysis" since 2009, neither ACE nor the Human Resources and Compensation Committee retained a compensation advisor during the two most recently completed financial years. In 2009, ACE 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".

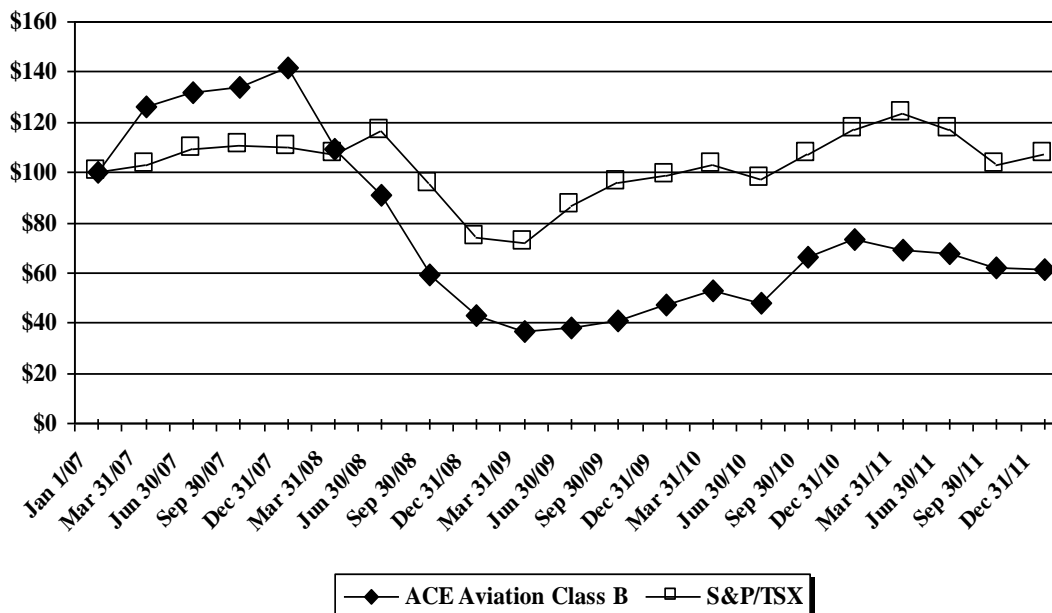
PERFORMANCE GRAPHS

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, 2007 with the cumulative return on the S&P/TSX Composite Index for the period beginning on January 1, 2007 and ended December 31, 2011.

**ACE Aviation Class A Shares
Versus S&P/TSX Composite Index
January 1, 2007 to December 31, 2011**



**ACE Aviation Class B Shares
Versus S&P/TSX Composite Index
January 1, 2007 to December 31, 2011**



The above performance graphs assume an investment of \$100 on January 1, 2007 at a price of \$37.79 per Class A variable voting share and \$37.63 per Class B voting share and the receipt and retention until December 31, 2011 of distributions to the shareholders of ACE of units of Aeroplan Income Fund and Jazz Air Income Fund in 2007. Accordingly, the performance graphs reflect the trading prices of shares of ACE up to December 31, 2011 and the trading prices of units of Aeroplan Income Fund and Jazz Air Income Fund (and shares of their respective successors, Groupe Aeroplan Inc. doing business as Aimia, and Chorus Aviation Inc.) from the dates such units were received up to December 31, 2011. 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 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, 2010 and 2011, the share price of ACE was driven by economic and market conditions, including the variations in the share price of Air Canada. During 2008, the share price of ACE 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 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 2007, in order to recognize that EBITDAR would no longer be an appropriate financial measurement given ACE'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'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 has also been aligned with corporate performance through incentive awards and special bonuses granted to recognize the efforts of the officers of ACE 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'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.

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's annual expenses relating to salary, benefits, incentives and pension of the officers of ACE 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, 2011, 2010 and 2009 by each of Robert A. Milton, ACE's Chairman and Chief Executive Officer, Brian Dunne, ACE's President and Chief Financial Officer, and the three remaining officers of ACE (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 2010 and 2009 was previously disclosed in the management proxy circular dated March 30, 2011 for the shareholder meeting held on May 10, 2011, and the compensation included in the following table for the financial year ended December 2009 was also previously disclosed in the management proxy circular dated May 25, 2010 for the shareholder meeting held on June 30, 2010.

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⁾	Total compensation (\$)
Robert A. Milton Chairman and Chief Executive Officer	2011	405,000	Nil	Nil	Nil	Nil	36,232	441,232
	2010	525,000	Nil	Nil	Nil	Nil	Nil	525,000
	2009	661,667	Nil	Nil	Nil	143,000	13,924,588	14,729,255
Brian Dunne President and Chief Financial Officer	2011	850,000	Nil	Nil	Nil	Nil	Nil	850,000
	2010	693,320	Nil	Nil	Nil	Nil	Nil	693,320
	2009	539,487	Nil	Nil	Nil	43,000	3,757,927	4,340,774
Sydney John Isaacs Senior Vice President, Corporate Development and Chief Legal Officer	2011	432,000	Nil	Nil	Nil	Nil	Nil	432,000
	2010	657,200	Nil	Nil	Nil	Nil	Nil	657,200
	2009	465,817	Nil	Nil	Nil	165,000	1,777,994	2,408,811
Jack McLean Controller	2011	288,000	Nil	Nil	Nil	Nil	Nil	288,000
	2010	241,500	Nil	Nil	Nil	Nil	Nil	241,500
	2009	213,235	Nil	Nil	Nil	117,000	1,233,617	1,563,852
Carolyn M. Hadrovic ⁽⁴⁾ Corporate Secretary	2011	60,000	Nil	Nil	Nil	Nil	Nil	60,000
	2010	60,000	Nil	Nil	Nil	Nil	Nil	60,000
	2009	85,000	Nil	Nil	Nil	Nil	Nil	85,000

- (1) The amounts in this column for 2011 reflect, in the case of Messrs. Milton, Dunne, Isaacs and McLean, initial standby consulting fees of \$270,000, \$250,000, \$135,000 and \$65,000, respectively, and, in the case of Messrs. Milton, Isaacs and McLean, additional upfront standby consulting fees of \$135,000, \$135,000, and \$65,000, respectively, and, in the case of Messrs. Dunne, Isaacs and McLean, "excess per diem" payments of \$600,000, \$162,000, and \$158,000, respectively. See "Compensation Discussion & Analysis".

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.

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 since May 2009.
- (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. ACE was contractually obligated under the employment agreements of the officers of ACE to pay the severance payments and other amounts referred to in (iii), which would also have been payable upon the wind-up of ACE or other similar transaction aimed at terminating the status of ACE as a stand-alone holding company. 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.

The amount under this column for 2011 in the case of Mr. Milton represents the airline travel allowance described above under "Compensation of the Directors".

- (4) Ms. Hadrovic is Corporate Secretary of ACE. She is also Corporate Secretary of Air Canada. During the financial years ended December 31, 2011, 2010 and 2009, she received \$60,000, \$60,000 and \$85,000, respectively, in salary for her duties of Corporate Secretary of ACE, in addition to her compensation as Corporate Secretary of Air Canada.

ACE Long-Term Incentive Plan Awards

No stock options were granted in 2011 or 2010 to the Named Executive Officers under ACE's Stock Option Plan, and no stock options were held by the Named Executive Officers as at December 31, 2011 or vested during the financial year ended December 31, 2011.

As at December 31, 2011, there were 19,760 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 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**").

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.

Terms of ACE's Stock Option Plan

No stock options were granted in 2011 or 2010 to the Named Executive Officers under ACE's Stock Option Plan, and no stock options were held by the Named Executive Officers as at December 31, 2011. As at December 31, 2011, there were 19,760 options issued and outstanding under the 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.

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'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 9, 2012, the maximum number of shares remaining available for issuance under the Stock Option Plan was 1,305,342 or approximately 4.01% of the outstanding Class B voting shares and Class A variable voting shares. In addition, as of March 9, 2012, 18,841 shares were subject to outstanding options representing approximately 0.06% 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's equity compensation plans. None of the Named Executive Officers held options as at December 31, 2011.

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⁾	19,760	\$19.23	1,304,423

(1) As at December 31, 2011.

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 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 paid for the years ended December 31, 2011 and December 31, 2010 to PricewaterhouseCoopers LLP and its affiliates are \$251,527 and \$277,938, respectively, as detailed below:

	<u>Year ended December 31, 2011</u>	<u>Year ended December 31, 2010</u>
Audit fees	\$132,460	\$199,038
Audit-related fees	\$49,970	\$16,900
All other fees	\$69,097	\$62,000
	<u>\$251,527</u>	<u>\$277,938</u>

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'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 the Corporation's transition to International Financial Reporting Standards and other items related to the audit.

Other fees. Other fees were paid for translation services.

More information on ACE's Audit, Finance and Risk Committee can be found in ACE's Annual Information Form dated March 30, 2011 which is available on SEDAR at www.sedar.com or on ACE's website at www.aceaviation.com.

Your vote is important to ACE. 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.

THE LIQUIDATION

Overview

On February 10, 2012, ACE announced that it would seek shareholder approval for (A) the voluntary liquidation of ACE pursuant to section 211 of the *Canada Business Corporations Act*, through distributions of its remaining assets to its shareholders after providing for outstanding liabilities, contingencies and costs of the liquidation, (B) the appointment of a liquidator at the time determined by the board of directors of ACE, and (C) the ultimate dissolution of ACE in the future once all of the liquidation steps have been completed.

As at March 9, 2012, ACE's principal assets are cash and cash equivalents of approximately \$351 million, an 11.11% equity interest in Air Canada (31 million Class B voting shares of Air Canada) and warrants to purchase Class B voting shares of Air Canada at exercise prices of \$1.44 (1.25 million warrants) and \$1.51 (1.25 million warrants) per share. ACE has no operations other than managing these assets and related activities.

ACE's 11.11% interest in Air Canada had a value of approximately \$29 million on March 9, 2012 based on the average of the closing prices on the TSX of Air Canada's Class A variable voting shares and Class B voting shares on such date. ACE's warrants to purchase Air Canada shares have a nominal value.

In March 2010, ACE applied for certificates of discharge from the CRA and Revenu Québec in order to address any outstanding tax liabilities. ACE actively assisted the CRA and Revenu Québec with their audits of ACE's income tax returns for the years 2005 to 2010. In addition to the audits of income tax returns, ACE assisted with audits in respect of other taxes. The audits of income tax returns required a detailed review of all of the significant corporate transactions undertaken by ACE since its incorporation in 2004, together with a detailed review of all of its returns. The audits of income tax returns and of all other taxes are now complete and a certificate of discharge was issued by the CRA on March 7, 2012 in connection with all taxation years ended on or prior to December 31, 2010. A similar certificate is expected to be issued by Revenu Quebec shortly. ACE does not expect to incur any income tax liabilities for the taxation years ended December 31, 2011 and beyond, or to incur liabilities for other taxes over and above the amounts incurred in the ordinary course of business. Liabilities for all taxes up to March 9, 2012 have been paid or provided for.

ACE has also obtained an advance tax ruling from the CRA in order to confirm that neither the Share Conversion nor the liquidation steps described below will result in the Common Shares being considered short-term preferred shares or taxable preferred shares for the purposes of the Tax Act and the regulations thereunder, such that no tax under Part VI.1 of the Tax Act will be payable by ACE in connection with the liquidation steps.

Following the approval of the liquidation by the shareholders, the Corporation will review and make an assessment of its remaining assets and outstanding liabilities, including contingent liabilities. The Corporation will also consider and assess all other factors relevant to the liquidation process. Based on such assessment, the Corporation will, in its discretion, determine the amount and timing of the distributions to be made to shareholders under the liquidation process. The Corporation will pay or otherwise provide for its liabilities, including any contingent liabilities, and, to the extent of remaining net assets, the Corporation will distribute any such remaining net assets to its shareholders. ACE will review alternatives to dispose of its remaining Class B voting shares and warrants of Air Canada with a view to distributing the cash proceeds as part of the liquidation.

It is currently contemplated that the Corporation will make an initial distribution to its shareholders of an aggregate amount between \$250 million and \$300 million within the weeks following the Meeting, at the time to be determined by the Board. The range of the initial distribution has been determined having regard to the possible contingent liabilities of ACE and costs of the liquidation and considering that the claims process will still be pending at the time of the initial distribution.

The final distribution to shareholders will be made once all of the other liquidation steps have been completed. In order to allow any remaining contingent liabilities, including those described below under "Claims Process – Contingent Liabilities", to expire or be otherwise settled or provided for, the final distribution will not occur before mid-year 2013. The final distribution could occur later than mid-year 2013 depending on the factors described below under "Final Distribution and Cancellation of Shares".

However, distributions to shareholders under the liquidation process will remain at the discretion of the Corporation and no assurances can be given as to the amount and timing of distributions under the liquidation process.

Evolution of the Business of ACE and Background for the Liquidation

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

ACE was incorporated on June 29, 2004 under the *Canada Business Corporations Act* and became the parent holding company of the reorganized Air Canada and its subsidiaries upon the implementation of the consolidated plan of reorganization, compromise and arrangement of Air Canada and certain of its subsidiaries which was implemented on September 30, 2004 (the "**CCAA Plan**").

As part of the CCAA Plan, ACE offered rights to Air Canada's creditors with proven claims to subscribe for up to \$850 million of Class A variable voting shares and/or Class B voting shares of ACE. Pursuant to its standby purchase agreement with Air Canada, Deutsche Bank Securities Inc. agreed to act as the exclusive standby purchaser in respect of the rights offering. On September 30, 2004, ACE completed the issuance of Class A variable voting shares and Class B voting shares under such rights offering for total gross proceeds of \$865 million.

On September 30, 2004, Promontoria Holding III B.V. invested \$250 million in ACE in consideration for the issuance to it of 12,500,000 preferred shares.

New Corporate Structure

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

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

Public Offering of ACE Shares and Convertible Senior Notes due 2035

On April 6, 2005, ACE completed a public offering of an aggregate of 11,350,000 Class A variable voting shares and Class B voting shares at a price of \$37 per share for gross proceeds of approximately \$420 million. On April 6, 2005, ACE also completed a public offering of approximately \$300 million of 4.25% Convertible Senior Notes due 2035 (the "Notes"). ACE used approximately \$557 million of the aggregate net cash proceeds of the offerings to repay all of its outstanding debt under the exit credit facility provided by General Electric Capital Corporation in connection with the CCAA Plan. On April 13, 2005, following the exercise of the over-allotment option by the underwriters, ACE issued an additional 1,135,000 Class A variable voting shares at a price of \$37 per share and \$30 million of Notes for additional aggregate gross proceeds of approximately \$72 million.

Initial Public Offering of Aeroplan Income Fund

On June 29, 2005, Aeroplan Income Fund completed its initial public offering of 25 million units at a price of \$10 per unit for aggregate gross proceeds of approximately \$250 million. On June 30, 2005, following the exercise of the over-allotment option by the underwriters, Aeroplan Income Fund issued an additional 3.75 million units at a price of \$10 per unit for additional gross proceeds of approximately \$37.5 million.

Investment in US Airways

On September 27, 2005, ACE invested \$87 million (US\$75 million) in US Airways Group Inc. ("US Airways") in conjunction with the carrier's exit from US bankruptcy proceedings. In the second and third quarters of 2006, ACE disposed of 4.5 million shares of its holdings in US Airways for net proceeds of \$232 million and recorded a gain of \$152 million. During 2007, ACE disposed of the remaining 500,000 shares in US Airways for net proceeds of \$16 million.

Initial Public Offering of Jazz Air Income Fund

On February 2, 2006, Jazz Air Income Fund completed its initial public offering of 23.5 million units at a price of \$10 per unit for aggregate gross proceeds of approximately \$235 million. In addition, on February 27, 2006, Jazz Air Income Fund issued an additional 1.5 million units at a price of \$10 per unit for additional gross proceeds of \$15 million from the exercise of an over-allotment option.

2006 Special Distribution of Units of Aeroplan Income Fund

On March 3, 2006, ACE completed a special distribution (by way of reduction of the stated capital of the Class A variable voting shares, Class B voting shares and preferred shares) to its shareholders of record as at such date of 0.18 units of Aeroplan Income Fund per Class A variable voting share, Class B voting share and preferred share (on an as converted basis) of ACE. Based on the closing price of the units of Aeroplan Income Fund on March 3, 2006, the value of the units distributed to shareholders amounted to \$251 million or approximately \$2.24 per Class A variable voting share and Class B voting share.

Strategic Review and Arrangement for \$2 Billion Return of Capital

On August 11, 2006, ACE announced that its Board completed a review of progress on the implementation of its strategic plan with a key feature of the review being the adoption of further plans to surface value for the shareholders over the medium and longer term by further illuminating the value of its subsidiaries.

On October 5, 2006, the shareholders approved a statutory plan of arrangement pursuant to the *Canada Business Corporations Act*. On October 6, 2006, the Superior Court of Québec issued a final order approving the statutory plan of arrangement, which became effective October 10, 2006. The arrangement granted authority to the Board to make from time to time one or more special distributions to shareholders in an aggregate amount of up to \$2 billion by way of reduction of the stated capital of the Class A variable voting shares, Class B voting shares and preferred shares.

Initial Public Offering and Secondary Public Offering of Air Canada Shares

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

Prior to the closing of the initial public offering, ACE proceeded with a reorganization of its corporate structure. Pursuant to such reorganization, the partnership interests, as well as the interests in the general partners of ACGHS Limited Partnership and AC Cargo Limited Partnership not held by Air Canada, were transferred to Air Canada and ACE transferred a 51% partnership interest in, as well as a 51% interest in the general partner of, Touram Limited Partnership to Air Canada. In 2007, ACE sold to Air Canada its remaining 49% interest in Touram Limited Partnership causing Touram Limited Partnership to be 100% owned by Air Canada. After the initial public offering, ACE held a 75% ownership interest in Air Canada.

Initial Distribution of Units of Aeroplan Income Fund under Statutory Arrangement

Pursuant to the statutory arrangement, on January 10, 2007, ACE distributed to its shareholders 50,000,000 units of Aeroplan Income Fund representing 0.442 units of Aeroplan Income Fund per Class A variable voting share, Class B voting share and preferred share (on an as-converted basis) of ACE. Based on a closing price of \$17.97 per unit of Aeroplan Income Fund on the TSX on January 10, 2007, the distribution was valued at approximately \$899 million or \$7.95 per Class A variable voting share and Class B voting share.

Acquisition by ACTS LP of Majority Stake of Aeroman

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

Second Distribution to Shareholders under Statutory Arrangement

On March 2, 2007, ACE announced the terms of a second special distribution to its shareholders under the statutory arrangement approved by shareholders at the special meeting held on October 5, 2006. ACE distributed to its shareholders on March 14, 2007, 20,272,917 units of Aeroplan Income Fund representing 0.177 units per Class A variable voting share, Class B voting share and preferred share (on an as-converted basis) and 25,000,000 units of Jazz Air Income Fund representing 0.219 units per Class A variable voting share, Class B voting share and preferred share (on an as-converted basis). Based on closing prices of \$19.40 per unit of Aeroplan Income Fund and of \$8.60 per unit of Jazz Air Income Fund on the TSX on March 14, 2007, the distribution was valued at approximately \$608 million or approximately \$5.33 per Class A variable voting share and Class B voting share.

Third Distribution to Shareholders under Statutory Arrangement

On May 11, 2007, ACE announced the terms of a third special distribution to its shareholders under the statutory arrangement approved by shareholders at a special meeting held on October 5, 2006. ACE distributed to its shareholders on May 24, 2007 approximately 18,000,000 units of Aeroplan Income Fund representing 0.157 units per Class A variable voting share, Class B voting share and preferred share (on an as-converted basis) and 12,000,000 units of Jazz Air Income Fund representing 0.105 units per Class A variable voting share, Class B voting share and preferred share (on an as-converted basis). Based on closing prices of \$21.50 per unit of Aeroplan Income Fund and of \$8.26 per unit of Jazz Air Income Fund on the TSX on May 11, 2007, the distribution was valued at approximately \$486 million or approximately \$4.26 per Class A variable voting share and Class B voting share. An aggregate of approximately \$2 billion of units of Aeroplan Income Fund and Jazz Air Income Fund (based on the closing prices of the units on the record dates for the distributions) was distributed under the initial, second and third distributions under the statutory arrangement.

Monetization of ACTS LP

On October 16, 2007, ACE completed the sale of a 70% interest in ACTS. On closing, ACE received net cash proceeds of \$723 million, which included the settlement of a \$200 million inter-company note payable from ACTS to ACE. Within six months of closing, ACE was entitled to receive up to an additional \$40 million in cash proceeds, from funds held in escrow, conditional upon the completion of certain supplier contracts within specified terms. On January 14, 2008, ACE announced that it had received the full balance of \$40 million. Following the transaction, ACE continued to own 100% of ACTS LP, which became a non-operating entity, and ACTS Aero conducted the business previously operated by ACTS LP.

Following the redemption of the exchangeable share issued to a party related to Grupo TACA, the establishment of an initial ACTS Long Term Incentive Plan and the exercise of the put option by an entity related to Grupo TACA in June 2008 to sell its 5% equity interest in ACTS Aero to ACE for approximately \$19 million, ACE held a 27.8% equity interest in ACTS Aero.

October 2007 Secondary Offering of Units of Aeroplan Income Fund and Jazz Air Income Fund

On October 22, 2007, ACE completed the sale of 22.0 million trust units of Aeroplan Income Fund at a price of \$21.90 per unit, for net proceeds of approximately \$463 million.

On October 22, 2007, ACE completed the sale of 35.5 million trust units of Jazz Air Income Fund at a price of \$7.75 per unit, for net proceeds of approximately \$263 million.

Substantial Issuer Bid: ACE Repurchases Approximately \$1.5 billion of its Shares

On December 3, 2007, ACE announced a substantial issuer bid to purchase for cancellation up to \$1.5 billion of its Class A variable voting shares and Class B voting shares for an aggregate of up to 54,151,624 Class A variable voting shares and Class B voting shares. On January 10, 2008, ACE confirmed that it had taken up and accepted for purchase and cancellation a total of 40,023,427 Class A variable voting shares and 9,894,166 Class B voting shares at \$30.00 per share for an aggregate purchase price of approximately \$1.498 billion.

Sale of 13 million Units of Jazz Air Income Fund

On January 24, 2008, ACE sold 13.0 million trust units of Jazz Air Income Fund on an exempt trade basis for net proceeds of approximately \$96.85 million reducing its ownership interest in Jazz Air Income Fund to approximately 9.5%.

April 2008 Secondary Offering of Units of Aeroplan Income Fund

On April 21, 2008, ACE completed the sale of 20.4 million trust units of Aeroplan Income Fund at a price of \$17.50 per unit, for net proceeds of approximately \$343 million.

Substantial Issuer Bid: ACE Repurchases Approximately \$500 million of its Shares

On May 9, 2008, ACE announced a substantial issuer bid to purchase for cancellation up to \$500 million of its Class A variable voting shares and Class B voting shares for an aggregate of up to 23,809,523 Class A variable voting shares and Class B voting shares. On June 18, 2008, ACE confirmed that it had taken up and accepted for purchase and cancellation a total of 12,537,084 Class A variable voting shares and 10,190,187 Class B voting shares at \$22.00 per share for an aggregate purchase price of approximately \$500 million.

Sale of Units of Remaining Units of Aeroplan Income Fund and Jazz Air Income Fund

On May 28, 2008, ACE announced that it had sold in the market a total of 19,892,088 units of Aeroplan Income Fund for total net proceeds to ACE of approximately \$349.3 million and a total of 11,726,920 units of Jazz Air Income Fund for total net proceeds to ACE of approximately \$85.0 million. Immediately following such transactions, ACE retained no further interest in Aeroplan Income Fund and Jazz Air Income Fund.

Substantial Issuer Bids: ACE offer to Repurchase Outstanding Notes and Preferred Shares

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

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

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

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

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

On January 21, 2009, ACE announced that the date of the special shareholders meeting at which shareholders would be asked to approve the previously announced plan of arrangement for the liquidation and dissolution of ACE was postponed to April 7, 2009. Given the results of the substantial issuer bids for Notes and preferred shares announced on December 10, 2008, and also considering the stated intent to oppose the plan of arrangement made public by certain shareholders of ACE and the tax and other preparatory work required in advance of the plan of arrangement, ACE had determined that the postponement of the shareholders meeting was appropriate.

ACE announced that, in the meantime, it would continue to explore opportunities, including possible further substantial issuer bids, and that, in light of the publicly stated opposition of certain shareholders with respect to the plan of arrangement, it would also consider other alternatives available to it with a view to achieving an optimal outcome.

Substantial Issuer Bid: ACE Offer to Repurchase Outstanding Preferred Shares

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

Postponement of Shareholders Meeting

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

Air Canada Credit Facility

On July 29, 2009, ACE announced that it had taken a \$150 million participation in Air Canada's \$600 million credit facility. Under the credit facility, ACE received on July 30, 2009 1,250,000 warrants for the purchase of Class B voting shares of Air Canada at an exercise price of \$1.51 per share, exercisable at any time, and expiring on July 30, 2013. On October 19, 2009, ACE received an additional 1,250,000 warrants for the purchase of Air Canada Class B voting shares with an exercise price of \$1.44 per share, exercisable at any time, and expiring on October 13, 2013.

ACE's pro-rata share of the credit facility was repayable in 16 consecutive quarterly installments commencing in August 2010 of \$7.5 million with the final installment of \$30 million due in July 2014. The credit facility could be repaid at any time, in whole or in part, with the payments of applicable fees. Air Canada's obligations under the credit facility were secured by a first priority security interest and hypothec over substantially all the present and after-acquired property of Air Canada and its subsidiaries, subject to certain exclusions and permitted liens.

On August 3, 2010, Air Canada repaid to ACE its \$150 million share of the outstanding debt under Air Canada's secured credit facility, together with interest and prepayment fees for total proceeds to ACE of \$156 million.

ACE Repurchases Remaining Preferred Shares

On September 21, 2009, ACE announced it had entered into an agreement with Morgan Stanley Canada Limited pursuant to which ACE indirectly acquired for cancellation all of its remaining 3.2 million preferred shares at a price of \$23.00 per preferred share for an aggregate purchase price of \$73,600,000.

Air Canada Completes Offering of Units and Issuance of Shares under Pension Funding Arrangements

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

On October 26, 2009, Air Canada issued 17.6 million Class B voting shares to a trust under the pension funding agreements between Air Canada and its unions announced by Air Canada in July 2009.

As a result of these issuances of shares by Air Canada, ACE's ownership interest in shares of Air Canada decreased to 27% as of October 27, 2009.

Substantial Issuer Bid: ACE Offer to Repurchase up to \$20 million of its Shares

On November 23, 2009, ACE announced the launch of a substantial issuer bid to purchase for cancellation up to \$20 million of ACE's Class A variable voting shares and Class B voting shares. On January 6, 2010, ACE confirmed that it had taken up and accepted for purchase and cancellation a total of 1,401,094 Class A variable voting shares and 1,824,711 Class B voting shares at a price of \$6.20 per share for an aggregate purchase price of \$20 million.

ACE Redeems its Remaining Notes

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

Aveos Restructuring and Lock-Up Agreement

On January 22, 2010, ACE entered into a Restructuring and Lockup Agreement with Aveos Fleet Performance Inc. ("**Aveos**"), ACTS Aero, lenders and other shareholders. The restructuring was completed on March 12, 2010. Under the terms of the restructuring, ACE transferred its 27.8% ownership interest in ACTS Aero to a newly formed company, in which ACE has no interest, for nil consideration. Under the terms of a Release Agreement entered into on March 12, 2010, ACE and ACTS LP were released from substantially any claims that may arise under the Asset Purchase Agreement relating to the monetization of ACTS LP on October 16, 2007, in return for a payment of \$1.25 million.

Secondary Offering of Shares of Air Canada

On December 23, 2010, ACE completed 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). Following the offering and as of the date of this Proxy Circular, ACE beneficially owns 31,000,000 Class B voting shares of Air Canada representing 11.11% of the Class A variable voting shares and Class B voting shares of Air Canada issued and outstanding on a combined basis.

Certificates of Discharge and Tax Audits

In March 2010, ACE applied for certificates of discharge from the CRA and Revenu Québec. ACE actively assisted the CRA and Revenu Québec with their audits of ACE's income tax returns for the years 2005 to 2010. In addition to the audits of income tax returns, ACE assisted with audits in respect of other taxes. The audits of income tax returns and other taxes required a detailed review of all of the significant corporate transactions undertaken by ACE since its incorporation in 2004, together with a detailed review of all of its returns.

In late 2010, ACE received notices of reassessment from Revenu Québec in the amount of \$37.7 million. This amount was paid. The reassessments primarily related to audits of Goods and Service Tax ("**GST**") and Quebec Sales Tax ("**QST**") in respect of ACTS LP, and its predecessor ACTS Limited Partnership, for periods prior to ACE's monetization of ACTS LP in October 2007. \$35.1 million of such reassessments were recovered from Air Canada and other parties. The total recovery amount of \$35.1 million included \$33.4 million recovered from Air Canada and \$1.1 million recovered from Aveos following their filings of related Input Tax Credits ("**ITC**") from the CRA. ACE has agreed to indemnify and hold harmless Air Canada and Aveos from loss should the additional ITC claims be reassessed in the future.

Additional notices of reassessment in respect of GST and QST amounting to \$7.4 million were received and paid in the second quarter of 2011. \$6.8 million of such reassessments were recovered from Air Canada in the fourth quarter of 2011. ACE has agreed to indemnify and hold harmless Air Canada from loss should related additional ITC claims by Air Canada be reassessed in the future.

In the second quarter of 2011, ACE also received and paid a notice of reassessment for other taxes from Revenu Québec in the amount of \$2.9 million. The reassessment relates to 2005.

The audits of income tax returns and of all other taxes are now complete and additional reassessments of \$4 million were paid in the first quarter of 2012.

A certificate of discharge was issued by the CRA on March 7, 2012 in order to address any outstanding tax liabilities in connection with all taxation years ended on or prior to December 31, 2010. A similar certificate is expected to be issued by Revenu Québec shortly.

ACE does not expect to incur any income tax liabilities for the taxation years ended December 31, 2011 and beyond, or to incur liabilities for other taxes over and above the amounts incurred in the ordinary course of business. Liabilities for all taxes up to March 9, 2012 have been paid or provided for.

Reasons for the Liquidation

As mentioned above, from March 2010, ACE actively assisted the CRA and Revenu Québec with their tax audits, with a view to obtaining certificates of discharge in order to address any outstanding tax liabilities in connection with the taxation years ended on or prior to December 31, 2010.

A certificate of discharge was issued by the CRA on March 7, 2012 and a similar certificate is expected to be issued by Revenu Québec shortly. As a result of the completion of the process, the Board determined that it was appropriate to propose to shareholders to approve the liquidation and dissolution of ACE on the terms outlined in this Proxy Circular. In reaching its conclusions, the Board considered a number of factors, including:

Liquidation Represents Concluding Step in the Execution of ACE's Value-Enhancement Strategy. From 2004 to 2011, ACE implemented its value enhancement strategy through stand-alone financings, sales of equity interests and the return of approximately \$4.5 billion of funds to shareholders by way of distributions of equity interests in Aeroplan Income Fund (a predecessor of Groupe Aeroplan Inc. doing business as Aimia) and Jazz Air Income Fund (a predecessor of Chorus Aviation Inc.) and six share buybacks. The liquidation of ACE is the logical and consistent concluding step in the execution of this strategy through the distribution of the remaining net assets of ACE to its shareholders.

Gradual Elimination of On-Going Operating Costs of ACE as a Stand-alone Holding Company. As at March 9, 2012, ACE's principal assets are cash and cash equivalents of approximately \$351 million, an 11.11% equity interest in Air Canada and warrants for the purchase of Air Canada shares at exercise prices of \$1.44 (1.25 million warrants) and \$1.51 (1.25 million warrants) per share. ACE has no operations other than managing these assets and related activities. Through the liquidation and ultimate dissolution of ACE, the on-going operating costs of ACE as a stand-alone holding company will be gradually eliminated. Currently, such costs are only partially offset by the low rate of interest (currently approximately 1.00%) earned on the cash and cash equivalents held by ACE.

Shareholders Receive their Pro Rata Share of ACE's Remaining Net Cash. Pursuant to the liquidation, shareholders will receive their proportionate share of ACE's remaining net cash, after payments made to ACE's creditors and provisions for contingent liabilities. Such cash and cash equivalent are earning a low rate of interest at ACE. Shareholders will be able to exercise their independent investment decision to earn potentially higher returns in respect of their pro rata share of ACE's cash received as distributions.

Liquidation to Return ACE's Remaining Assets in a Tax-Efficient Manner. ACE has obtained certificates of discharge from the CRA and Revenu Québec in order to address any outstanding tax liabilities for taxation years ended on or prior to December 31, 2010, as described under "Overview" above, therefore addressing a substantial portion of any remaining potential liabilities of ACE. ACE has also obtained an advance tax ruling from the CRA in order to confirm that the liquidation steps described below will not result in tax under Part VI.1 of the Tax Act being payable by ACE in connection with the liquidation steps.

Liquidation Steps

In connection with the liquidation of ACE, subject to shareholder approval, the following events will occur at the time determined by the Corporation in its discretion (and not necessarily in the following order):

- 1- the establishment of a process to identify, establish, adjudicate and otherwise resolve the rights of any remaining creditors of ACE, as described below under "Claims Process" (the "**Claims Process**");
- 2- an initial distribution by ACE to its shareholders of an aggregate amount between \$250 million and \$300 million, within the weeks following the Meeting, at the time to be determined by the Board;
- 3- the review of the Corporation's property and the disposition of non-cash assets of the Corporation, including the remaining Class B voting shares and warrants of Air Canada held by ACE, as part of the liquidation process;
- 4- one or more distributions to the shareholders of the remaining assets of the Corporation;
- 5- at the time determined by the Board, the appointment of a liquidator and the termination and vesting in the liquidator of all of the powers of the directors and the shareholders of the Corporation;
- 6- the cancellation of all outstanding shares of the Corporation and the termination of all remaining rights to acquire shares, including outstanding stock options issued pursuant to the Stock Option Plan of ACE;
- 7- following the liquidation of the Corporation and the final payments to the Corporation's creditors and the final distribution to its shareholders, the dissolution of the Corporation through the filing by ACE of articles of dissolution and the issuance by the Director appointed under the *Canada Business Corporations Act* of a certificate of dissolution; and
- 8- all other acts required or advisable to liquidate the Corporation's business and dissolve the Corporation.

The timing and order of each step of the liquidation, including the appointment of the Liquidator, the Claims Process, the distributions to shareholders and the cancellation of the shares of the Corporation, will be determined by the Corporation in its discretion based in part on the factors described herein under "The Liquidation". The final distribution to shareholders will be made once all of the other liquidation steps have been completed. In order to allow any remaining contingent liabilities of ACE, including those described below under "Claims Process – Contingencies", to expire or be otherwise settled or provided for, the final distribution will not occur before mid-year 2013. The final distribution could occur later than mid-year 2013 depending on the factors described below under "Final Distribution and Cancellation of Shares". Except as specified herein or in the Liquidation Resolution, no step shall be conditional on another step having first been completed.

The Liquidation Resolution provides that, in its discretion, the Corporation may implement a consolidation of the shares in its capital if the Corporation considers that such consolidation is necessary to allow the Common Shares to continue to be listed on a stock exchange and publicly traded. The terms and conditions of the consolidation, including the ratio of consolidation and the issuance or cancellation

of fractional shares, with or without the payment of such fractional shares, will be determined by the Corporation in its discretion, subject to any applicable laws or regulations.

There can be no assurance that the Common Shares will continue to be listed on, and meet the listing requirements of, the TSX. Although the Corporation may seek an alternative listing should the Common Shares be delisted from their current market, there can be no assurance that such listing can be obtained or that such listing will provide appropriate liquidity for the shareholders. Furthermore, the Corporation may decide to cancel the Common Shares and thus delist them but no such cancellation will occur until mid-year 2013. See "Liquidation – Stock Exchange Listing and Status as a Reporting Issuer".

The Corporation may amend, modify and supplement the liquidation steps at any time and from time to time, provided that any such amendment, modification or supplement may not materially adversely affect the rights of the shareholders of the Corporation.

No step of the Liquidation will require approval by the shareholders of the Corporation, in addition to that provided by the adoption by Shareholders of the Liquidation Resolution at the Meeting. Furthermore, the Corporation shall have full power and authority to implement the Liquidation or any step thereof, and the dissolution of the Corporation, without further approval of shareholders.

Appointment of Liquidator and Vesting in the Liquidator of the Powers of the Directors and Shareholders of the Corporation

In accordance with the Liquidation Resolution, at the time to be determined by the Board, the Corporation may apply to the Superior Court of Québec for an order providing for the appointment of a liquidator to become effective upon the issuance of such order or at any other time provided for in such order. In addition, the Corporation may also apply for an order providing for the vesting in the liquidator of all the powers of the directors and the shareholders of the Corporation, such vesting to be effective upon the issuance of such order or at any other time contemplated in such order. The directors of the Corporation will cease to hold their functions upon vesting of the powers of the directors in the liquidator in accordance with an order of the Superior Court of Québec. The Corporation expects that, shortly following the initial distribution to shareholders referred to below under "Distributions", the directors of the Corporation will cease to hold office and the liquidator will be appointed.

Any power or authority conferred upon the Corporation under the Liquidation Resolution, or any decision to be taken, or discretion to be exercised, by the Corporation under the Liquidation, shall be exercised by the liquidator from and after the effective time of the vesting in the liquidator of the powers of the directors of the Corporation. Similarly, references in this Proxy Circular to powers or authority of the Corporation, or to decisions to be taken, or discretion to be exercised, by the Corporation shall refer to the Corporation acting through the liquidator from and after the vesting in the liquidator of the powers of the directors of the Corporation.

Claims Process

The Corporation will initiate a process to identify, establish, adjudicate and otherwise resolve any remaining Claims against ACE, referred to herein as the Claims Process. This will include sending notices to creditors in accordance with the requirements of the *Canada Business Corporations Act*. As part of the Claims Process, the Corporation will take appropriate measures to identify and quantify the amount of any remaining contingent liabilities.

References to "Claims" in this Proxy Circular refer to the rights of any person against the Corporation which constitutes indebtedness of the Corporation or a liability or obligation of the

Corporation, which are in existence at the determination date or based in whole or in part on facts which exist before or at the determination date and any interest that may be accrued thereon.

Liabilities

As at March 9, 2012, ACE's principal obligations consisted of liabilities of approximately \$1 million. ACE also anticipates future costs of approximately \$4 million, including the estimated cost of run off insurance coverage for directors and officers and estimated costs and fees of liquidation to be incurred after the Meeting, assuming that the liquidation is completed by mid-year 2013. These estimated liabilities and future costs do not include any contingent liabilities, or other Claims that may be made after the Meeting.

ACE obtained the certificates of discharge from the CRA and Revenu Québec in order to address any outstanding tax liabilities for taxation years ended on or prior to December 31, 2010, as described under "Overview" above. ACE has also obtained an advance tax ruling from the CRA in order to confirm that neither the Share Conversion nor the liquidation steps described below will result in tax under Part VI.1 of the Tax Act being payable by ACE in connection with the liquidation steps.

The actual obligations of the Corporation may vary materially from the estimates set forth above, which are based on the Corporation's current estimates of the amount which may be required to satisfy the current liabilities of the Corporation and to pay the costs and expenses of operating the Corporation until the date of dissolution of the Corporation.

Contingencies

As part of the process leading to the issuance of the certificates of discharge described under "Overview", Revenu Québec has conducted a GST and QST audit of ACE and its subsidiaries, including ACTS LP and its predecessor, with respect to periods from September 1, 2006 to December 31, 2010.

Revenu Québec issued notices of reassessment ultimately claiming a total amount of \$37.7 million in GST (including penalties and interest) against ACE and ACTS LP, primarily with respect to certain importations of aircraft parts on the basis that it was Air Canada, as the *de facto* importer of goods, and not ACTS LP and its predecessor, which should have paid GST and should have been allowed to claim the refund relating to such GST. Based on this reassessment, Air Canada claimed additional GST refunds in the amount of \$33.4 million, corresponding to the amount of denied GST refunds for ACTS LP and its predecessor relating to importations where Air Canada would have been *de facto* importer. Subject to the terms of two indemnification agreements entered into on November 25, 2010 and January 14, 2011 between Air Canada and ACE, Air Canada paid an amount equal to the GST refunds received by it to ACE and ACTS LP on account of GST that should have been paid by Air Canada in connection with the importations. Pursuant to these indemnification agreements, ACE has agreed, *inter alia*, to indemnify and hold harmless Air Canada should Air Canada's entitlement to the GST refunds be successfully challenged in the future.

A portion of the above reassessment related to goods "in transit" on October 16, 2007, at the time of the sale of the ACTS business to ACTS Aero. Revenu Québec determined that ACTS Aero, and not ACTS LP (a subsidiary entity of ACE), should have paid the GST and claimed refunds relating to such GST. Subject to the terms of an indemnification agreement entered into on October 27, 2010 between Aveos, a successor to ACTS Aero, on the one hand, and ACE and ACTS LP, on the other hand, Aveos agreed to claim additional GST refunds in the amount of \$1.1 million and to pay such amount to ACE to reimburse it for GST paid by ACTS LP in connection with the importations. Pursuant to this

indemnification agreement, ACE has agreed to indemnify and hold harmless Aveos should Aveos' entitlement to such GST refunds be successfully challenged in the future.

As part of the same audit, Revenu Québec issued additional notices of reassessment claiming a total amount of \$7.4 million in GST and QST (including penalties and interest) against ACTS LP and ACE relating, *inter alia*, to certain intercompany transactions invoiced by either ACE or ACTS LP to Air Canada on which Revenu Québec considers that ACTS LP or ACE should have charged GST and QST in the amount of \$6.8 million. Further to such reassessment, Air Canada has paid an amount of \$6.8 million to ACTS LP and ACE. Air Canada then claimed additional GST/QST refunds for the same amount. Pursuant to the terms of an additional indemnification agreement entered into on November 28, 2011 by and between Air Canada, ACE and ACTS LP, ACE has agreed, *inter alia*, to indemnify and hold harmless Air Canada should Air Canada's entitlement to the GST/QST refunds be successfully challenged in the future.

ACE recognized in each of the indemnification agreements entered into with Air Canada that such agreements constitute an obligation and liability to Air Canada that must be adequately discharged or provided for before ACE may be dissolved or liquidated. The indemnity agreement entered into on November 28, 2011 contains an arbitration mechanism which would apply should the parties fail to reach an agreement on how to adequately discharge or provide for the obligations contained therein.

Guarantee of an Air Canada Obligation

On May 7, 2009, ACE intervened into the employment agreement between Air Canada and Mr. Calin Rovinescu, Air Canada's President and Chief Executive Officer, to guarantee the payments required of Air Canada under the agreement. The guarantee shall automatically terminate upon the earlier of (i) April 1, 2014 and (ii) the date on which the shareholders of ACE approve the winding-up and liquidation of ACE. In the event that such approval is obtained from ACE's shareholders and a liquidator is not appointed within 180 days of the shareholders' vote, the guarantee shall automatically resume and continue in full force and effect until the earlier of (i) April 1, 2014 and (ii) the date on which such a liquidator shall have been appointed.

Directors and Officers

Certain officers of ACE have entered into consulting and related agreements with ACE pursuant to which they are entitled to receive payments of consulting fees. Such arrangements are summarized under the sections entitled "Compensation Discussion and Analysis" and "Compensation of Certain Executive Officers".

In addition, the Corporation will continue, or arrange for the continuance of, indemnification arrangements and directors' and officers' liability insurance for the present and former directors and officers of ACE for a period of seven years from the date of the appointment of a liquidator and vesting in the liquidator of all of the powers of the directors of the Corporation. The directors and officers of the Corporation benefit from contractual indemnification arrangements in accordance with the terms of the indemnification agreements entered into with the Corporation.

Review of Assets and Liquidation

The Corporation will proceed with a review of its assets. As part of such review, the Corporation will evaluate options with respect to the shares of Air Canada that it holds. ACE will review alternatives to dispose of its remaining Class B voting shares and warrants of Air Canada with a view to distributing the cash proceeds as part of the liquidation.

The Corporation will also cause its remaining inactive subsidiaries to be liquidated and any remaining assets of such subsidiaries paid to the Corporation after the settlement of any liabilities and contingent liabilities of such subsidiaries.

Following completion of such review, the Corporation will then proceed with the disposition for cash of any non-cash assets of the Corporation that it has determined should be disposed of, in an orderly fashion.

Distributions

The Corporation will make two or more distributions to the shareholders representing their proportionate share of ACE's remaining net assets, after payments made to ACE's creditors and provisions for contingent liabilities.

The Corporation will need to be satisfied that, during the period from the effectiveness of the Liquidation Resolution until its dissolution, it maintains appropriate reserves to cover liabilities and contingent liabilities, including any liabilities identified pursuant to the Claims Process referred to above and the contingent liabilities referred to above under "Claims Process – Contingent Liabilities". The amount of such reserves, as fixed by the Corporation from time to time, will determine the amount and timing of the distributions to shareholders under the liquidation. The consolidated liabilities, including contingent liabilities, will fall into two broad categories of potential liabilities: (i) the liabilities identified in connection with the Claims Process; and (ii) the costs of liquidation and dissolution. The Corporation has the right to distribute a portion of the net assets prior to the completion of the Claims Process.

The Corporation expects to make an initial distribution to its shareholders of an aggregate amount between \$250 million and \$300 million, within the weeks following the Meeting, at the time to be determined by the Board. The range of the initial distribution has been determined having regard to the possible contingent liabilities of ACE and costs of the liquidation and considering that the Claims Process will still be pending at the time of the initial distribution.

Except as mentioned above, neither the timing nor the number and amounts of distributions to the shareholders has been determined at this time. The Corporation will consider various factors with respect to the timing of the distributions, some of which are beyond the Corporation's control. These include, among others, the duration and outcome of the Claims Process and the determination of the final amount, or settlement, of any outstanding contingent liabilities, including those described under "Claims Process - Contingencies" above. Timing of the distributions is subject to the discretion of the Corporation and there can be no assurance as to when the distributions can be made.

Final Distribution and Cancellation of Shares

The Corporation will hold undistributed cash or other assets of the Corporation as a reserve to satisfy the costs of the Liquidation and the winding down of the affairs of ACE and its ultimate dissolution, which costs are currently estimated to be approximately \$4 million from the date of the Meeting until mid-year 2013, as well as any potential claims or liabilities, including the contingent liabilities referred to under "Claims Process – Contingencies" above, that may arise or be asserted after the Meeting.

Shareholders will rank *pari passu* with each other in receiving their pro rata share of any distributions out of the Corporation's assets prior to dissolution.

The timing of each relevant step of the liquidation, including the timing of the distributions to shareholders and the cancellation of the shares of the Corporation, will be determined by the Corporation in its discretion based in part on the factors described herein under "The Liquidation". The cancellation of the shares may occur before the final distribution to the shareholders of the Corporation. However, the final distribution to shareholders and the cancellation of the shares of the Corporation will not occur earlier than mid-year 2013 in order to allow any remaining contingent liabilities, including those described under "Claims Process – Contingencies" above, to expire or be otherwise settled or provided for.

After the cancellation of the shares of ACE, the right of a shareholder to receive any distribution, will not be assignable or otherwise transferable except by sole operation of law or testamentary will. The Corporation expects that, in the event of the cancellation of its shares, it will be in a position to apply to cease to be a reporting issuer subject to continuous disclosure obligations under applicable Canadian securities laws. See "Stock Exchange Listing and Status as a Reporting Issuer" below.

Dissolution

Following the liquidation of the Corporation and the final payments to the Corporation's creditors and the final distribution to the Corporation's shareholders, the Corporation will be dissolved through the filing by ACE of articles of dissolution and the issuance by the Director appointed under the *Canada Business Corporations Act* of a certificate of dissolution.

Potential Liability of Shareholders

Section 226 of the *Canada Business Corporations Act* provides that, despite the dissolution of a corporation under the *Canada Business Corporations Act*, a civil, criminal or administrative action or proceeding may be brought against the corporation within two years after the dissolution, as if the corporation had not been dissolved, and provides, among other things, that any property that would have been available to satisfy any judgment or order if the corporation had not been dissolved, remains available for such purpose.

Section 226 of the *Canada Business Corporations Act* also provides that each shareholder to whom any of the Corporation's property has been distributed is liable to any person claiming under section 226 of the *Canada Business Corporations Act* to the extent of the amount received by that shareholder upon the distribution, and an action to enforce such liability may be brought within two years after the date of the dissolution.

The Claims Process described above is intended to reduce the risk that any claims may arise following the liquidation and dissolution of the Corporation, but there is no certainty that this risk will be eliminated completely.

Deduction and Withholding Obligations

Notwithstanding any other provision in this Proxy Circular or the Liquidation Resolution, the Corporation and, from the time of the appointment of a liquidator by the Board, the liquidator shall be entitled to deduct and withhold from any amount otherwise payable pursuant to transactions contemplated by the Liquidation to any holder of shares of the Corporation, such amounts as the Corporation, or the liquidator, as applicable, is required to deduct and withhold with respect to such payment under the Tax Act, or the regulations thereunder, or any equivalent provincial tax legislation, the United States Internal Revenue Code of 1986, as amended, or any provision of applicable law, in each case, as amended, or the administrative practice of the relevant governmental entity administering such law.

To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes hereof as having been paid to any holder of shares, as the case may be, in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing authority within the time required and in accordance with applicable laws and that such holder has been provided an information return with a receipt or other evidence evidencing such remittance.

Deliberations and Recommendations of the Board

The Board deliberated and concluded that the terms of the Liquidation Resolution are in the best interests of ACE and its shareholders. Accordingly, the Board approved the presentation of the Liquidation Resolution to shareholders for approval, approved this Proxy Circular and recommends that shareholders vote in favour of the Liquidation Resolution authorizing the Liquidation.

Shareholder Approval of the Liquidation

The Liquidation Resolution must be approved by at least two-thirds of the votes cast by the holders of Common Shares (following the conversion effected pursuant to the Share Conversion Resolution described above), present or represented by proxy at the Meeting, voting together as a single class, and will also be submitted to the approval of the holders of Class A variable voting shares and Class B voting shares as they existed prior to the conversion, present or represented by proxy at the Meeting, voting as separate classes.

A quorum is present at the Meeting if the holders of not less than 25% of the shares entitled to vote at the Meeting, on a combined basis, are present in person or represented by proxy, irrespective of the number of persons actually at the Meeting.

The full text of the Liquidation Resolution is reproduced as Appendix C to this Proxy Circular.

Stock Exchange Listing and Status as a Reporting Issuer

The TSX has conditionally approved the listing of the Common Shares issuable upon completion of the Share Conversion, subject to satisfaction of the customary listing conditions of the TSX.

Until an application is made and an order is issued by the Canadian securities regulatory authorities deeming ACE to no longer be a "reporting issuer", ACE will continue to be subject to ongoing disclosure and other obligations as a reporting issuer under applicable securities legislation in Canada. It is intended that, after the cancellation of the Common Shares, which is not expected to occur before mid-year 2013, ACE will apply to the Canadian securities regulatory authorities for such an order.

ACE intends to have the Common Shares listed on the TSX. There can be no assurance that the Common Shares will continue to be listed on, and meet the listing requirements of, the TSX. Although the Corporation may seek an alternative listing should the Common Shares be delisted from their current market, there can be no assurance that such listing can be obtained or that such listing will provide appropriate liquidity for the shareholders.

SHAREHOLDERS DISSENT RIGHTS

Under the provisions of Section 190 of the *Canada Business Corporations Act*, registered shareholders are entitled to exercise dissent rights in connection with the Share Conversion Resolution. A dissenting shareholder is required to send to the Corporation at or before the Meeting a dissent notice. In addition to any other right a holder of shares may have, and subject to the provisions of the *Canada*

Business Corporations Act, a shareholder entitled to dissent under Section 190 of the Act and who complies with the dissent procedure under such Section is entitled to be paid the fair value of the shares held by the shareholder in respect of which such shareholder dissents, determined as at the close of business on the last business day before the day on which the Share Conversion Resolution is passed by the shareholders.

The text of Section 190 of the Act is set out in Appendix D hereto. Holders of shares who may wish to dissent should refer to this Appendix. A shareholder may only exercise the right to dissent under Section 190 of the Act in respect of shares which are registered in that shareholder's name. Failure by a dissenting shareholder to adhere strictly to the requirements of Section 190 of the Act may result in the loss of such dissenting shareholder's rights under that section. **The Corporation suggests that any shareholder seeking to exercise such rights obtain his or her own legal advice as to the manner of exercising such rights and the implications for the shareholder.**

Non-registered shareholders who hold their shares through a broker, custodian, nominee or other intermediary and wish to exercise dissent rights should be aware that only the registered holders of such shares are entitled to dissent. A non-registered shareholder should ensure that such shareholder's shares are registered in such shareholder's name prior to the Meeting in order for such shareholder's dissent to be properly made. A registered shareholder, such as a broker, who holds shares as nominee for several non-registered shareholders, some of whom wish to dissent, should ensure that such shares are validly registered in the names of such dissenting shareholders prior to the Meeting in order to ensure that dissent rights are not lost.

The *Canada Business Corporations Act* does not provide, and the Corporation will not assume, that a vote against the Share Conversion Resolution constitutes a dissent notice. The Act does not provide for partial dissent and, accordingly, a shareholder may only dissent with respect to all of the shares held by such shareholder or on behalf of any one non-registered shareholder whose shares are registered in such shareholder's name.

The Corporation reserves the right not to implement the Share Conversion Resolution in the event that shareholders holding more than 5% of the issued and outstanding shares of ACE exercise dissent rights in connection with the Share Conversion Resolution.

CERTAIN INCOME TAX CONSIDERATIONS

Certain Canadian Federal Income Tax Considerations

In the opinion of Stikeman Elliott LLP, Canadian counsel to ACE, the following summary accurately describes, as at the date hereof, the principal Canadian federal income tax considerations generally applicable under the Tax Act to a holder of Class A variable voting shares, Class B voting shares or Common Shares, as applicable, who, for purposes of the Tax Act and at all relevant times, (i) is not exempt from tax under the Tax Act, (ii) holds his shares as capital property and (iii) deals at arm's length with ACE and is not "affiliated" (as defined in the Tax Act) with ACE (a "**Holder**"). Generally, the Class A variable voting shares, Class B voting shares or Common Shares, as applicable, will be considered to be capital property to a Holder provided that the Shareholder does not use or hold and is not deemed to use or hold the shares in the course of carrying on a business and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain holders who might not otherwise be considered to hold their Class A variable voting shares, Class B voting shares or Common Shares, as applicable, as capital property may, in certain circumstances, be entitled to have the shares, and all other "Canadian securities" (as defined in the Tax Act) that are held by the holders, be treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act.

This summary is not applicable to a Holder: (i) that is a "financial institution" as defined in the Tax Act for the purposes of the market-to-market rules; (ii) that is a "specified financial institution" or "restricted financial institution" as defined in the Tax Act; (iii) an interest in which is a "tax shelter investment" as defined in the Tax Act, or (iv) to whom the functional currency reporting rules under the Tax Act apply. Such Holders should consult their own tax advisors. In addition, this summary assumes that any distributions to shareholders made pursuant to the Liquidation are considered to occur on the winding-up or discontinuance of ACE's business for the purposes of the Tax Act.

This summary is based upon the provisions of the Tax Act, the regulations thereunder (the "**Regulations**"), and on counsel's understanding of the published administrative policies and assessing practices of the CRA, all in effect as of the date hereof. This summary takes into account all specific proposals to amend the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Tax Proposals**") and assumes that all Tax Proposals will be enacted in the form proposed. However, there can be no assurance that the Tax Proposals will be enacted as proposed, or at all. This summary does not otherwise take into account or anticipate any changes in law or in administrative policies and assessing practices, whether by legislative, regulatory, administrative or judicial action, nor does it take into account provincial, territorial or foreign tax legislation or considerations, which may differ significantly from those discussed herein.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any Holder. This summary is not exhaustive of all Canadian federal income tax considerations. Accordingly, Holders should consult their own tax advisors about the implications of the contemplated Share Conversion and Liquidation in light of their particular circumstances.

Residents of Canada

The following part of the summary is applicable to a Holder who, at all relevant times, is resident or deemed to be resident of Canada for purposes of the Tax Act and any applicable income tax treaty or convention (a "**Resident Holder**").

Share Conversion

No gain or loss will be realized by a Resident Holder on the Share Conversion. A Resident Holder will be considered to have acquired the Common Shares at a cost equal to the total of such Holder's adjusted cost bases in the Class A variable voting shares and/or Class B voting shares immediately before the Share Conversion.

Exercise of Dissent Rights

A Resident Holder who validly exercises Dissent Rights and receives the fair value of his Class A variable voting shares and/or Class B voting shares from ACE will be deemed to have received a taxable dividend (a "**Dividend**") equal to the amount by which the amount received from ACE (other than in respect of interest awarded by a court) exceeds the paid-up capital at that time of such holder's Class A variable voting shares and/or Class B voting shares. ACE has determined that the current paid-up capital of the Class A variable voting shares and of the Class B voting shares for purposes of the Tax Act is nominal. In the case of a Resident Holder that is a corporation, in certain circumstances, the amount of any such deemed dividend may be treated as proceeds of disposition and not as a dividend. The Resident Holder will also be considered to have disposed of the Class A variable voting shares and/or the Class B voting shares. For the purpose of determining the Resident Holder's capital gain or capital loss, the Resident Holder's proceeds of disposition will be equal to the amount received by the Resident Holder less the amount of any

Dividend referred to above. The taxation of capital gains and capital losses is discussed below under "Certain Income Tax Considerations – Residents of Canada – Taxation of Capital Gains and Losses".

Such Dividend received by a Resident Holder who is an individual will be included in the individual's income and will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations. Under the Tax Act, the Dividend will be eligible for the enhanced gross-up and Dividend tax credit applicable to "eligible dividends" if the Dividend recipient receives notice from ACE designating the Dividend as an "eligible dividend". Dividends received by an individual (other than certain specified trusts) may give rise to the alternative minimum tax.

A Resident Holder that is a corporation (a "**Corporate Resident Holder**") will include a Dividend deemed to be received on the Class A variable voting share and/or the Class B voting shares in computing its income and generally will be entitled to deduct the amount of such dividends when calculating its taxable income under the Tax Act. A Corporate Resident Holder that is a "private corporation" or a "subject corporation", as defined in the Tax Act, may be liable under Part IV of the Tax Act to pay a refundable tax of 33 1/3% on Dividends deemed to be received on the Class A variable voting shares and/or the Class B voting shares to the extent that such dividends are deductible in computing the Corporate Resident Holder's taxable income.

Distributions to Resident Holders

Below is a summary of the principal Canadian federal income tax considerations for a Resident Holder of the winding-up process of ACE's business and, ultimately, its existence pursuant to the Liquidation. It should be noted that the existence of ACE will continue by virtue of the Liquidation Resolution such that there will be a time gap between the realization of the steps outlined in the Liquidation and the resulting final distribution to the Resident Holders, as well as the formal dissolution of ACE (the "**Timing Differences**"). Under the Tax Act, the term "winding-up" refers to both the winding-up of a corporation's business and the winding-up of the corporation itself and therefore is interpreted as meaning that period during which the winding-up takes place (the "**Winding-Up Process**"). The CRA considers that a corporation has commenced the Winding-Up Process where, among other things, it has followed the procedures for winding-up and dissolution provided by the appropriate governing legislation. This will be the case in the event the Holders authorize the Liquidation by virtue of adopting the Liquidation Resolution. For purposes of this summary, it is assumed that all distributions by ACE to the Resident Holders will occur as part of its Winding-Up Process.

The amount or value of the funds or property distributed to a Resident Holder during the Winding-Up Process of ACE in excess of the paid-up capital of the Common Shares for purposes of the Tax Act held by such Resident Holder will be deemed to be a Dividend. ACE has determined that the current paid-up capital of the Class A variable voting shares and of the Class B voting shares for purposes of the Tax Act is nominal and that the paid-up capital of the Common Shares after the Share Conversion should consequently be nominal. Such Dividend received by a Resident Holder who is an individual will be included in the individual's income and will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations. Under the Tax Act, the Dividend will be eligible for the enhanced gross-up and Dividend tax credit applicable to "eligible dividends" if the Dividend recipient receives notice from ACE designating the Dividend as an "eligible dividend". Dividends received by an individual (other than certain specified trusts) may give rise to the alternative minimum tax.

For a Corporate Resident Holder, the Dividend received will be included in computing the Corporate Resident Holder's income as a taxable dividend and will ordinarily be deductible in computing its taxable

income. To the extent that such a deduction is available, "private corporations" or "subject corporations" as defined in the Tax Act may be liable to pay a refundable tax under Part IV of the Tax Act at a rate of 33 1/3% on the amount of the Dividend. The amount of any Dividend deemed received by a Corporate Resident Holder may, in certain circumstances, be recharacterized as proceeds of disposition or capital gain. Corporate Resident Holders should consult their own tax advisors.

For the purposes of the Tax Act, a Resident Holder will be considered to have disposed of his Common Shares on the acquisition for cancellation of the Common Shares for proceeds equal to the fair market value of the funds or property distributed to him. The proceeds of disposition for such Common Shares will include any amount received and receivable by the Resident Holder. However, for purposes of computing any capital gain or capital loss resulting from such disposition, the proceeds of disposition of the Common Shares will be reduced by an amount equivalent to the Dividend deemed to have been paid on the acquisition for cancellation of the Common Shares. As a result, the acquisition for cancellation of the Common Shares will give rise to a capital loss (or capital gain) equal to the amount by which the proceeds of disposition, net of reasonable costs of disposition, are less (or more) than the adjusted cost base of such Common Shares to the Resident Holder at that time.

It should be noted that, in light of the potential Timing Differences indicated above, Resident Holders may be deemed to receive a Dividend at a particular moment in time during the Winding-Up Process of ACE, and yet be considered to have disposed of their Common Shares at a different moment in time during such process.

Taxation of Capital Gains and Losses

One-half of any capital gain (a "**taxable capital gain**") realized by a Resident Holder in a taxation year will be included in the Holder's income for the year. One-half of any capital loss (an "**allowable capital loss**") realized by the Resident Holder in a year may be deducted against taxable capital gains realized in the year. Allowable capital losses in excess of taxable capital gains realized in a taxation year may be carried back up to three taxation years or carried forward indefinitely and deducted against net taxable capital gains in those other years, to the extent and in the circumstances specified in the Tax Act.

For a Corporate Resident Holder, the amount of any capital loss arising from the disposition of a Common Share will be reduced by the amount of dividends received or deemed to be received by the corporation (which would include the dividends deemed to be received under the Liquidation) on such share that are deductible in computing such holder's taxable income, to the extent that the period of ownership of such shares was less than 365 days or where the corporate holder (together with persons with whom it did not deal at arm's length) held more than 5% of the issued shares of any class of the corporation at the time the dividends were received or deemed to be received. Similar rules apply where the corporation, directly or through a trust or partnership, is a member of a partnership or a beneficiary of a trust that owns Common Shares. Resident Holders for whom these rules are relevant should consult their own tax advisors.

Non-Residents of Canada

The following discussion applies to a Holder who, at all relevant times, for purposes of the Tax Act and any applicable income tax treaty or convention, (i) is neither resident nor deemed to be resident in Canada and (ii) does not and is not deemed to use or hold his Class A variable voting shares, Class B voting shares or Common Shares, as applicable, in carrying on business in Canada (in each case a "**Non-Resident Holder**").

Share Conversion

No gain or loss will be realized by a Non-Resident Holder on the Share Conversion. A Non-Resident Holder will be considered to have acquired the Common Shares at a cost equal to the total of such Holder's adjusted cost bases in the Class A variable voting shares and/or Class B voting shares immediately before the Share Conversion.

Exercise of Dissent Rights

A Non-Resident Holder who validly exercises Dissent Rights and receives the fair value of his Class A variable voting shares and/or Class B voting shares from ACE will be deemed to have received a Dividend equal to the amount by which the amount received from ACE exceeds the paid-up capital at that time of such holder's Class A variable voting shares and/or Class B voting shares for purposes of the Tax Act. ACE has determined that the current paid-up capital of the Class A variable voting shares and of the Class B voting shares is nominal. Any such Dividend will be subject to Canadian withholding tax at the rate of 25%, subject to reduction under the provisions of an applicable income tax treaty or convention. The Non-Resident Holder will also be considered to have disposed of the Class A variable voting shares and/or the Class B voting shares. For the purpose of determining the Non-Resident Holder's capital gain or capital loss, the Non-Resident Holder's proceeds of disposition will be equal to the amount received by the Resident Holder less the amount of any Dividend referred to above. Non-Resident Holders will not be subject to income tax in Canada on any capital gain realized.

Distributions to Non-Resident Holders

The summary of the principal Canadian federal income tax consequences arising during the winding-up process of ACE discussed above in the first paragraph under the heading "Distributions to Resident Holders" also generally applies to Non-Resident Holders.

The amount or value of the funds or property distributed to a Non-Resident Holder during the Winding-Up Process of ACE in excess of the paid-up capital of the Common Shares held by such Non-Resident Holder will be deemed to be a Dividend. ACE has determined that the current paid-up capital of the Class A variable voting shares and of the Class B voting shares for purposes of the Tax Act is nominal and that the paid-up capital of the Common Shares after the Share Conversion should consequently be nominal. A Non-Resident Holder, whether an individual or a corporation, who receives a Dividend will be subject to Canadian withholding tax at a rate of 25%, subject to reduction under the provisions of an applicable income tax treaty or convention. Non-Resident Holders should consult their own tax advisors to determine their entitlement to relief under an applicable tax treaty based on their particular circumstances.

Pursuant to the Tax Act, a Non-Resident Holder will also be considered to have disposed of his Common Shares on the acquisition for cancellation of the Common Shares. The proceeds of disposition of the Common Shares will be reduced by an amount equivalent to the Dividend deemed to have been paid on the acquisition for cancellation of the Common Shares. As a result, the acquisition for cancellation of the Common Shares will give rise to a capital loss equal to the amount by which the proceeds of disposition, net of reasonable costs of disposition, are less than the adjusted cost base of such shares to the Non-Resident Shareholder at that time.

It should be noted that, in light of the potential Timing Differences indicated above, Non-Resident Holders may be deemed to receive a Dividend at a particular moment in time during the Winding-Up Process of ACE, and yet be considered to have disposed of their Common Shares at a different moment in time during such process.

Certain United States Federal Income Tax Considerations

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES CONTAINED OR REFERRED TO IN THE MANAGEMENT PROXY CIRCULAR OR ANY DOCUMENT REFERRED TO HEREIN IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THEM UNDER THE U.S. INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS BEING USED IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following discussion summarizes certain material U.S. federal income tax consequences of the Share Conversion and the distributions to shareholders pursuant to the Liquidation. It applies only to U.S. Holders (as defined below) that hold Class A variable voting shares, Class B voting shares or Common Shares, as applicable, as capital assets (generally, property held for investment purposes). This section does not apply to U.S. Holders subject to special rules, including brokers, dealers in securities or currencies, traders in securities that elect to use a mark-to-market method of accounting for securities holdings, tax-exempt organizations, insurance companies, banks, thrifts and other financial institutions, persons liable for alternative minimum tax, persons that own, directly, indirectly or constructively, 10% or more (by vote or value) of our equity, persons that hold an interest in an entity that holds the shares, persons that hold the shares as part of a hedging, integration, conversion or constructive sale transaction or a straddle, or persons whose functional currency is not the U.S. dollar.

This discussion does not purport to be a complete analysis of all of the potential U.S. federal income tax considerations that may be relevant to U.S. Holders in light of their particular circumstances. Furthermore, it does not address any aspect of foreign, state, local or estate or gift taxation. Each holder should consult its own tax advisor as to the U.S. federal, state, local, foreign and any other tax consequences of the Share Conversion and the distributions to shareholders. This discussion is based on the Internal Revenue Code of 1986, as amended (the "**Code**"), its legislative history, administrative pronouncements of the Internal Revenue Service (the "**IRS**"), existing and proposed U.S. Treasury regulations, published rulings and court decisions, and the *Canada-United States Income Tax Convention* (1980) (the "**Convention**"), all as in effect as of the date hereof, and any of which may be repealed, revoked or modified (possibly with retroactive effect) so as to result in U.S. federal income tax consequences different from those discussed below.

A "**U.S. Holder**" is a beneficial owner of Class A variable voting shares, Class B voting shares or Common Shares who, for U.S. federal income tax purposes, is a citizen or individual resident of the United States, a corporation (or other entity that is treated as a corporation for U.S. federal income tax purposes) that is created or organized in or under the laws of the United States, or any State thereof or the District of Columbia, an estate whose income is subject to U.S. federal income tax regardless of its source, or a trust (i) if a U.S. court can exercise primary supervision over the trust's administration and one or more U.S. persons are authorized to control all substantial decisions of the trust, or (ii) that validly elects to be treated as a U.S. person for U.S. federal income tax purposes.

If a partnership or other pass-through entity holds the Class A variable voting shares, Class B voting shares or Common Shares, as applicable, the U.S. federal income tax treatment of a partner, beneficiary, or other stakeholder will generally depend on the status of that person and the tax treatment of the pass-through entity. A partner, beneficiary, or other stakeholder in a pass-through entity holding such shares should consult its own tax advisor with regard to the U.S. federal income tax treatment of the Share Conversion and the distributions to shareholders and its investment in such shares.

Share Conversion

A U.S. Holder who exchanges its Class A variable voting shares and/or Class B voting shares for Common Shares in the Share Conversion will not recognize gain or loss for U.S. federal income tax purposes. A U.S. Holder's adjusted tax basis in, and its holding period for, each of the Common Shares received in the Share Conversion will be the same as its adjusted tax basis in, and its holding period for, the Class A variable voting share or Class B voting share exchanged for such Common Share.

Distributions

General

For U.S. federal income tax purposes, the distributions to shareholders pursuant to the Liquidation should be treated as a series of distributions in complete liquidation of ACE in which U.S. Holders are treated as receiving amounts as full payment in exchange for their Common Shares.

A U.S. Holder's gain or loss and holding period must be determined separately for each block of Common Shares. In general and subject to the passive foreign investment company ("**PFIC**") rules discussed below, each U.S. Holder must allocate liquidating distributions from ACE to its shareholders equally to each block of Common Shares and compare the allocated portion of each liquidating distribution with the U.S. Holder's adjusted tax basis in each block of Common Shares at the time of such distribution. A U.S. Holder must first apply a liquidating distribution against, and reduce, the adjusted tax basis of its Common Shares before reporting gain or loss. Such adjusted tax basis is then used to calculate any gain or loss in connection with subsequent transactions involving the Common Shares, including the receipt of additional liquidating distributions from ACE to its shareholders. Thus, the total gain or loss recognized by a U.S. Holder that receives all of the liquidating distributions paid on a block of Common Shares will equal (1) the aggregate of the liquidating distributions allocated to such block of Common Shares (without reduction for any Canadian withholding tax) less (2) the U.S. Holder's adjusted tax basis (determined in U.S. dollars) in such block of Common Shares. U.S. Holders generally cannot recognize a loss on a liquidating distribution to such holder until the final distribution is made, with certain exceptions. U.S. Holders should consult their own tax advisors on the year in which they can claim a loss, if any, on the Common Shares.

The amount of a liquidating distribution actually or constructively received by a U.S. Holder will generally be the U.S. dollar value of the payment received determined by the spot rate on (i) the date of receipt of payment in the case of a cash basis U.S. Holder and (ii) the date of such distribution in the case of an accrual basis U.S. Holder. If Canadian dollars are converted into U.S. dollars on the day they are received, U.S. Holders generally should not be required to recognize foreign currency exchange gain or loss. U.S. Holders should consult their own tax advisors regarding the treatment of any foreign currency exchange gain or loss on any Canadian dollars that are not converted into U.S. dollars on the day of receipt.

Subject to the PFIC rules discussed below, gain or loss on the disposition of Common Shares in the distributions to a U.S. Holder will be capital gain or loss and will be long-term capital gain or loss if such U.S. Holder's holding period for the Common Shares is more than one year. An individual U.S. Holder may be entitled to preferential rates of taxation for net long-term capital gains; however, the deductibility of capital losses is limited under the Code.

Liquidating distributions received by U.S. Holders may be subject to Canadian withholding tax. See "Certain Income Tax Considerations – Certain Canadian Federal Income Tax Considerations – Non-Residents of Canada – Distributions to Non-Resident Holders" above. A U.S. Holder may be eligible,

subject to certain limitations, to claim a foreign tax credit in respect of any Canadian withholding taxes imposed on the distributions to such Holder. A U.S. Holder who does not elect to claim a foreign tax credit for foreign income tax withheld may instead claim a deduction for U.S. federal income tax purposes, in respect of such withholdings, but only for a year in which such holder elects to do so for all creditable foreign income taxes. Gain or loss recognized by a U.S. Holder from the distributions will generally be treated as a "passive category income" from U.S. sources although it is possible that U.S. Holders that are entitled to the benefits of the Convention may be able to elect to treat any such gain as income from Canadian sources for purposes of crediting the Canadian withholding tax against U.S. federal income tax. The foreign tax credit rules are complex, and U.S. Holders are urged to consult their own tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Passive Foreign Investment Company Rules

A foreign corporation will be considered a PFIC for any taxable year in which (1) 75% or more of its gross income is "passive income" or (2) 50% or more of the average quarterly value of its assets produce (or are held for the production of) "passive income." For this purpose, "passive income" generally includes interest, dividends, rents, royalties and certain gains. If a corporation is treated as a PFIC with respect to a U.S. Holder for any taxable year in which such U.S. Holder held Class A variable voting shares, Class B voting shares or Common Shares, the corporation will continue to be treated as a PFIC with respect to that U.S. Holder in all succeeding taxable years, regardless of whether the corporation continues to meet the PFIC requirements in such years, unless certain elections are made.

The determination as to whether a foreign corporation is a PFIC is based on the application of complex U.S. federal income tax rules, which are subject to differing interpretations, and the determination will depend on the composition of the income, expenses and assets of the foreign corporation from time to time. ACE currently expects that it is a PFIC in the current taxable year and for the foreseeable future. However, ACE's actual PFIC status for any taxable year is not determinable until after the end of such taxable year.

As described below, adverse tax consequences could apply to a U.S. Holder if ACE was classified as a PFIC. A U.S. Holder would be required to report any gain on the disposition of any Common Shares (including any gain realized on the distributions to such U.S. Holder) as ordinary income, rather than as capital gain, and to compute the tax liability on the gain and any "Excess Distribution" (as defined below) received in respect of the Common Shares as if such items had been earned ratably over each day in the U.S. Holder's holding period (or a portion thereof) for the Common Shares. The amounts allocated to the taxable year of disposition and to years before ACE became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for that taxable year for individuals or corporations, as appropriate, and an interest charge would be imposed on the tax attributable to the allocated amount.

For purposes of these rules, gifts, exchanges pursuant to corporate reorganizations and use of the Common Shares as security for a loan may be treated as a taxable disposition of the Common Shares. An "Excess Distribution" is the amount by which distributions received by a U.S. Holder during a taxable year in respect of its Common Shares exceed 125% of the average amount of distributions in respect thereof received during the three preceding taxable years (or, if shorter, the U.S. Holder's holding period for the Common Shares).

Certain additional adverse tax rules will apply to a U.S. Holder for any taxable year in which ACE is treated as a PFIC with respect to such U.S. Holder and any subsidiary of ACE is also treated as a PFIC (a "**Subsidiary PFIC**"). In such a case, the U.S. Holder will generally be deemed to own its proportionate interest (by value) in any Subsidiary PFIC and be subject to the PFIC rules described above

with respect to the Subsidiary PFIC regardless of such U.S. Holder's percentage ownership in ACE, including the recognition of its pro rata share of any distribution received from, or gain realized on the disposition of, a Subsidiary PFIC by ACE.

A U.S. Holder may avoid some of the rules described above only if it has a timely mark-to-market election in place. However, the mark-to-market election generally would not be effective for a Subsidiary PFIC. U.S. Holders should consult their own tax advisers regarding the potential availability and consequences of a mark-to-market election.

If we were a PFIC, a U.S. Holder would be required to attach a completed IRS Form 8621 to its tax return every year in which it recognized gain on its Common Shares, including any gain resulting from the distributions to such U.S. Holder. Recently enacted legislation creates an additional annual filing requirement for U.S. persons who are shareholders in a PFIC. The legislation does not describe what information will be required to be included in the additional annual filing, but rather grants the Secretary of the U.S. Treasury authority to decide what information must be included in such annual filing. U.S. Holders should consult their own tax advisors concerning annual filing requirements.

Liquidation Reporting Requirements

A U.S. Holder who owns 5% or more (by vote or value) of ACE's equity may be required to attach a statement to its tax returns describing the fair market value and basis of its stock transferred to ACE and a description of the property received in the distributions to shareholders pursuant to the Liquidation. U.S. Holders are urged to consult their own tax advisors regarding information reporting requirements relating to their ownership of the shares of ACE.

OTHER IMPORTANT INFORMATION

ACE is a holding company with interests in Air Canada. The head office of ACE is located at 5100 de Maisonneuve Boulevard West, Montreal, Québec, H4A 3T2. Its website is www.aceaviation.com (for greater certainty, this website is not in any way incorporated by reference herein).

Indebtedness of Directors and Officers

As at March 9, 2012, 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.

Chairman's Prerogative

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

Auditors

The auditors of ACE are PricewaterhouseCoopers LLP, Chartered Accountants, Montreal, Canada.

Directors' and Officers' Liability Insurance

ACE maintains directors' and officers' liability insurance for the benefit of the directors and officers of ACE 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, 2011 to October 1, 2012 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\$568,850.

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, 2011 or in any proposed transaction which has materially affected or would materially affect the Corporation or any of its subsidiaries.

Shareholder Proposals for Our 2013 Annual Meeting

To the extent that the powers of the directors of the Corporation have not vested in a liquidator pursuant to an order of the Québec Superior Court as described under "The Liquidation", or are not expected to so vest, prior to June 30, 2013, ACE will hold a further annual meeting no later than June 30, 2013. ACE will include proposals from shareholders that comply with applicable laws in its management proxy circular for any 2013 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 December 10, 2012.

LEGAL MATTERS

Stikeman Elliott LLP, counsel to ACE, has advised ACE with respect to certain legal matters in connection with the proposed Share Conversion and Liquidation. As of March 9, 2012, the partners and associates of Stikeman Elliott LLP, as a group, beneficially owned, directly or indirectly, less than 1% of the outstanding Shares.

ADDITIONAL INFORMATION

Additional information relating to ACE is provided in the following documents:

- Audited Consolidated Financial Statements of ACE for the year ended December 31, 2011, together with the notes thereto and the auditors' report thereon;
- Management's Discussion and Analysis of Results of Operations and Financial Condition of ACE for the year ended December 31, 2011; and
- ACE's Annual Information Form of ACE dated March 30, 2011 relating to the year ended December 31, 2010.

Copies of such documents may be obtained without charge by writing to Shareholder Relations of ACE at 5100 de Maisonneuve Boulevard West, Montreal, Québec, H4A 3T2.

The documents are also available on ACE's website at www.aceaviation.com and on SEDAR at www.sedar.com.

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 Kingsdale, ACE's proxy solicitation agent at:

North American Toll Free Number: 1-866-851-1392

Outside North America, Banks and Brokers Call Collect: 416-867-2272

Mail Service Interruption

If there is a mail service interruption prior to a Shareholder mailing a completed proxy to Canadian Stock Transfer Company Inc. as administrative agent for CIBC Mellon Trust Company, ACE's transfer agent, it is recommended that the Shareholder deposit the completed proxy, in the envelope provided, at any of the following offices of Canadian Stock Transfer Company Inc.:

Alberta

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

Ontario

320 Bay Street
Banking Hall
Toronto, Ontario

Nova Scotia

1660 Hollis Street
Suite 406
Halifax, Nova Scotia

British Columbia

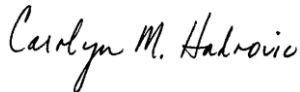
1066 West Hastings St.
The Oceanic Plaza
Suite 1600
Vancouver, B.C.

Québec

2001 University Street
Suite 1600
Montreal, Québec

Approval of this Proxy Circular

The Board approved the contents of this Proxy Circular and authorized it to be sent to each shareholder who is eligible to receive notice of, and to vote at, the Meeting, as well as to the auditors of ACE and each director of ACE.



Carolyn M. Hadrovic
Corporate Secretary
Montreal, Québec
March 9, 2012

APPENDIX "A"

SHARE CONVERSION RESOLUTION

BE IT RESOLVED AS A SPECIAL RESOLUTION OF SHAREHOLDERS:

1. **THAT** the articles of ACE Aviation Holdings Inc. (the "**Corporation**") be amended to:
 - a) authorize the creation of an unlimited number of common shares (each a "**Common Share**") with the rights, privileges, restrictions and conditions attaching to the Common Shares provided for in the articles of amendment attached as Appendix B to the Management Proxy Circular of ACE dated March 9, 2012 (the "**Articles of Amendment**");
 - b) provide that each outstanding Class A variable voting share and each Class B voting share of the Corporation be converted into one Common Share, the whole effective as of 12:01 a.m. the date set forth in the certificate of amendment to be issued by the Director appointed under the *Canada Business Corporations Act*;
 - c) remove the classes of Class A variable voting shares and Class B variable voting shares from the authorized share capital of the Corporation;
 - d) remove the class of preferred shares from the authorized share capital of the Corporation; and
 - e) provide that an amount equal to the average of the closing trading prices of the Class A variable voting shares and the Class B voting shares on the trading day that is immediately preceding the date of issuance of the certificate of amendment is specified in respect of each Common Share for purposes of subsection 191(4) of the *Income Tax Act* (Canada);

the whole upon the terms set forth in the Articles of Amendment;
2. **THAT** any officer or director of the Corporation is hereby authorized and directed to file the Articles of Amendment with the Director appointed under the *Canada Business Corporations Act*;
3. **THAT** any officer or director of the Corporation be and each is hereby authorized to execute and deliver all agreements, documents, instruments and writings, in the name and on behalf of the Corporation, to pay all such expenses and to take all such other actions as in his judgment are necessary or desirable in order to fully carry out the intent and accomplish the purpose of this special resolution, such approval to be conclusively evidenced by the signing of such agreements, documents, instruments and writings by such officer or director; and
4. **THAT** notwithstanding that this special resolution has been duly passed by the shareholders of the Corporation, the board of directors of the Corporation is hereby authorized, at its discretion, to revoke this special resolution at any time before it is acted upon, and to determine not to proceed with the amendment of the articles of the Corporation without further approval of the shareholders of the Corporation.

Schedule A

The classes and any maximum number of shares that the corporation is authorized to issue

- A. The authorized capital of the Corporation is amended by the creation of an unlimited number of common shares.
- B. Each Class A Variable Voting Share issued and outstanding in the share capital of the Corporation immediately prior to the issuance of the Certificate of Amendment, shall be, upon the issuance of the Certificate of Amendment, converted into one common share, such conversion being effective as of 12:01 a.m. on the date on which the Certificate of Amendment is issued.
- C. Each Class B Voting Share issued and outstanding in the share capital of the Corporation immediately prior to the issuance of the Certificate of Amendment, shall be, upon the issuance of the Certificate of Amendment, converted into one common share, such conversion being effective as of 12:01 a.m. on the date on which the Certificate of Amendment is issued.
- D. The Class A Variable Voting Shares and the Class B Voting Shares are cancelled as authorized classes of shares.
- E. The Preferred Shares are cancelled as an authorized class of shares.
- F. An amount equal to the average of the closing trading prices of the Class A Variable Voting Shares and the Class B Voting Shares on the trading day that is immediately preceding the date of issuance of the Certificate of Amendment, is specified in respect of each common share for purposes of subsection 191(4) of the *Income Tax Act* (Canada).
- G. Section 3 of the articles of amalgamation of the Corporation is deleted and replaced with the following:

The classes and any maximum number of shares that the Corporation is authorized to issue:

Unlimited number of common shares.

- I. **The common shares shall have attached thereto the following rights, privileges, restrictions and conditions:**
 - (a) **Voting.** The holders of the common shares shall be entitled to receive notice of, and to attend and vote at all meetings of the shareholders of the Corporation, except where the holders of a specified class are entitled to vote separately as a class as provided in the *Canada Business Corporations Act*. Each common share shall confer the right to one (1) vote in person or by proxy at all meetings of the shareholders of the Corporation.

- (b) ***Dividends and Distributions.*** Subject to the rights, privileges, restrictions and conditions attaching to the shares of the Corporation of any other class ranking prior to the common shares, the holders of the common shares shall, at the discretion of the directors, be entitled to receive, out of monies, assets or property of the Corporation properly applicable to the payment of dividends or distributions, any dividends or distributions declared and payable by the Corporation on the common shares.

- (c) ***Liquidation, Dissolution or Winding-up.*** Subject to the rights, privileges, restrictions and conditions attaching to the shares of the Corporation ranking prior to the common shares, upon liquidation, dissolution or winding-up of the Corporation or other distribution of the Corporation's assets among its shareholders for the purpose of winding-up its affairs, the holders of common shares shall be entitled to receive the remaining property of the Corporation and shall be entitled to share equally, share for share, in all distributions of such assets.

APPENDIX "C"

LIQUIDATION RESOLUTION

BE IT RESOLVED AS A SPECIAL RESOLUTION OF SHAREHOLDERS:

1. **THAT** the voluntary liquidation of ACE Aviation Holdings Inc. (the "**Corporation**") pursuant to *Section 211 of the Canada Business Corporations Act*, the making of an initial distribution of assets in an amount to be determined by the board of directors of the Corporation (the "**Board**"), and the distribution of the remaining assets of the Corporation to its shareholders, at such times and in such amounts as may be determined at the discretion of the Corporation, after providing for outstanding liabilities, contingencies and costs of the liquidation, are hereby authorized and approved;
2. **THAT** the appointment of a liquidator at a time to be determined by the Board and the vesting in the liquidator of all of the powers of the directors and the shareholders of the Corporation be and is hereby authorized and approved and the Corporation be and is authorized to apply at the time to be determined by the Board for Court supervision of its liquidation and the appointment by the Court of the liquidator;
3. **THAT** the voluntary dissolution of the Corporation pursuant to the *Canada Business Corporations Act* and the delivery by the Corporation of articles of dissolution in the prescribed form to the Director appointed under the *Canada Business Corporations Act*, at the time determined by the Corporation in its discretion, be and is hereby authorized and approved;
4. **THAT**, in its discretion, the Corporation may implement a consolidation of the shares in its capital if the Corporation considers that such consolidation is necessary to allow the Common Shares to continue to be listed on a stock exchange and publicly traded, with the terms and conditions of the consolidation, including the ratio of consolidation and the issuance or cancellation of fractional shares, with or without the payment of such fractional shares, will be determined by the Corporation in its discretion, subject to any applicable laws or regulations;
5. **THAT** any officer or director of the Corporation be and each is hereby authorized to execute and deliver all agreements, documents, instruments and writings, in the name and on behalf of the Corporation, to pay all such expenses and to take all such other actions as in his judgment are necessary or desirable in order to fully carry out the intent and accomplish the purpose of this special resolution, such approval to be conclusively evidenced by the signing of such agreements, documents, instruments and writings by such officer or director;
6. **THAT** this resolution shall become effective the day after the date on which the Class A variable voting shares and Class B voting shares are converted into Common Shares pursuant to the Articles of Amendment referred to in Appendix "A"; and
7. **THAT** notwithstanding that this special resolution has been duly passed by the shareholders of the Corporation, the Board is hereby authorized, at its discretion, to revoke this special resolution at any time before it is acted upon, and to determine not to proceed with the liquidation and dissolution of the Corporation without further approval of the shareholders of the Corporation.

APPENDIX "D"

DISSENT RIGHTS

TEXT OF SECTION 190 OF THE CBCA

(1) Right to dissent - Subject to sections 191 and 241, a holder of shares of any class of a corporation may dissent if the corporation is subject to an order under paragraph 192(4)(d) that affects the holder or if the corporation resolves to

- (a) amend its articles under section 173 or 174 to add, change or remove any provisions restricting or constraining the issue, transfer or ownership of shares of that class;
- (b) amend its articles under section 173 to add, change or remove any restriction on the business or businesses that the corporation may carry on;
- (c) amalgamate otherwise than under section 184;
- (d) be continued under section 188;
- (e) sell, lease or exchange all or substantially all its property under subsection 189(3); or
- (f) carry out a going-private transaction or a squeeze-out transaction.

(2) Further right - A holder of shares of any class or series of shares entitled to vote under section 176 may dissent if the corporation resolves to amend its articles in a manner described in that section.

(2.1) If one class of shares - The right to dissent described in subsection (2) applies even if there is only one class of shares.

(3) Payment for shares - In addition to any other right the shareholder may have, but subject to subsection (26), a shareholder who complies with this section is entitled, when the action approved by the resolution from which the shareholder dissents or an order made under subsection 192(4) becomes effective, to be paid by the corporation the fair value of the shares in respect of which the shareholder dissents, determined as of the close of business on the day before the resolution was adopted or the order was made.

(4) No partial dissent - A dissenting shareholder may only claim under this section with respect to all the shares of a class held on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.

(5) Objection - A dissenting shareholder shall send to the corporation, at or before any meeting of shareholders at which a resolution referred to in subsection (1) or (2) is to be voted on, a written objection to the resolution, unless the corporation did not give notice to the shareholder of the purpose of the meeting and of their right to dissent.

(6) Notice of resolution - The corporation shall, within ten days after the shareholders adopt the resolution, send to each shareholder who has filed the objection referred to in subsection (5) notice that the resolution has been adopted, but such notice is not required to be sent to any shareholder who voted for the resolution or who has withdrawn their objection.

(7) Demand for payment - A dissenting shareholder shall, within twenty days after receiving a notice under subsection (6) or, if the shareholder does not receive such notice, within twenty days after learning that the resolution has been adopted, send to the corporation a written notice containing

- (a) the shareholder's name and address;
- (b) the number and class of shares in respect of which the shareholder dissents; and
- (c) a demand for payment of the fair value of such shares.

(8) Share certificate - A dissenting shareholder shall, within thirty days after sending a notice under subsection (7), send the certificates representing the shares in respect of which the shareholder dissents to the corporation or its transfer agent.

(9) Forfeiture - A dissenting shareholder who fails to comply with subsection (8) has no right to make a claim under this section.

(10) Endorsing certificate - A corporation or its transfer agent shall endorse on any share certificate received under subsection (8) a notice that the holder is a dissenting shareholder under this section and shall forthwith return the share certificates to the dissenting shareholder.

(11) Suspension of rights - On sending a notice under subsection (7), a dissenting shareholder ceases to have any rights as a shareholder other than to be paid the fair value of their shares as determined under this section except where

- (a) the shareholder withdraws that notice before the corporation makes an offer under subsection (12),
- (b) the corporation fails to make an offer in accordance with subsection (12) and the shareholder withdraws the notice, or
- (c) the directors revoke a resolution to amend the articles under subsection 173(2) or 174(5), terminate an amalgamation agreement under subsection 183(6) or an application for continuance under subsection 188(6), or abandon a sale, lease or exchange under subsection 189(9),

in which case the shareholder's rights are reinstated as of the date the notice was sent.

(12) Offer to pay - A corporation shall, not later than seven days after the later of the day on which the action approved by the resolution is effective or the day the corporation received the notice referred to in subsection (7), send to each dissenting shareholder who has sent such notice

- (a) a written offer to pay for their shares in an amount considered by the directors of the corporation to be the fair value, accompanied by a statement showing how the fair value was determined; or
- (b) if subsection (26) applies, a notification that it is unable lawfully to pay dissenting shareholders for their shares.

(13) Same terms - Every offer made under subsection (12) for shares of the same class or series shall be on the same terms.

(14) Payment - Subject to subsection (26), a corporation shall pay for the shares of a dissenting shareholder within ten days after an offer made under subsection (12) has been accepted, but any such

offer lapses if the corporation does not receive an acceptance thereof within thirty days after the offer has been made.

(15) Corporation may apply to court - Where a corporation fails to make an offer under subsection (12), or if a dissenting shareholder fails to accept an offer, the corporation may, within fifty days after the action approved by the resolution is effective or within such further period as a court may allow, apply to a court to fix a fair value for the shares of any dissenting shareholder.

(16) Shareholder application to court - If a corporation fails to apply to a court under subsection (15), a dissenting shareholder may apply to a court for the same purpose within a further period of twenty days or within such further period as a court may allow.

(17) Venue - An application under subsection (15) or (16) shall be made to a court having jurisdiction in the place where the corporation has its registered office or in the province where the dissenting shareholder resides if the corporation carries on business in that province.

(18) No security for costs - A dissenting shareholder is not required to give security for costs in an application made under subsection (15) or (16).

(19) Parties - On an application to a court under subsection (15) or (16),

(a) all dissenting shareholders whose shares have not been purchased by the corporation shall be joined as parties and are bound by the decision of the court; and

(b) the corporation shall notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to appear and be heard in person or by counsel

(20) Powers of court - On an application to a court under subsection (15) or (16), the court may determine whether any other person is a dissenting shareholder who should be joined as a party, and the court shall then fix a fair value for the shares of all dissenting shareholders.

(21) Appraisers - A court may in its discretion appoint one or more appraisers to assist the court to fix a fair value for the shares of the dissenting shareholders.

(22) Final order - The final order of a court shall be rendered against the corporation in favour of each dissenting shareholder and for the amount of the shares as fixed by the court.

(23) Interest - A court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective until the date of payment.

(24) Notice that subsection (26) applies - If subsection (26) applies, the corporation shall, within ten days after the pronouncement of an order under subsection (22), notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.

(25) Effect where subsection (26) applies - If subsection (26) applies, a dissenting shareholder, by written notice delivered to the corporation within thirty days after receiving a notice under subsection (24), may

(a) withdraw their notice of dissent, in which case the corporation is deemed to consent to the withdrawal and the shareholder is reinstated to their full rights as a shareholder; or

- (b) retain a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.

(26) Limitation - A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that

- (a) the corporation is or would after the payment be unable to pay its liabilities as they become due;
or
- (b) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities.

APPENDIX "E"

RECORD OF ATTENDANCE BY DIRECTORS

Record of Attendance by Directors for the 12 months ended December 31, 2011

Director	Number of meetings attended	
	Board	Committees
Bernard Attali ⁽¹⁾	6 of 6	5 of 5
Gregory A. Boland	6 of 6	7 of 7
W. Brett Ingersoll ⁽²⁾	4 of 6	5 of 7
Pierre Marc Johnson	6 of 6	6 of 6
David J. Kassie	5 of 6	3 of 5
Robert F. MacLellan	5 of 6	7 of 7
Robert A. Milton	5 of 6	N/A
David I. Richardson	6 of 6	6 of 6
Marvin Yontef	6 of 6	3 of 3

(1) Mr. Attali ceased to be a director of ACE on December 31, 2011.

(2) Mr. Ingersoll ceased to be a director of ACE on December 31, 2011.

Summary of board and committee meetings held

Board	6
Audit, Finance and Risk Committee	4
Governance and Corporate Matters Committee	3
Human Resources and Compensation Committee	3
Nominating Committee	2

APPENDIX "F"

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 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.

Any questions and requests for assistance may be directed to the
Proxy Solicitation Agent:



The Exchange Tower
130 King Street West, Suite 2950, P.O. Box 361
Toronto, Ontario
M5X 1E2
www.kingsdaleshareholder.com

North American Toll Free Phone:

1-866-851-2571

Email: contactus@kingsdaleshareholder.com

Facsimile: 416-867-2271

Toll Free Facsimile: 1-866-545-5580

Outside North America, Banks and Brokers Call Collect: 416-867-2272