



**NOTICE OF  
2006 ANNUAL  
MEETING OF SHAREHOLDERS  
AND MANAGEMENT PROXY CIRCULAR**



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

Dear Shareholders:

You are cordially invited to attend our annual meeting of shareholders of ACE Aviation Holdings Inc. It will be held on Tuesday, May 30, 2006 at 9:30 a.m. (Montreal time), at the International Civil Aviation Organization (ICAO) Conference Centre, 999 University Street, Montreal, Quebec.

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

In all aspects of our business, we have focused on four corporate goals -- ensuring safety and security, achieving growth and success, delivering a great customer experience, and achieving best-in-class profitability. As the results of the past year have demonstrated, our corporate goals are consistent with enhancing shareholder value and innovation in our various businesses.

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

Sincerely,



Robert A. Milton  
Chairman, President and Chief Executive Officer



Michael M. Green  
Lead Director

**NOTICE OF 2006 ANNUAL SHAREHOLDER MEETING**

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**When**

May 30, 2006 at 9:30 a.m. (Montreal time)

**You are entitled to receive notice of, and vote at, our annual shareholder meeting or any adjournment thereof if you were a shareholder on April 3, 2006.**

**Where**

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

**Your vote is important**

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

**Webcast**

A webcast replay of management's presentation at the meeting will be made available at a later date on our website at [www.aceaviation.com](http://www.aceaviation.com)

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.

**Business of the 2006 Annual Shareholder Meeting**

Four items will be covered at the meeting:

By Order of the Board of Directors,

1. placement before shareholders of the consolidated financial statements of ACE Aviation Holdings Inc. for the year ended December 31, 2005, including the auditors' report thereon;
2. election of directors who will serve until the end of the next annual shareholder meeting or until their successors are appointed;
3. appointment of auditors; and
4. consideration of such other business, if any, that may properly come before the meeting or any adjournment thereof.

*Corporate Secretary*

*Carolyn M. Hadronic*

Montreal, Quebec  
March 28, 2006

**MANAGEMENT PROXY CIRCULAR**

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

This circular is for our annual shareholder meeting to be held on May 30, 2006 ("**meeting**"). As a shareholder of ACE Aviation, you have the right to vote your shares on the election of the directors, the appointment of the auditors and on any other items that may properly come before the meeting or any adjournment thereof.

To help you make an informed decision, please read this circular. This circular tells you about the meeting, the nominee directors, the proposed auditors, our corporate governance practices, the compensation of directors and certain officers and other matters. The information in this document was current as at March 28, 2006, unless otherwise indicated. Financial information on ACE Aviation and its subsidiaries is provided in its consolidated financial statements and management's discussion and analysis for the year ended December 31, 2005.

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

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

If you have any questions about any of the information in this circular, please call Shareholder Relations at 1-514-205-7856 for service in English or in French.

**Approval of this circular**

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

*Corporate Secretary*

*Carolyn M. Halovic*

Montreal, Quebec  
March 28, 2006

## VOTING YOUR SHARES

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### Your vote is important

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

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

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

### Voting

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

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

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

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

### How to vote – registered shareholders.

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

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

### By proxy

#### *By telephone*

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

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

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

**The cut-off time for voting by telephone is 11:59 p.m. (Montreal time) on May 25, 2006.**

#### *On the Internet*

Go to the website [www.eproxyvoting.com/aceaviation](http://www.eproxyvoting.com/aceaviation) and follow the instructions on the screen. Your voting instructions are then conveyed electronically over the Internet.

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

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

person you appoint is aware that he or she has been appointed and attends the meeting.

**The cut-off time for voting over the Internet is 11:59 p.m. (Montreal time) on May 25, 2006.**

*By mail*

Complete your form of proxy and return it in the envelope we have provided or by delivery to one of CIBC Mellon's principal Corporate Trust Offices in Halifax, Montreal, Toronto, Vancouver or Calgary **for receipt before 4:00 p.m. (Montreal time) on May 26, 2006 or with the Secretary of the meeting prior to commencement of the meeting on the day of the meeting or on the day of any adjournment thereof.** A list of addresses for the principal Corporate Trust Offices of CIBC Mellon is set forth on page 41 of this circular.

If you return your proxy by mail, you can appoint a person other than the directors or officers named in the form of proxy 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 an admission ticket at the meeting upon registration at the registration desk.

**How to vote – non-registered shareholders**

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

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

By proxy

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

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

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.

**How to vote – employees holding shares under the Employee Share Purchase Plan of ACE Aviation**

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

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

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

By voting instruction form

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

*On the Internet*

Go to the website at [www.computershare.com/proxy](http://www.computershare.com/proxy) and follow the instructions on the screen. Your voting instructions are then conveyed electronically over the Internet.

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

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

**The cut-off time for voting over the Internet is 11:59 p.m. (Montreal time) on May 25, 2006.**

*By mail*

Alternatively you may vote your shares by completing the voting instruction form as directed on the form and returning it in the business reply envelope provided **for receipt before 2:00 p.m. (Montreal time) on May 26, 2006.**

In person at the meeting

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

**Completing the form of proxy**

You can choose to vote "For" or "Withhold" with respect to the election of the directors and the appointment of the auditors. If you are a non-registered shareholder voting your shares, or an employee voting your Employee Shares held pursuant to the Employee Share Purchase Plan of ACE Aviation, please follow the instructions provided in the voting instruction form provided.

When you sign the form of proxy without appointing an alternate proxyholder, you authorize Robert A. Milton, Michael M. Green or Carolyn M. Hadrovic,

who are directors or officers of ACE Aviation, to vote your shares for you at the meeting in accordance with your instructions. **If you return your proxy without specifying how you want to vote your shares, your vote will be counted FOR electing the nominee directors who are named in this circular and FOR appointing PricewaterhouseCoopers LLP as auditors of the Corporation.**

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

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

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

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

If you are an individual shareholder, you or your authorized attorney must sign the form 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) and in the telephone and Internet voting instructions to inform the Corporation whether you are Canadian or not in order to enable ACE Aviation to comply with the restrictions imposed by the *Canada Transportation Act* on the ownership and voting of its voting securities. If you do not complete such declaration or if it is determined by ACE Aviation or its transfer agent that you incorrectly indicated (through inadvertence or otherwise) that the shares represented by the proxy are owned and controlled by a Canadian, you will be deemed to be a

non-Canadian for purposes of voting at the meeting. If you need assistance completing your form of proxy (or voting instruction form), please contact Shareholder Relations at 1-514-205-7856 for service in English or in French.

## **Changing your vote**

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

## **Voting requirements**

The appointment of auditors and the election of directors will be determined by a majority of votes cast at the meeting by proxy or in person. If there is a tie, the chair of the meeting is not entitled to a second or casting vote. CIBC Mellon counts and tabulates the votes.

## **Voting shares and quorum**

As of March 28, 2006, there were 24,783,257 Class B voting shares, 77,149,087 Class A variable voting shares and 12,500,000 preferred shares outstanding. Shareholders of record on April 3, 2006 are entitled to receive notice of and vote at the meeting. The list of shareholders entitled to vote at the meeting will be available for inspection on and after April 7, 2006 during usual business hours at the Montreal office of the Corporation's transfer agent, CIBC Mellon, 2001 University Street, Suite 1600, Montreal, Quebec and at the meeting.

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

represented by proxy may proceed with the business of the meeting notwithstanding that a quorum is not present throughout the meeting. If a quorum is not present at the opening of the meeting, the shareholders present or represented by proxy may adjourn the meeting to a fixed time and place but may not transact any other business.

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

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

## **Restrictions on voting securities**

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

- (a) Canadian citizen or a permanent resident within the meaning of the *Immigration and Refugee Protection Act* (Canada);
- (b) government in Canada or an agent of such a government; or
- (c) a corporation or other entity that is incorporated or formed under the laws of Canada or a province, that is controlled in fact by Canadians and of which at least 75%, or such lesser percentage as the Governor in Council may by regulation specify, of the voting interests are owned and controlled by Canadians.

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

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

The Class A variable voting shares may only be held, beneficially owned and controlled by persons who are not Canadians. An issued and outstanding Class A variable voting share shall be converted into one Class B voting share, automatically and without any further act of ACE Aviation or the holder, if such 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 (including the preferred shares, on an as-converted basis, if they are held, beneficially owned or controlled by persons who are not Canadians), as a percentage of the total number of voting shares outstanding of ACE Aviation exceeds 25%, or (ii) the total number of votes cast by or on behalf of holders of Class A variable voting shares (including the preferred shares, on an as-converted basis, if they are held, beneficially owned or controlled by persons who are not Canadians) at any meeting exceeds 25% of the total number of votes that may be cast at such meeting. If either of the above noted thresholds would otherwise be surpassed at any time, the vote attached to each Class A variable voting share will decrease proportionately such that (i) the Class A variable voting shares as a class (including the preferred shares, on an as-converted basis, if they are held, beneficially owned or controlled by persons who are not Canadians) do not carry more than 25% of the aggregate votes attached to all issued and outstanding voting shares of ACE Aviation and (ii) the total number of votes cast by or on behalf of holders of Class A variable voting shares (including the preferred shares, on an as-converted basis, if they are held, beneficially owned and controlled by persons who are not Canadians) at any meeting do not exceed 25% of the votes that may be cast at such meeting.

The holders of preferred shares are entitled to vote on an as-converted basis with the Class A variable voting shares to the extent that they are not

Canadians and with the Class B voting shares to the extent that they are Canadians. If such preferred shares are held by persons who are not Canadians, they shall be subject to the same proportional reduction in voting percentage as if, for voting purposes only, the preferred shares had been converted into Class A variable voting shares. As of April 3, 2006, all of the preferred shares were held by Promontoria Holding III B.V., a non-Canadian.

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

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

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

**Principal shareholders**

As of March 28, 2006, to the knowledge of the officers or directors of the Corporation, each of the following entities beneficially owned, directly or indirectly, or exercised control or direction over, shares carrying more than 10% of the votes attached to any class of shares entitled to vote in connection with any matters being proposed for consideration at the meeting.

<b>Name of shareholder</b>	<b>Number and Type of Shares</b>	<b>% of Outstanding Shares</b>
Promontoria Holding III B.V. <sup>(1)</sup>	12,500,000 preferred shares	100% of all outstanding preferred shares
Fidelity <sup>(2)(3)</sup>	4,615,760 Class B voting shares	18.624% of all outstanding Class B voting shares
Natcan Investment Management Inc. <sup>(3)</sup>	2,834,500 Class B voting shares	11.437% of all outstanding Class B voting shares

- (1) Promontoria Holding III B.V., an affiliate of Cerberus Capital Management, L.P., will be entitled to vote its preferred shares on an as-converted basis with the Class A variable voting shares and shall be subject to the same proportional reduction in voting percentage to which the Class A variable voting shares are subject. For more information, please refer to the section titled "Restrictions on voting securities".
- (2) Such 4,615,760 Class B voting shares are held by Fidelity Management & Research Company and/or Fidelity Management Trust Company. Fidelity also beneficially owns 6,122,900 class A variable voting shares representing 7.936% of all outstanding Class A variable voting shares.
- (3) Based on publicly available early warning reports.

**BUSINESS OF THE MEETING**

Four items will be covered at the meeting:

1. placement before shareholders of the consolidated financial statements of ACE Aviation Holdings Inc. for the year ended December 31, 2005, including the auditors' report thereon;
2. election of directors who will serve until the end of the next annual shareholder meeting or until their successors are appointed;
3. appointment of auditors; and
4. consideration of such other business, if any, that may properly come before the meeting or any adjournment thereof.

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

**1. Placement of ACE Aviation's financial statements**

The consolidated financial statements for the year ended December 31, 2005, including the auditors' report thereon, are included in our 2005 annual report and are available on SEDAR at [www.sedar.com](http://www.sedar.com). Copies of such statements will also be available at the meeting.

**2. Election of directors**

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

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

**If you do not specify how you want your shares voted, the persons named as proxyholders in the management form of proxy will cast the**

**votes represented by proxy at the meeting FOR the election as directors of the nominee directors who are named in this circular.**

**3. Appointment of auditors**

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

Fees payable for the years ended December 31, 2005 and December 31, 2004 to PricewaterhouseCoopers LLP and its affiliates are \$4,425,064 and \$4,137,228, respectively, as detailed below:

	Year ended December 31, 2005	Year ended December 31, 2004
Audit fees	\$4,161,299	\$3,356,851
Audit-related fees	\$242,015	\$321,269
Tax fees	\$21,750	\$459,108
All other fees	Nil	Nil
	\$4,425,064	\$4,137,228

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 financial statements and for services that are normally provided in connection with statutory and regulatory filings or engagements.

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

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

More information on ACE Aviation's Audit Committee can be found in ACE Aviation's Annual Information Form dated March 28, 2006 which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

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

#### **4. Consideration of other business**

We will also:

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

## THE NOMINATED DIRECTORS

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Eleven (11) directors are to be elected at the meeting, each of whom is to hold office until the end of the next annual meeting of shareholders or until their successors are appointed. Pursuant to an investment agreement dated June 23, 2004 (the "**Investment Agreement**"), Promontoria Holding III B.V. ("**Promontoria**"), the holder of all of the preferred shares of ACE Aviation and an affiliate of Cerberus Capital Management, L.P., has the right to designate three nominees for election to the Board. In this regard, Promontoria Holding III B.V. has designated Michael M. Green, W. Brett Ingersoll and Carlton D. Donaway. Pursuant to the Investment Agreement, Promontoria shall maintain the right to designate three nominees for election to the Board until September 30, 2006. After September 30, 2006, for as long as Promontoria and its affiliates hold at least 75% of the preferred shares (or shares into which they are converted or convertible) originally purchased under the Investment Agreement, Promontoria will continue to have the right to designate three individuals to the Board. After September 30, 2006, for as long as Promontoria and its affiliates hold at least 50% but less than 75% of the preferred shares (or shares into which they are converted or convertible) originally purchased under the Investment Agreement, Promontoria will have the right to designate two individuals to the Board. After September 30, 2006, for as long as Promontoria and its affiliates hold at least 25% but less than 50% of the preferred shares (or shares into which they are converted or convertible) originally purchased under the Investment Agreement, Promontoria will have the right to designate one member of the Board.

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 beneficially owned, directly or indirectly, or over which control was exercised as of March 28, 2006 (including securities of subsidiaries). For Robert A. Milton, it also includes the number of options held under the Stock Option Plan of ACE Aviation as of March 28, 2006.

### **BERNARD ATTALI** Paris, France

*ACE Aviation director since September 30, 2004*



Bernard Attali is the Honorary Chairman of Air France Group (airline group), Country Advisor (France) for Texas Pacific Group (private equity investment firm) and counsel advisor at Orrick, Herrington & Sutcliffe LLP (law firm). Mr. Attali is also a director of Aeroplan Holding GP Inc. and Jazz Air Holding GP Inc. He was Vice-Chairman of Deutsche Bank Europe Investment Banking from 1999 to 2000. Mr. Attali has served as Chairman and Chief Executive Officer of Air France as well as Chairman of the International Air Transport Association Excom (IATA) and the Association of European Airlines (AEA). Mr. Attali is an Officier de la Légion d'Honneur and Titulaire de la Médaille de l'Aéronautique. Mr. Attali holds diplomas from the Institut d'Études Politiques of Paris and from the École Nationale d'Administration.

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

5,000 Class A variable voting shares

1,400 units of Aeroplan Income Fund

**ROBERT E. BROWN**  
Montreal, Quebec

*ACE Aviation director since September 30, 2004*



Robert E. Brown is President and Chief Executive Officer of CAE Inc. (a provider of simulation and modelling technologies as well as an integrated training services for both civil aviation and defence customers). Mr. Brown is a director of CAE Inc., Nortel Networks Corporation and Nortel Networks Limited. He is also on the board of a number of small capital pool companies. He is a director of Aeroplan Holding GP Inc., a trustee of Jazz Air Income Fund and was Chairman of Air Canada from 2003 to 2004. Mr. Brown joined Bombardier Inc. in 1987 and was responsible for the Bombardier Aerospace sector from 1990 to 1999. He was President and Chief Executive Officer of Bombardier Inc. (aerospace and transportation) from 1999 to 2002. Mr. Brown also held various senior positions in federal ministries with economic vocations, including the position of Associate Deputy Minister in the Department of Regional Industrial Expansion before joining the private sector.

Member of the Governance Committee and the Human Resources and Compensation Committee ("**Human Resources Committee**").

10,000 Class B voting shares

12,800 units of Aeroplan Income Fund

6,000 units of Jazz Air Income Fund

**CARLTON D. DONAWAY**  
Redmond, Washington

*ACE Aviation director since December 15, 2004*



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

Member of the Governance Committee and the Nominating Committee.

Nil shares of ACE Aviation held. Promontoria, an affiliate of Cerberus Capital Management, L.P., holds 12,500,000 preferred shares.

**MICHAEL M. GREEN**  
Radnor, Pennsylvania

*ACE Aviation director since September 30, 2004*



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

Lead Director of the Board, Chair of the Governance Committee and Member of the Nominating Committee.

Nil shares of ACE Aviation held. Promontoria, an affiliate of Cerberus Capital Management, L.P., holds 12,500,000 preferred shares.

10,000 units of Aeroplan Income Fund

5,000 units of Jazz Air Income Fund

**W. BRETT INGERSOLL**  
New York, New York

*ACE Aviation director since September 30, 2004*



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

Member of the Audit Committee and the Human Resources Committee.

Nil shares of ACE Aviation held. Promontoria, an affiliate of Cerberus Capital Management, L.P., holds 12,500,000 preferred shares.

**PIERRE MARC JOHNSON**  
Montreal, Quebec

*ACE Aviation director since September 30, 2004*



Pierre Marc Johnson is Counsel to the offices of the Canadian law firm Heenan Blaikie LLP; he advises, mediates, negotiates for or with, various governments, United Nations related organizations and other international institutions. Mr. Johnson is a director of St-Lawrence Cement (Ciment St-Laurent) Inc., Vincor International Inc., Orthosoft Inc., and First National AlarmCap Income Fund and Chairs the foresight committee of the Veolia Environmental Institute (Paris). He is a director of Jazz Air Holding GP Inc. and is also a trustee of Aeroplan Income Fund. During his career in Public Office, Mr. Johnson, a physician and attorney became Quebec's Premier in 1985 and then Leader of the Opposition. He had previously been Minister of Labour and Manpower, Financial Institutions, Social Affairs, Intergovernmental Affairs, Attorney General and Minister of Justice.

Chair of the Human Resources Committee and Member of the Governance Committee.

5,000 Class B voting shares

5,900 units of Aeroplan Income Fund

**RICHARD H. McCOY**  
Toronto, Ontario

*ACE Aviation director since August 3, 2005*



Richard H. McCoy is a corporate director. Mr. McCoy is a director of Rothmans Inc., Aberdeen Asia-Pacific Income Fund Ltd., Canadian Mini Warehouse Properties, MDS Inc., Uranium Participation Corporation and Pizza Pizza Royalty Income Fund. He is also a trustee of Jazz Air Income Fund. Mr. McCoy has over 35 years experience in the investment industry. From May 1997 to October 31, 2003, Mr. McCoy was Vice-Chairman, Investment Banking at TD Securities. Prior to joining TD Securities in 1997, Mr. McCoy was deputy Chairman of CIBC Wood Gundy Securities.

Member of the Governance Committee, the Human Resources Committee and the Nominating Committee.

4,000 Class B voting shares

720 units of Aeroplan Income Fund

5,000 units of Jazz Air Income Fund

**JOHN T. McLENNAN**  
Mahone Bay, Nova Scotia

*ACE Aviation director since September 30, 2004*



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

Chair of the Nominating Committee and Member of the Audit Committee.

10,000 Class B voting shares

21,800 units of Aeroplan Income Fund

10,000 units of Jazz Air Income Fund

**ROBERT A. MILTON**  
Westmount, Quebec

*ACE Aviation director since June 29, 2004*



Robert A. Milton is Chairman, President and Chief Executive Officer of ACE Aviation. Mr. Milton is also Chairman of Air Canada, Aeroplan Holding GP Inc., ACTS General Partner Inc. and Jazz Air Holding GP Inc. Mr. Milton is currently a director of U.S. Airways Group Inc. Mr. Milton was previously President and Chief Executive Officer of Air Canada. 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 finally Chief Operating Officer in 1996. Mr. Milton graduated in 1983 from the Georgia Institute of Technology with a Bachelor of Science Degree in Industrial Management.

24,336 Class B voting shares

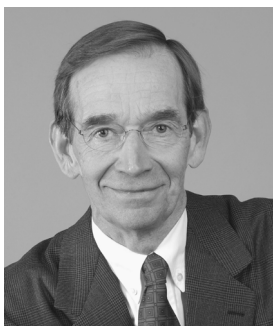
743,097 options

9,380 units of Aeroplan Income Fund

10,000 units of Jazz Air Income Fund

**DAVID I. RICHARDSON**  
Grafton, Ontario

*ACE Aviation director since September 30, 2004*



David I. Richardson is a corporate director. Mr. Richardson is a director and Chairman of the audit committee of Husky Injection Molding Systems Ltd. Mr. Richardson is also a director of Air Canada, Jazz Air Holding GP Inc. and a trustee of Aeroplan Income Fund. 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 holds a Bachelor of Commerce Degree from the University of Toronto and is a member and a Fellow of the Institute of Chartered Accountants of Ontario.

Chair of the Audit Committee and Member of the Human Resources Committee.

10,000 Class B voting shares

16,800 units of Aeroplan Income Fund

5,000 units of Jazz Air Income Fund

**MARVIN YONTEF**  
Toronto, Ontario

*ACE Aviation director since June 29, 2004*



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

Member of the Governance Committee.

5,000 Class B voting shares

5,900 units of Aeroplan Income Fund

5,000 units of Jazz Air Income Fund

## **Remuneration of Directors**

The Board's compensation is designed to attract and retain highly talented and experienced directors, leading to the long-term success of the Corporation. This requires that directors be adequately and competitively compensated. ACE Aviation measures its director's compensation practices against the market practices of large Canadian based companies including those in the S&P/TSX 60 index. Based on recent findings by its compensation consultants, the total annual Board compensation for ACE directors is slightly below market median.

Non-executive directors of ACE Aviation receive a retainer of \$75,000 per year. The Chair of the Audit Committee, the Governance Committee, the Human Resources 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 Committee, the Governance Committee, the Human Resources Committee and the Nominating Committee, respectively, receive an additional retainer of \$10,000, \$5,000, \$5,000 and \$5,000 per year. The Lead Director of the Board receives an additional retainer of \$37,500 per year. The Chairman, President and Chief Executive Officer of ACE Aviation receives no compensation as a director of ACE Aviation or of any of its subsidiaries.

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

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

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

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

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

## **Share Ownership Requirement for Directors**

The Board has adopted a policy whereby directors must own Class A variable voting shares or Class B voting shares of ACE Aviation. The Board has determined that the nominees of Cerberus Capital Management, L.P., namely Michael M. Green, W. Brett Ingersoll and Carlton D. Donaway, are not subject to this requirement as Cerberus Capital Management, L.P., through Promontoria Holding III B.V. (an affiliate), holds a substantial investment in ACE Aviation. Promontoria Holding III B.V. holds all of the preferred shares of ACE Aviation which were issued to it on September 30, 2004 for a consideration of \$250 million. For a description of the shares owned by the directors of ACE, please see their respective biographies starting at page 13.

## Certain Proceedings

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

- (i) Following the acquisition of Canadian Airlines International Ltd. ("CAIL") by Air Canada in 2000, Robert A. Milton became a director of CAIL. Thereafter, CAIL restructured under the *Companies' Creditors Arrangement Act* (Canada) ("CCAA") pursuant to a plan of compromise which became effective on July 5, 2000. CAIL's common shares and non-voting shares were suspended from trading by the Toronto Stock Exchange ("TSX") on June 27, 2000 and delisted on July 6, 2000. Mr. Milton was also President and Chief Executive Officer of Air Canada when it filed for protection under the CCAA on April 1, 2003;
- (ii) Pierre Marc Johnson was a director of Air Canada when it filed for protection under the CCAA on April 1, 2003;
- (iii) Robert E. Brown was a director of Air Canada when Air Canada filed for protection under the CCAA on April 1, 2003 and became Chairman of Air Canada on May 13, 2003. Mr. Brown was also a director of Nortel Networks Corporation when, on or about May 31, 2004, cease trade orders were issued against directors, officers and certain other current and former employees of Nortel Networks Corporation and Nortel Networks Limited (collectively, "**Nortel Networks**"). The management cease trade orders were imposed in response to the failure by Nortel Networks to file certain financial statements with the Canadian securities regulators;
- (iv) John T. McLennan was the Chief Executive Officer of AT&T Canada when it filed for protection under the CCAA on October 15, 2002; and
- (v) Michael M. Green was a director of Anchor Glass Container Corporation when it filed a voluntary petition for reorganization under Chapter 11 of the US Bankruptcy Code in August 2005.

**STATEMENT OF GOVERNANCE PRACTICES**

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

**Board of Directors***Director Independence*

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

A majority of the directors of the Corporation, namely Bernard Attali, Robert E. Brown, Carlton D. Donaway, Michael M. Green, W. Brett Ingersoll, Pierre Marc Johnson, Richard H. McCoy, John T. McLennan and David I. Richardson, are "independent" directors in that each of them has no material relationship with the Corporation and, in the reasonable opinion of the Board, are unrelated and independent under the laws, regulations and listing requirements to which the Corporation is subject.

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

*Directorships of Other Reporting Issuers*

Bernard Attali, Robert E. Brown, Michael M. Green, W. Brett Ingersoll, Pierre Marc Johnson, Richard H. McCoy, John T. McLennan, David I. Richardson, Robert A. Milton and Marvin Yontef are presently directors of several public entities. Bernard Attali is currently the Honorary Chairman of Air France Group and director of Aeroplan Holding GP Inc. and Jazz Air Holding GP Inc. Robert E. Brown is currently director of CAE Inc., Nortel Networks Corporation, Nortel Networks Limited and Aeroplan Holding GP Inc., and a trustee of Jazz Air Income Fund. Michael M. Green is currently director of SSA Global. W. Brett Ingersoll is currently director of Aeroplan Holding GP Inc. Pierre Marc Johnson is currently director of St-Lawrence Cement (Ciment St-Laurent) Inc., Vincor International Inc., Orthosoft Inc., First National AlarmCap Income Fund and Jazz Air Holding GP Inc., and a trustee of Aeroplan Income Fund. Richard H. McCoy is currently director of Rothmans Inc., Aberdeen Asia-Pacific Income Fund Ltd., Canadian Mini Warehouse Properties, MDS Inc., Uranium Participation Corporation and Pizza Pizza Royalty Income Fund, and a trustee of Jazz Air Income Fund. John T. McLennan is currently director of Hummingbird Ltd., Amdocs Ltd., Emera Incorporated, Manitoba Telephone Systems, Medisys Health Services and Jazz Air Holding GP Inc., and a trustee of Aeroplan Income Fund. David I. Richardson is currently director of Husky Injection Molding Systems Ltd. and Jazz Air Holding GP Inc., and a trustee of Aeroplan Income Fund. Robert A. Milton is currently Chairman of Aeroplan Holding GP Inc. and Jazz Air Holding GP Inc., and a director of U.S. Airways Group Inc. Marvin Yontef is currently director of Aeroplan Holding GP Inc. and a trustee of Jazz Air Income Fund.

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

*Independent Lead Director*

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

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

### *Independent Director's Meetings*

At each meeting of the Board, time is specifically reserved for non-executive directors to hold "in camera" sessions, in the absence of management directors. At each such meeting, the directors consider whether an "in camera" meeting would be appropriate in the circumstances. The Lead Director chairs the "in camera" sessions.

### *Attendance Record*

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

### *Board Size*

The Board is currently comprised of eleven (11) directors. The Board is of the view that its size and composition are adequate and allow for the efficient functioning of the Board as a decision making body.

### *Board Mandate*

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

## **Position Descriptions**

### *Chairman, President and Chief Executive Officer*

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

As Chairman of the Board of Directors, the Chairman chairs Board meetings and, with the collaboration of the Lead Director, establishes procedures to govern the Board's work. More specifically, as Chairman of the Board of Directors, the primary responsibilities of the Chairman include the following: (i) adopting procedures to ensure that

the Board can conduct its work effectively and efficiently, including committee structures and composition, scheduling, and management of meetings; (ii) collaborating with the Lead Director to develop the agenda for Board meetings, Board procedures and the composition of Board Committees; (iii) ensuring, with the Lead Director, proper flow of information to the Board; (iv) ensuring that the Board has access to such members of senior management as may be required by the Board; and (v) chair every meeting of the Board and encourage free and open discussion at meetings of the Board.

### *Chair of each Committee*

The Chairs of the Audit Committee, the Governance Committee, the Human Resources Committee and the Nominating Committee are respectively, David I. Richardson, Michael M. Green, Pierre Marc Johnson and John T. McLennan.

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

### **Orientation and Continuing Education**

The Corporation has in place an orientation program for new directors. New directors are invited to attend orientation sessions with members of senior management of the Corporation as well as with the CEO to improve their understanding of the Corporation's business. Each new director is also asked to review the Charter of the Board, the Charter of each Committee and the position descriptions of the Chairman, President and Chief Executive Officer, the Lead Director and the Chair of each Committee in order to fully grasp the role he is expected to play as a director and a Committee member. The Corporation also provides directors with a monthly report on the finances and operations of the Corporation. As part of its mandate, the Governance Committee is also responsible for providing continuous education for directors of the Board.

### **ACE Aviation Code of Business Conduct**

The Corporation has adopted a Corporate Policy and Guidelines on Business Conduct (the "**Code**") which was approved by the Board on December 15, 2005. The Code applies to all directors, officers and employees of ACE Aviation and its wholly-owned subsidiaries. A copy of the Code can be obtained on SEDAR at [www.sedar.com](http://www.sedar.com) or on the Corporation's website at [www.aceaviation.com](http://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 Governance Committee has the responsibility for monitoring compliance with and interpreting the Code. The Code has been communicated or brought to the attention of all employees of ACE Aviation and its wholly-owned subsidiaries. In addition, all new members of management are required to complete a management acknowledgement form whereby they undertake to promote the guidelines and principles of the Code and take all reasonable measures to ensure that the employees under their supervision fully comply with the Code. The Code also includes a "whistle-blower policy" whereby employees can report violations of the Code. The Board has concluded that such measures are appropriate and sufficient to ensure compliance with the Code. Since the adoption of the Code, ACE Aviation has not filed any material change report pertaining to any conduct of a director or executive officer that would constitute a departure from the Code.

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

#### **Nomination of Directors**

The Nominating Committee is composed entirely of independent directors. It is responsible for considering and making recommendations on the desired size of the Board, the need for recruitment and the expected skill-set of new candidates. In consultation with the Chairman, President and Chief Executive Officer, the Nominating Committee determines the expected skill-set of new candidates by taking into account the existing strength of the Board and the needs of the Corporation. The Nominating Committee then reviews and 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 Committee members;
- (d) provide independent judgment on a broad range of issues;
- (e) understand and challenge the key business plans and the strategic direction of the Corporation;
- (f) raise questions and issues to facilitate active and effective participation in the deliberation of the Board and of each Committee;
- (g) make all reasonable efforts to attend all Board and Committee meetings; and
- (h) review the materials provided by management in advance of the Board and Committee meetings.

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

### **Compensation**

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

In 2005, ACE Aviation retained the services of Towers Perrin to assist with preparing information on executive compensation. Towers Perrin's scope of services included performing competitive reviews of senior executive compensation levels and providing ACE Aviation with compensation trend information. In addition to these services, Towers Perrin also provided benefit consulting services to the Corporation.

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

### **Other Board Committees**

There are four Committees of the Board: the Audit Committee, the Governance Committee, the Human Resources 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 Chairman of the Governance 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 Chairman of the Governance Committee conducts private meetings with each director. During those meetings, the Chairman of the Governance Committee reviews with each director their assessment of the effectiveness of the Board and of its Committees and their personal contribution. Thereafter, a presentation is made to the Board. Also, on an annual 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.

### **Dual Share Structure**

The applicable provisions of the *Canada Transportation Act* require that national holders of domestic, scheduled international and non-scheduled international licenses be Canadian. In the case of ACE Aviation, this requires that it be controlled in fact by Canadians and that at least 75% of its voting interests be owned and controlled in fact by Canadians. To ensure that ACE Aviation remains Canadian under the *Canada Transportation Act*, ACE is required to have a dual share structure whereby the Class B voting shares may only be held, beneficially owned and controlled by Canadians and Class A variable voting shares may only be held, beneficially owned or controlled by persons who are not Canadians. Each Class B voting share or Class A variable voting share generally confers the right to one vote. However, in order to enable ACE Aviation to comply with the restrictions imposed by the *Canada Transportation Act*, if the number of Class A variable voting shares, as a percentage of the total number of voting share outstanding of ACE Aviation or the total number of votes that may be cast by holders of Class A variable voting shares at any meeting exceeds 25%, the vote attached to each Class A variable voting share will decrease proportionately so that the votes attached to the Class A variable voting shares as a class or the number of votes cast on behalf of holders of Class A variable voting shares do not exceed 25%.

## COMMITTEES

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The Board has four standing committees:

- the Audit Committee;
- the Governance Committee;
- the Human Resources Committee; and
- the Nominating Committee.

All committees of the Board are composed of independent directors except for the Governance Committee of which Marvin Yontef is a member. The roles and responsibilities of each committee are set out in formal written charters. These charters are reviewed annually to ensure that they reflect best practices as well as applicable regulatory requirements.

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

### **Audit Committee**

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

The objectives of the Audit 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 Committee and management and the external auditor regarding significant issues involving judgment and impacting quality of controls and reporting.

The Audit Committee's responsibilities include the following:

- Monitor and review the quality and integrity of the Corporation's accounting and financial reporting process through discussions with management, the external auditor and the internal auditor.
- Determine, 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, prior to the commencement of such work, the nature of all non-audit services, as permitted by securities legislation and regulations, to be provided by the 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.
- Review policies and procedures for the receipt, retention and treatment of complaints received by the Corporation from employees, shareholders and other stakeholders regarding accounting issues and financial reporting.
- Review risk management systems and controls, especially in relation to derivatives, foreign currency exposure, hedging and insurance.
- Approve the investment structure for the Air Canada pension plans, any applicable Statement of Investment Policies and Objectives, Statement of Investment Principles and Beliefs and other investment policies for the Air Canada pension plans.
- Review and approve the Corporation's Public Disclosure Policy.
- Identify and address material financial and other risks to the business and affairs of the

Corporation and make recommendations in that regard to the Board.

- Review and approve policies relating to the financial control, conduct, regulation and administration of subsidiary companies.
- Review, monitor and approve the Corporate Donations Policy.
- Review actual financial performance compared to budget.

The Audit Committee met six (6) times in 2005.

The Audit Committee is currently composed of:

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

Please refer to the section of the Annual Information Form of ACE Aviation titled "Audit Committee" for additional information on the Audit Committee. The Annual Information Form is available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Governance Committee**

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

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

The Governance Committee's responsibilities include the following:

- Review and develop position descriptions for the Board and for the Chairman, President and Chief Executive Officer.
- Ensure that appropriate structures and procedures are in place so that the Board can function independently of management.

- Put in place an orientation and continuing education program for new directors on the Board.
- Ensure corporate compliance with applicable legislation including directors' and officers' compliance.
- Review proposed amendments to the Corporation's by-laws.
- Make recommendations to the Board with respect to monitoring, adoption and disclosure of corporate governance guidelines.
- Recommend the types, charters and composition of the Board committees.
- Recommend the nominees to the chairmanship of the Board committees.
- Recommend to the Board for approval a governance structure applicable to the Air Canada pension plans.
- Monitor the governance structure and, as required, report to the Board on the necessity or advisability of modifications to such structure.
- Conduct periodic self-assessments of the governance of the pension plans.
- Review such other corporate governance and strategic planning committee functions customarily carried out by such committees as well as such other matters which may be referred to it by the Board from time to time.

The Governance Committee met five (5) times in 2005.

The Governance Committee is currently composed of:

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

### **Human Resources Committee**

The Human Resources Committee shall be comprised of five or more directors as determined by the Board,

all of whom shall be independent (as defined under applicable securities laws).

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

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

- Develop compensation philosophy and guidelines.
- Review and approve corporate goals, objectives and business performance measures relevant to the compensation of the Chief Executive Officer, evaluate the Chief Executive Officer's performance in light of those goals, objectives and business performance measures, and make recommendations to the Board with respect to the Chief Executive Officer's compensation level based on this evaluation.
- Make recommendations to the Board with respect to non-CEO officer (including officers of subsidiaries) and director 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 annual report of senior management compensation for inclusion in the Corporation's Management Proxy Circular, in accordance with applicable rules and regulations.
- Review on an ongoing basis management's organization plans and essential elements of succession plans for executive management of the Corporation and its non-publicly traded subsidiaries so as to ensure that successors have

been identified and that their career development is appropriate in the context of the challenges facing the organization.

- Review and approve the training, monitoring and development of senior officers.
- Review and approve the senior management organizations and reporting structure.
- Review and approve the contingency plans in the event of the disability of key executives.
- Review and develop in conjunction with the Governance Committee position descriptions for the Board and for the President and Chief Executive Officer including the definition of the limits to management’s responsibilities.
- Approve, in principle, the design of and amendments to the Air Canada pension plans.
- Approve pension communication strategy, and monitor compliance of communication with strategy and applicable legislation.
- Monitor pension benefits administration.
- Where applicable, appoint members of the pension committees and the trustees of the pension plans.

The Human Resources Committee met two (2) times in 2005.

The Human Resources Committee is currently composed of:

- Members:
- Pierre Marc Johnson (Chair)
  - Robert E. Brown
  - W. Brett Ingersoll
  - Richard H. McCoy
  - David I. Richardson

**Nominating Committee**

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

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

The responsibilities of the Nominating Committee include the following:

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

The Nominating Committee met one (1) time in 2005.

The Nominating Committee is currently composed of:

- Members:
- John T. McLennan (Chair)
  - Bernard Attali
  - Carlton D. Donaway
  - Michael M. Green
  - Richard H. McCoy

**COMPENSATION OF CERTAIN EXECUTIVE OFFICERS**

The following summary compensation table shows certain compensation information for Robert A. Milton, the Chairman, President and Chief Executive Officer of ACE Aviation, Brian Dunne, the Executive Vice President and Chief Financial Officer and M. Robert Peterson, the previous Executive Vice President and Chief Financial Officer and the other three highest compensated executive officers (the "**Named Executive Officers**") of the Corporation as at December 31, 2005. The Corporation is the successor to Air Canada pursuant to a consolidated plan of reorganization, compromise and arrangement which was implemented on September 30, 2004 (the "**Plan**"). For ease of reference, the table contains the aggregate compensation paid to the Named Executive Officers by Air Canada and by ACE Aviation.

**SUMMARY COMPENSATION TABLE**

Name and Principal Position	Year	Annual Compensation			Long-term Compensation				All Other <sup>(7)</sup> Compensation (\$)
		Salary <sup>(1)</sup> (\$)	Bonus <sup>(2)</sup> (\$)	Other <sup>(3)</sup> Annual Compensation (\$)	Awards			Payouts	
					Securities Under Options/Units Granted(#)				
					Options <sup>(4)</sup>	PPPs <sup>(5)</sup>	Restricted Income Fund Units <sup>(6)</sup>	Long-Term Incentive Plan Payouts (\$)	
Robert A. Milton Chairman, President and Chief Executive Officer, ACE	2005	928,625	968,664	41,466	Nil	Nil	Nil	Nil	2,720
	2004	953,063	Nil	52,187	1,010,509	Nil	Nil	Nil	31,040
	2003	1,049,375	Nil	49,358	Nil	480,836	Nil	Nil	Nil
Brian Dunne Executive Vice-President and Chief Financial Officer, ACE <sup>(8)</sup>	2005	159,722	116,516	Nil	300,000	Nil	Nil	Nil	Nil
	2004	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2003	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Montie R Brewer President and Chief Executive Officer, Air Canada	2005	600,000	625,870	Nil	Nil	Nil	Nil	Nil	650
	2004	416,759	100,000	Nil	300,000	Nil	Nil	Nil	7,416
	2003	376,667	100,000	Nil	Nil	94,774	Nil	Nil	Nil
Rupert Duchesne President and Chief Executive Officer, Aeroplan <sup>(9)</sup>	2005	332,474	300,000	Nil	Nil	Nil	160,000	366,770	20,784
	2004	266,625	131,625	Nil	75,000	Nil	Nil	Nil	5,562
	2003	282,500	Nil	Nil	Nil	62,718	Nil	Nil	Nil
M. Robert Peterson Executive Vice President and Chief Financial Officer, Aeroplan <sup>(9)(10)</sup>	2005	386,154	170,558	100,000	Nil	Nil	75,000	170,415	13,030
	2004	391,050	Nil	Nil	50,000	Nil	Nil	Nil	8,690
	2003	414,333	Nil	Nil	Nil	104,251	Nil	Nil	Nil
Lise Fournel Chief Information Office and President, Destina	2005	337,837	236,357	Nil	Nil	Nil	Nil	Nil	694
	2004	342,169	Nil	Nil	30,000	Nil	Nil	Nil	7,925
	2003	362,542	Nil	Nil	Nil	91,220	Nil	Nil	Nil

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

- (2) The amounts in this column for 2005 reflect (i) bonuses paid for the 2005 fiscal year under the Annual Incentive Plan as follows: Mr. Milton \$956,948; Mr. Dunne \$114,501; Mr. Peterson \$128,700; Mr. Brewer \$618,300; Ms. Fournel \$232,095 and (ii) Profit Sharing and Sharing our Success awards as follows: Mr. Milton \$11,716; Mr. Dunne \$2,015; Mr. Brewer \$7,570; Mr. Peterson \$3,248; Ms. Fournel \$4,262. Both programs are as described under Executive Compensation Programs. The amount paid for Mr. Duchesne includes an Aeroplan bonus in the amount of \$300,000 for fiscal year 2005. The amount paid for Mr. Peterson includes an Aeroplan bonus in the amount of \$38,610 for fiscal year 2005. The amounts in this column for 2003 and 2004 represent payments to Mr. Brewer pursuant to his employment agreement.
- (3) Perquisites and other personal benefits for fiscal year 2005 do not exceed the lesser of \$50,000 or 10% of the total of the annual salary and bonus for the Named Executive Officers, with the exception of Mr. Milton. The amount in this column for Mr. Milton includes compensation attributable to residence costs. The amount in this column for Mr. Peterson includes a special award of \$100,000 in recognition of his contributions to Aeroplan's Initial Public Offering.
- (4) The amount in this column for Mr. Dunne represents a stock option grant pursuant to his employment agreement. The stock options granted prior to September 30, 2004 were cancelled without compensation pursuant to the Plan. The stock options in this column for 2004 were granted on October 3, 2004 pursuant to the Plan, wherein, at that time, a maximum of 3% of the fully diluted equity of ACE Aviation could be granted in the form of options upon emergence from the restructuring proceedings.
- (5) The performance points granted in 2003 were cancelled without compensation as part of the restructuring process of Air Canada which became effective on September 30, 2004.
- (6) The amount in this column for Mr. Duchesne, an Aeroplan employee at that time, represents a grant of Aeroplan Income Fund units coincident with Aeroplan's Initial Public Offering on June 29, 2005 pursuant to the Long-Term Incentive Plan of Aeroplan Limited Partnership. The amount in this column for Mr. Peterson represents a grant of Aeroplan Income Fund units coincident with his appointment as Executive Vice President and Chief Financial Officer of Aeroplan on September 1, 2005 pursuant to the Long-Term Incentive Plan of Aeroplan Limited Partnership.
- (7) The amounts in this column for 2005 represent the final settlement of a claim that was filed on behalf of the Named Executive Officers as part of the restructuring process of Air Canada in respect of lost wages, holidays, vacation and foregone Employee Share Ownership Plan company matches for 2002 and 2003. The settlement was in the form of ACE Aviation shares which were immediately sold on the open market at \$39.80 per share.  
The amounts in this column also include, for Mr. Duchesne and Mr. Peterson, Aeroplan contributions (i) to the Aeroplan Deferred Profit Sharing Plan (from the earlier of April 1, 2003 and the hire/transfer date to Aeroplan), and (ii) as of July 1, 2005, to the Pension Plan for Designated Employees of Aeroplan and to the SERP (as defined in the notice of 2006 annual meeting of unitholders and proxy circular of Aeroplan Income Fund dated March 28, 2006).
- (8) Mr. Dunne became Executive Vice President and Chief Financial Officer of ACE Aviation on September 6, 2005.
- (9) On March 28, 2006, the Human Resources Committee of Aeroplan approved the vesting of one-third of the performance-based units of Aeroplan Income Fund granted under the Initial Long-Term Incentive Plan of Aeroplan Limited Partnership, such vested performance-based units of Aeroplan Income Fund representing one-sixth of all units of Aeroplan Income Fund granted under the Initial Long-Term Incentive Plan of Aeroplan Limited Partnership. The amounts shown in the column titled "Long-Term Incentive Plan Payouts" for Mr. Duchesne and Mr. Peterson represent the value of the vested units of Aeroplan Income Fund at \$13.40 per unit, being the closing price of the units of Aeroplan Income Fund on the Toronto Stock Exchange on March 28, 2006, plus the distributions paid per unit of Aeroplan Income Fund for the months of July to December 2005 or, in the case of Mr. Peterson, for the months of September to December 2005.
- (10) Mr. Peterson ceased to be Executive Vice President and Chief Financial Officer of ACE Aviation on September 1, 2005 and became Executive Vice President and Chief Financial Officer of Aeroplan on September 1, 2005.

### Aggregate compensation

The aggregate compensation paid by ACE Aviation and its subsidiaries to the Corporation's 29 full-time officers for services rendered during the financial year ended December 31, 2005 was \$6,361,080. The value of the perquisites and other personal benefits received in respect of the financial year ended December 31, 2005 by these officers of the Corporation does not exceed 10% of the above-mentioned cash remuneration.

### Option grants

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

#### OPTION GRANTS DURING THE MOST RECENTLY COMPLETED FINANCIAL YEAR<sup>(1)</sup>

Name	Securities Under Options Granted	% of Total Options Granted to Employees in Financial Year	Exercise Price	Market Value of Underlying Options on the Date of Grant (\$/Security)	Expiration Date
Robert A. Milton	Nil	0%	Nil	Nil	N/A
Brian Dunne	300,000	38.96%	\$38.22	\$38.22	Sept. 1, 2012
Montie R. Brewer	Nil	0%	Nil	Nil	N/A
Rupert Duchesne	Nil	0%	Nil	Nil	N/A
M. Robert Peterson	Nil	0%	Nil	Nil	N/A
Lise Fournel	Nil	0%	Nil	Nil	N/A

(1) For details as to the material terms of the option grants, including exercise dates, refer to the "Report on Executive Compensation by the Human Resources Committee".

### Option Exercises

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

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

Name	Securities Acquired on Exercise	Aggregate Value Realized	Exercisable/Unexercisable Options at FY-End		Value of Exercisable/Unexercisable in-the-Money Options at FY-End <sup>(1)</sup>	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Robert A. Milton	315,784	\$5,550,370	189,470	505,255	\$3,383,934	\$9,023,854
Brian Dunne	Nil	Nil	25,000	275,000	\$0	\$0
Montie R. Brewer	20,500	\$366,981	54,500	225,000	\$973,370	\$4,018,500
Rupert Duchesne	9,375	\$143,285	9,375	56,250	\$167,438	\$1,004,625
M. Robert Peterson	6,250	\$98,437	6,250	37,500	\$111,625	\$669,750
Lise Fournel	2,000	\$35,400	5,500	22,500	\$98,230	\$401,850

(1) Based on the closing price of the Class B voting shares (\$37.86) on December 31, 2005.

**Equity compensation plan information**

<b>Plan category</b>	<b>Number of securities to be issued upon exercise of outstanding options<sup>(1)</sup></b>	<b>Weighted-average exercise price of outstanding options<sup>(1)</sup></b>	<b>Number of securities remaining available for future issuance under equity compensation plans<sup>(1)</sup></b>
<b>Equity compensation plans approved by securityholder(s)<sup>(1)</sup></b>	3,186,908	\$24.70	2,891,974

(1) As at December 31, 2005.

**Aeroplan Income Fund Units**
**AEROPLAN INCOME FUND RESTRICTED UNITS GRANTED DURING THE MOST RECENTLY COMPLETED FINANCIAL YEAR<sup>(1)</sup>**

<b>Name</b>	<b>Units Granted</b>	<b>% of Total Units Granted to Aeroplan Employees During the Financial Year ended December 31, 2005</b>	<b>Market Value of Units on the Date of Grant (\$/Units)</b>	<b>Performance Cycle End Date</b>
Rupert Duchesne	160,000	28.18%	\$10.00	June 29, 2008
M. Robert Peterson	75,000	13.21%	\$13.84	June 29, 2008

(1) Such grants have been made pursuant to Aeroplan Limited Partnership's Initial Long-Term Incentive Plan. A full description of such plan is provided in Aeroplan's proxy circular dated March 28, 2006.

**Pension Plan**

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

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

The following table shows typical annual benefits payable under this pension arrangement on December 31, 2005, to individuals 65 years of age.

**PENSION PLAN TABLE**

Final Average Earnings (\$)	Years of Service				
	15	20	25	30	35
150,000	43,481	57,975	72,469	86,963	101,456
175,000	50,981	67,975	84,969	101,963	118,956
200,000	58,481	77,975	97,469	116,963	136,456
225,000	65,981	87,975	109,969	131,963	153,956
250,000	73,481	97,975	122,469	146,963	171,456
300,000	88,481	117,975	147,469	176,963	206,456
400,000	118,481	157,975	197,469	236,963	276,456
500,000	148,481	197,975	247,469	296,963	346,456
750,000	223,481	297,975	372,469	446,963	521,456
1,000,000	298,481	397,975	497,469	596,963	696,456
1,250,000	373,481	497,975	622,469	746,963	871,456
1,500,000	448,481	597,975	747,469	896,963	1,046,456

Note: Rounding has been used in the above calculations.

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

As of December 31, 2005 the years of credited service were as follows: Mr. Milton, 26.67 years; Mr. Dunne, 0.33 years, Mr. Brewer, 3.75 years; Ms. Fournel 26.66 years; Mr. Duchesne, 8.75 years (as of July 1, 2005 when Mr. Duchesne became a member of the Aeroplan Executive Pension Plan), Mr. Peterson, 27.42 years (as of September 1, 2005 when Mr. Peterson became a member of the Aeroplan Executive Pension Plan);.

## Executive Employment Contracts

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

Under the new employment arrangements, Mr. Milton is eligible to receive a target bonus of 75%, and a maximum bonus of 150%, of his base salary subject to achieving targeted financial performance thresholds pursuant to the Annual Incentive Plan as described under "Incentive Compensation" and the Corporation's annual business plan. The Annual Incentive Plan's ("**Incentive Plan**") targets are based on achieving defined results under the financial measurement of Earnings Before Interest, Taxes, Depreciation and Aircraft Rent ("**EBITDAR**"). The Incentive Plan begins to reward participants when EBITDAR results achieve 90% of the business plan, pays target bonus at 100% of the business plan and pays 200% of target bonus when 110% of the business plan is achieved. If, however, less than 90% of the business plan is achieved, no incentive award is paid.

Under his previous employment arrangements Mr. Milton had the right to receive a payment of \$5.68 million if he left the Corporation. This right was renegotiated and the Corporation then had a contingent obligation to incur this expense (or a portion thereof) and, before any such amount is paid, it would be offset by other amounts received or receivable by Mr. Milton (other than base salary and bonuses, if any), including proceeds from the exercise of options, severance payments and other distribution payments. This obligation has virtually been met with the proceeds from Mr. Milton's 2005 stock option exercise.

Under the vesting periods established for options granted to Mr. Milton under the Stock Option Plan of ACE Aviation ("**Option Plan**"), 31.25% of Mr. Milton's options have now vested and the remaining 68.75% (50% of which are subject to the Corporation achieving targeted financial performance thresholds) will vest over a three-year period ending December 31, 2007. If Mr. Milton's employment is terminated without cause, he will be entitled to receive a severance payment equal to two times his

annual salary and bonuses. In the event of the completion of certain value-enhancing transactions for ACE Aviation and its shareholders, Mr. Milton will be entitled to incentive rewards under his employment arrangements.

ACE Aviation and Air Canada have respectively entered into employment agreements with two other Named Executive Officers, namely Brian Dunne and Montie R. Brewer, and their agreements provide, among other things, for a pension credit of five years of pensionable service upon completion of five years service and a severance amount equal to two years of their annual base salary plus the right to early retirement with the five years pension credit in the event they are involuntarily terminated for any reason other than just cause, disability or retirement.

## Report on Executive Compensation by the Human Resources Committee

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

In 2005, the Executive Compensation Program was reviewed to align it with the Corporation's new direction. With the Corporation's four corporate goals in mind: ensuring safety and security; achieving growth and success; delivering a great customer experience; and achieving best-in-class profitability, the Program's components were reviewed to ensure market competitiveness and continued shareholder value. The Human Resources Committee has direct access to independent compensation advisors.

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

## Executive Compensation Program

ACE Aviation's Executive Compensation Program emphasizes incentive compensation linked to the Corporation's annual and long-term financial performance to ensure that executives' interests are

linked to those of shareholders. Compensation levels are based on those offered at other airlines and companies of comparable size, structure and vocation. The Corporation aims at rewarding its executives at the median compensation level offered in its reference group, for performance that meets corporate goals. The Corporation's reference group includes 22 large Canadian companies.

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

#### ***Base Salary***

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

In accordance with the Management Salary Reduction Program, the base salary of the Chairman, President and Chief Executive Officer of ACE Aviation was reduced by 15% in June 2003 and by a further 5% in 2004 and has remained unchanged since then. Base salaries of the other Named Executive Officers were reduced by 10% in 2003 and by a further 2.5% in 2004.

#### ***Incentive Compensation***

The Incentive Plan's targets are based on achieving defined results under the financial measurement of EBITDAR. The Incentive Plan begins to reward participants when EBITDAR results achieve 90% of the business plan, pays target bonus at 100% of the business plan and pays 200% of target bonus when 110% of the business plan is achieved. All

management, administrative and technical support non-union employees are participants in the Incentive Plan and their target bonus ranges from 2% for entry level employees to 30% at the Vice President level, 35% for a Senior Vice President, 50% for Executive Vice Presidents and 75% for the President and CEO. Moreover, the EBITDAR measurement is weighted between ACE Aviation and its subsidiaries to take into account the relative importance of each entity.

In 2005, when the price of aviation fuel increased to record levels, the Board advised the Corporation that it would give due consideration to anticipated 2005 fuel expense overruns, less additional revenues gained by fuel surcharges, when reviewing and approving the thresholds for the Incentive Plan. Therefore, in early 2006, the Board adjusted the 2005 EBITDAR results, by exempting 2005 fuel expense overruns, for the purpose of calculating Incentive Plan awards. And, by making this exemption, the weighted average EBITDAR results thus calculated, achieved 103.7% of the business plan's EBITDAR and resulted in incentive awards equal to 137.4% of the targeted bonus.

In its decision to exclude 2005 fuel expense overruns, the Board considered the fact that such expense was outside the employee's control and the dramatic turnaround year that saw the Corporation emerging from restructuring proceedings in October 2004 and accomplishing strong results within Air Canada and its other subsidiaries, including the completion of the initial public offering of Aeroplan in 2005.

#### ***Profit-Sharing Plan***

The Profit-Sharing Plan, based on the achievement of each business unit's results and ACE Aviation's consolidated results, is offered to all employees to ensure that they share in the Corporation's success and work together to achieve corporate goals. Under this plan, an annual pool of funds is established based on 7.5% of adjusted pre-tax profits for the first 7% of pre-tax profit margin (and 25% of pre-tax profits in excess of the 7% threshold) of the business unit (70%) and ACE Aviation (30%). The pool of funds is then distributed to plan members based on the employee's base salary earnings compared to the earnings of all employees.

In 2005, the Corporation also introduced an adjunct program designed to advance profit-sharing payouts if the Corporation achieves pre-determined monthly

customer service goals for "on-time performance" and "customer satisfaction". This program, "Sharing Our Success", advanced \$30 million to all employees worldwide, by rewarding each employee \$75 each month for each of the two goals met (a total monthly award of \$150). If the amount of the Sharing Our Success payments exceed the amounts to be distributed pursuant to the Profit-Sharing Plan, no further Profit-Sharing distributions are made.

In accordance with its terms, the Profit-Sharing Plan would have distributed \$20 million, but since this amount was exceeded by Sharing Our Success' \$30 million distribution, no further Profit-Sharing distributions would normally have been made. In recognition, however, of the performance of all ACE Aviation and Air Canada employees, combined with the adjustment of fuel expense overruns, an amount of \$13.5 million was distributed to all employees pursuant to the Profit-Sharing Plan, bringing the total amount distributed to \$43.5 million.

#### ***Stock Option Plan***

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

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

Options granted are based on the Eligible Optionee's position and annual compensation, taking into account the market price of the shares and each

Eligible Optionee's potential contribution to ACE Aviation's success in a given year. The terms of the grants are determined by the Board. As of December 31, 2005, the maximum number of shares that could be issued under the Option Plan was 6,078,882 or approximately 5% of the fully-diluted equity of ACE Aviation (at that time or pursuant to the plan). Of this amount, as of December 31, 2005, 3,186,908 shares were subject to outstanding options representing approximately 3% of the issued and outstanding equity of ACE Aviation at the time. The aggregate number of shares reserved for issuance at any time to any one Eligible Optionee shall not exceed 5% of the outstanding Class B voting shares and Class A variable voting shares. The aggregate number of shares issued to any one insider within any one-year period shall not exceed 5% of the outstanding Class B voting shares and Class A variable voting shares. The Option Plan provides that the options will have an exercise price of not less than 100% of the market price of the underlying shares at the time of grant. The market price of the underlying shares at the time of grant is equal to the greater of the (i) average closing price of the underlying shares on the TSX for the five trading day period ending on the last trading day before the day on which the option is granted and (ii) the average of the high and low trading prices of the underlying shares on the TSX for the five trading day period ending on the last trading day before the day on which the option is granted. The Option Plan provides that the term of the options shall not be more than ten (10) years from the date of grant. The vesting of options granted under the Option Plan are determined by the Board at the time of the grant. Options granted under the Plan may not be assigned or transferred.

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

To provide a meaningful incentive, and to promote retention among the executive team, options were granted in October 2004. Options were granted to purchase a total of 3,027,509 shares of ACE Aviation at a price of \$20.00 per share representing

approximately 3% of the fully diluted equity of ACE Aviation at that time. In addition, options to purchase a total of 770,000 shares have been granted to executives hired in 2005 and to an existing Senior Vice-President and Vice-President.

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

Similar to the exclusion of 2005's fuel expense overruns in the calculation of results for the Incentive Plan, the Board made the same adjustment for the Executive and Senior Management Stock Option Plan to determine the vesting of performance options. Taking into account the fuel expense adjustment and the 2005 results of ACE and its subsidiaries, the Board approved the vesting of the December 31, 2005 performance options.

In the case of options granted to the Chairman, President and Chief Executive Officer of ACE Aviation, the vesting of options is as follows: (i) 25% of granted options vested upon conclusion of Mr. Milton's new employment arrangements but were subject to a one-year holding period which ended on October 3, 2005; (ii) 6.25% of granted options vested on October 3, 2005 and (iii) the remaining 68.75% as follows: (a) 50% vest in three instalments on December 31, 2005, 2006 and 2007 and (b) 50% vest in three instalments on December 31, 2005, 2006 and 2007 provided the Corporation meets the Board-approved financial performance thresholds linked to the business plan for those years as previously described. The terms of the grant provide that vested options can be exercised over a period of seven (7) years from the date of the grant at an exercise price of

100% of the market price of the underlying shares at the time of the grant.

In accordance with the terms of the Option Plan and pursuant to the special distribution of units of Aeroplan Income Fund to the shareholders of ACE Aviation by way of reduction of stated capital, the exercise price and number of options granted to option holders were adjusted on March 22, 2006 consistent with adjustments required to be made to the conversion terms of the convertible senior notes of the Corporation.

### ***Benefits***

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

### ***Perquisites***

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

### ***Chairman, President and Chief Executive Officer Compensation***

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

*Share Ownership Requirement for the President and CEO*

The Board has adopted a policy whereby the President and Chief Executive Officer is required to own shares of ACE Aviation. For a description of shares owned by the President and Chief Executive Officer, please see page 17.

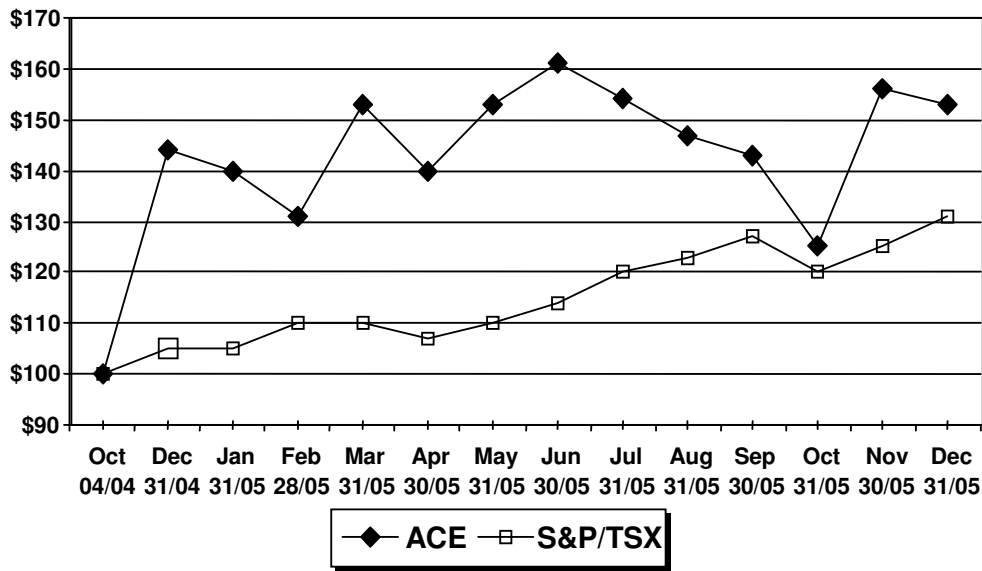
*Submitted by the Human Resources Committee of the Board.*

Members:     Pierre Marc Johnson (Chair)  
                  Robert E. Brown  
                  W. Brett Ingersoll  
                  Richard H. McCoy  
                  David I. Richardson

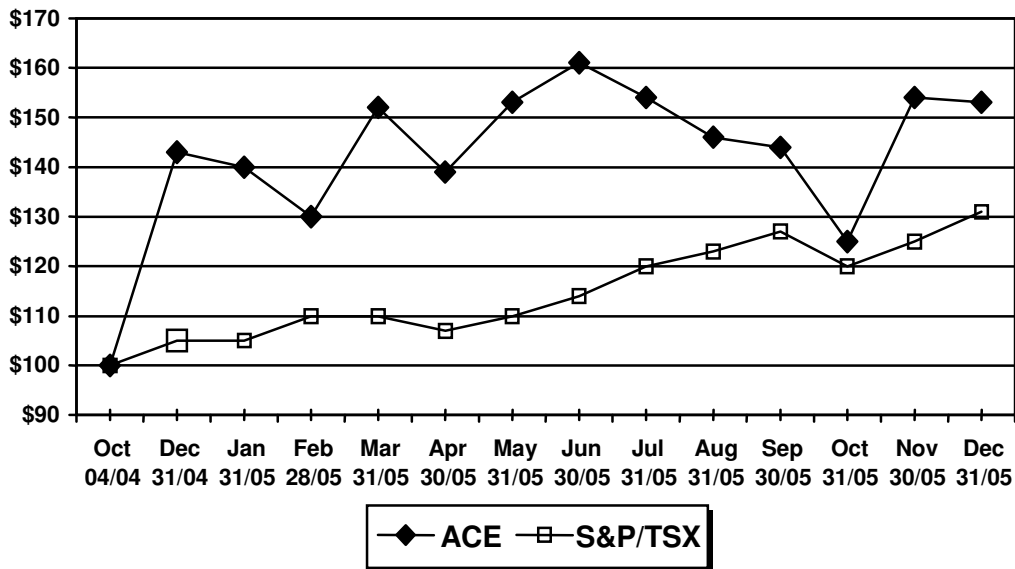
**PERFORMANCE GRAPHS**

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

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



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



**OTHER IMPORTANT INFORMATION**

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**Directors' and Officers' Liability Insurance**

ACE Aviation has acquired and is maintaining directors' and officers' liability insurance for the benefit of the directors and officers of ACE Aviation and its subsidiaries. The coverage limit of such insurance is US\$200,000,000 per claim and US \$200,000,000 in the annual aggregate. The current policy is effective from October 1, 2005 to October 1, 2006 and protects the directors, officers and trustees for allegations of alleged "wrongful acts" in the conduct of their activities as directors, officers and trustees. In respect of the first US\$175,000,000 of the limit of insurance afforded under this policy, "prior acts" coverage has been extended to the insureds. The premium for this period of insurance is US\$2,769,494. Where ACE Aviation grants indemnification to any insured person under the corporate by-laws, ACE Aviation assumes a US\$2,500,000 deductible for each loss.

**Indebtedness of directors and officers**

As at March 28, 2006, the Corporation or its subsidiaries had not made any loan to officers, directors, employees or former officers, directors and employees of the Corporation or its subsidiaries.

**Mail service interruption**

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

**Alberta**

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

**Ontario**

200 Queen's Quay East  
Unit 6  
Toronto, Ontario

**British Columbia**

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

**Quebec**

2001 University Street  
Suite 1600  
Montreal, Quebec

**Nova Scotia**

1660 Hollis Street  
Suite 406  
Halifax, Nova Scotia

**Shareholder proposals for our 2007 annual meeting**

We will include proposals from shareholders that comply with applicable laws in next year's management proxy circular for our 2007 annual shareholder meeting. Please send your proposal to us by January 25, 2007.

## HOW TO REQUEST MORE INFORMATION

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### Documents you can request

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

- ACE Aviation's annual report for the year ended December 31, 2005, which includes our consolidated financial statements together with the accompanying auditors' report;
- our management discussion and analysis related to such annual consolidated financial statements;
- any interim financial statements that were filed after the consolidated financial statements for the year ended December 31, 2005;
- our management discussion and analysis related to such interim financial statements; and
- our Annual Information Form for the year ended December 31, 2005.

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

These documents are also available on our website at [www.aceaviation.com](http://www.aceaviation.com) and on SEDAR at [www.sedar.com](http://www.sedar.com). All of our news releases are also available on our website.

### Receiving information electronically

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

#### *How to sign up – registered shareholders*

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

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

To sign up go to the website [www.cibcmellon.com/electronicdelivery](http://www.cibcmellon.com/electronicdelivery) and follow the instructions.

#### *How to sign up – non-registered shareholders*

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

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

To sign up, go to the website [www.investordeliverycanada.com](http://www.investordeliverycanada.com) and follow the instructions.

#### *How to sign up – employees holding shares under the Employee Share Purchase Plan of ACE Aviation*

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

To sign up, go to the website [www.computershare.com/employee/ca](http://www.computershare.com/employee/ca) and follow the instructions.

**SCHEDULE A**

**RECORD OF ATTENDANCE BY DIRECTORS**

**Schedule A Record of Attendance by Director**

For the 12 months ended December 31, 2005

Director	Number of meetings attended	
	Board	Committees
Bernard Attali	17 of 20	6 of 6
Robert E. Brown	18 of 20	9 of 9
Carlton D. Donaway	18 of 20	5 of 6
Michael M. Green	20 of 20	6 of 6
W. Brett Ingersoll	20 of 20	10 of 11
Pierre Marc Johnson	18 of 20	6 of 7
Richard H. McCoy <sup>(1)</sup>	7 of 8	4 of 4
John T. McLennan	20 of 20	7 of 7
Robert A. Milton	20 of 20	3 of 3
David I. Richardson	18 of 20	8 of 8
Marvin Yontef	20 of 20	7 of 7

(1) Joined the board on August 3, 2005.

**Summary of board and committee meetings held**

Board	20
Audit, Finance and Risk Committee	6
Governance and Corporate Matters Committee	5
Human Resources and Compensation Committee	2
Nominating Committee	1
Ad Hoc Committees	3

**SCHEDULE B**

**CHARTER OF THE BOARD OF DIRECTORS**

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**ACE AVIATION HOLDINGS INC.**

**CHARTER OF THE BOARD OF DIRECTORS**

**I. PURPOSE**

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

**II. ROLE**

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

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

**III. COMPOSITION**

*Selection*

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

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

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

*Chairman and Lead Director*

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

## *Independence*

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

## *Criteria for Board Membership*

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

- (a) demonstrate high ethical standards and integrity in their personal and professional dealings;
- (b) act honestly and in good faith with a view to the best interest of the Corporation;
- (c) devote sufficient time to the affairs of the Corporation and exercise care, diligence and skill in fulfilling their responsibilities both as Board members and as a Committee members;
- (d) provide independent judgment on a broad range of issues;
- (e) understand and challenge the key business plans and the strategic direction of the Corporation;
- (f) raise questions and issues to facilitate active and effective participation in the deliberation of the Board and of each Committee;
- (g) make all reasonable efforts to attend all Board and Committee meetings;
- (h) review the materials provided by management in advance of the Board and Committee meetings.

## *Retirement Age for Directors*

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

## **IV. COMPENSATION**

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

## **V. RESPONSIBILITIES**

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

- (a) discussing and developing the Corporation's approach to corporate governance, with the involvement of the Governance and Corporate Matters Committee;
- (b) reviewing and approving management's strategic and business plans on an annual basis, including developing an in-depth knowledge of the business being served, understanding and questioning the plans' assumptions, and reaching an independent judgment as to the probability that the plans can be realized;
- (c) monitoring corporate performance against the strategic business plans, including overseeing operating results on a regular basis to evaluate whether the business is being properly managed;

- (d) appointing the Corporation's Chief Executive Officer, ensuring a succession plan is in place and developing his or her position description with the recommendation of the Governance and Corporate Matters Committee;
- (e) reviewing, through the Human Resources and Compensation Committee, the compensation of the Chief Executive Officer;
- (f) identifying the principal risks of the Corporation's businesses and ensuring the implementation of appropriate systems to manage these risks;
- (g) ensuring that appropriate structures and procedures are in place so that the Board and its Committees can function independently of management;
- (h) ensuring the proper and efficient functioning of its Committees;
- (i) providing a source of advice and counsel to management;
- (j) reviewing and approving key policies developed by management;
- (k) reviewing, approving and as required, overseeing compliance with the Corporation's disclosure policy by directors, officers and other management personnel and employees;
- (l) overseeing the Corporation's disclosure controls and procedures;
- (m) monitoring, through the Audit, Finance and Risk Committee, the Corporation's internal controls and information systems;
- (n) ensuring that members of management possess the ability required for their roles, are adequately trained and monitored and that planning for their succession is ongoing;
- (o) ensuring that the Chief Executive Officer and the other members of management have the integrity required for their roles and the capability to promote a culture of integrity and accountability within the Corporation;
- (p) conducting, through the Governance and Corporate Matters Committee, an annual assessment of the Board and the Committees and of individual members of the Board;
- (q) reviewing, through the Human Resources and Compensation Committee, management's succession plans;
- (r) selecting, upon the recommendation of the Nominating Committee, nominees for election as Directors;
- (s) selecting a Chairman of the Board and a Lead Director;
- (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; and
- (u) in respect of the Air Canada pension plans, overseeing their overall operation, funded status and compliance with fund mission and funding policy.

## **VI. MEETINGS**

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

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

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

## **VII. DECISIONS REQUIRING PRIOR BOARD APPROVAL**

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

- (a) interim and annual financial statements, provided that the Board may delegate to the Audit, Finance and Risk Committee the responsibility to review such financial statements and make its recommendations to the Board;
- (b) strategic plans, business plans and capital expenditure budgets;
- (c) raising of debt or equity capital and other major financial activities;
- (d) hiring, compensation and succession for the Chief Executive Officer and other senior executives;
- (e) major organizational restructurings, including spin-offs;
- (f) material acquisitions and divestitures;
- (g) major corporate policies; and
- (h) in respect of the Air Canada pension plans, the plan reorganization, governance structure, fund mission, funding policy, annual contributions, appointment of the external auditor and the plan custodians of the pension funds.

## **VIII. BOARD COMMITTEES**

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

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

## **IX. COMMUNICATION WITH THE BOARD**

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

## **X. ADVISERS**

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

**XI. OTHER MATTERS**

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

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

February 9, 2006