Dear Shareholders:

You are cordially invited to attend our annual and special meeting of shareholders of Air Canada. It will be held on Thursday, May 27, 2010 at 11:00 a.m. (Montreal time), at the International Civil Aviation Organization (ICAO) Conference Centre, 999 University Street, Montreal, Québec.

As a shareholder of Air Canada, 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 director nominees, the proposed auditors, the compensation of directors and certain officers, our corporate governance practices and special items of business to be addressed at the meeting.

During the meeting, we will present management's report for 2009 and discuss our main business priorities for 2010. The achievements of the past year to stabilize the company have allowed us to renew our focus on transforming costs and generating new revenue. We will continue to leverage our international network and partnerships as we pursue opportunities for strategic international growth. We also remain focused on fostering a more nimble and entrepreneurial culture that empowers employees to re-engage customers. These priorities are key to the implementation of our strategy to build a stronger and sustainable Air Canada, creating value for the benefit of our stakeholders.

We look forward to seeing you at our annual and special 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,

David I. Richardson
Chairman

Calin Rovinescu
President and Chief Executive Officer
NOTICE OF 2010 ANNUAL AND SPECIAL SHAREHOLDER MEETING

When

May 27, 2010 at 11:00 a.m. (Montreal time)

Where

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

Webcast

A live webcast of the meeting will be available on our website at www.aircanada.com.

Business of the 2010 Annual and Special Shareholder Meeting

Five items will be covered at the meeting:

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

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

3. appointment of auditors;

4. consideration and, if deemed advisable, the adoption of an ordinary resolution to increase the number of shares authorized for issuance under Air Canada's Long-Term Incentive Plan (which comprises its stock option plan and performance share unit plan), the complete text of such resolution being set out at Schedule "A" hereto; and

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

You are entitled to receive notice of, and vote at, our annual and special shareholder meeting or any adjournment thereof if you were a shareholder on March 29, 2010.

Your vote is important

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

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

By Order of the Board of Directors,

Corporate Secretary

Carolyn M. Halverson
Montreal, Québec
April 16, 2010
In this management proxy circular ("circular"), you and your refer to the shareholder. We, us, our, Air Canada and the Corporation refer to Air Canada. Unless otherwise stated, all dollar amounts contained in this circular are expressed in Canadian dollars.

This circular is for our annual and special shareholder meeting to be held on May 27, 2010 ("meeting"). As a shareholder of Air Canada, you have the right to vote your shares on the election of the directors, the appointment of the auditors, the increase in the number of shares that are authorized for issuance under Air Canada's Long-Term Incentive Plan (which comprises its stock option plan and performance share unit plan) 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 director nominees, the proposed auditors, our corporate governance practices, the compensation of directors and certain officers and other matters. The information in this document is current as at April 16, 2010 unless otherwise indicated. Financial information on Air Canada and its subsidiaries is provided in its consolidated financial statements and management's discussion and analysis for the year ended December 31, 2009.

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

If you have any questions about any of the information in this circular, please call Shareholder Relations at (514) 422-6644 for service in English or in French.

Approval of this circular
The board of directors of Air Canada (the "Board of Directors" or "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 and special shareholder meeting, as well as to each director and to the auditors.

Corporate Secretary
Carolyn M. Halvorsen
Montreal, Québec
April 16, 2010
VOTING YOUR SHARES

Your vote is important

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

Voting

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

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

How to vote – registered shareholders

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

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

By proxy

By facsimile or by mail

Complete your form of proxy and return it by facsimile at (416) 368-2502 or return it in the envelope we have provided or by delivering it to one of CIBC Mellon’s principal Corporate Trust Offices in Halifax, Montreal, Toronto, Calgary or Vancouver for receipt before 4:00 p.m. (Montreal time) on May 25, 2010 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 55 of this circular.

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

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

In person at the meeting

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

You will receive 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.

On the Internet

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

You will need the 12 digit Control Number found on your voting instruction form.
If you return your voting instruction form via the Internet, you can appoint a person other than the directors or officers named on the voting instruction form as your proxyholder. This person does not have to be a shareholder. Indicate the name of the person you are appointing in the space provided on the voting instruction form. Complete your voting instructions, and date and submit the form. Make sure that the person you appoint is aware that he or she has been appointed and attends the meeting.

The cut-off time for voting over the Internet is 11:59 p.m. (Montreal time) on May 24, 2010.

By facsimile or by mail

Alternatively you may vote your shares by completing the voting instruction form as directed on the form and returning it by facsimile at (905) 507-7793 or (514) 281-8911 or in the business reply envelope provided for receipt before 4:00 p.m. (Montreal time) on May 24, 2010.

In person at the meeting

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

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

How to vote – employees holding shares under the Employee Share Ownership Plan of Air Canada

Shares purchased by employees of Air Canada or its subsidiaries under the Employee Share Ownership Plan of Air Canada (“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 proxy

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.investorvote.com and follow the instructions on the screen. Your voting instructions are then conveyed electronically over the Internet.

You will need the 15 digit Control Number, found on your voting instruction form.

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 website or on the voting instruction 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 24, 2010.

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 4:00 p.m. (Montreal time) on May 24, 2010.

In person at the meeting

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

To do this, enter your name in the appropriate box on the website or write your name in the space provided on the voting instruction form and follow the instructions 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, and “For” or “Against” with respect to the increase in the number of shares that are authorized for issuance under Air Canada's
Long-Term Incentive Plan. If you are a non-registered shareholder voting your shares, or an employee voting your Employee Shares held pursuant to the Employee Share Ownership Plan of Air Canada, please follow the instructions provided in the voting instruction form.

When you complete the form of proxy without appointing an alternate proxyholder, you authorize David I. Richardson, Calin Rovinescu or Carolyn M. Hadrovic, who are directors or officers of Air Canada, to vote your shares for you at the meeting in accordance with your instructions. If you return your proxy without specifying how you want to vote your shares, your vote will be counted FOR electing the director nominees who are named in this circular, FOR appointing PricewaterhouseCoopers LLP as auditors of the Corporation and FOR increasing the number of shares that are authorized for issuance under Air Canada's Long-Term Incentive Plan.

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

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

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

A proxyholder has the same rights as the shareholder by whom it was appointed to speak at the meeting in respect of any matter, 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, voting instruction form or in the Internet voting instructions to inform the Corporation whether you are Canadian or not in order to enable Air Canada to comply with the restrictions imposed by its articles and the Canada Transportation Act on the ownership and voting of its voting securities. If you do not complete such declaration or if it is determined by Air Canada or its transfer agent that you incorrectly indicated (through inadvertence or otherwise) that the shares represented by proxy are owned and controlled by a Canadian, you will be deemed to be a non-Canadian for purposes of voting at the meeting.

If you need assistance completing your form of proxy or voting instruction form, please contact Shareholder Relations at (514) 422-6644 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 Air Canada's transfer agent, CIBC Mellon, 2001 University Street, Suite 1600, Montreal, Québec, or at Air Canada's registered office, 7373 Côte-Vertu Boulevard West, Saint-Laurent, Québec, at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used, or with the chair of the meeting on the day of the meeting, or any adjournment thereof. If the voting instructions were conveyed over the Internet, conveying new voting instructions by Internet or by mail within the applicable cut-off times will revoke the prior instructions.

Voting requirements

The election of directors, the appointment of auditors and the increase in the number of shares that are authorized for issuance under Air Canada's Long-Term Incentive Plan will each 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. The Corporation's transfer agent, CIBC Mellon, counts and tabulates the votes.

For details concerning the Corporation's "Majority Voting Policy" with respect to the election of its directors, please refer to the information under the
heading "Election of Directors" at page 10 of this circular.

**Voting shares and quorum**

As of April 16, 2010, there were 214,880,615 Class B voting shares and 63,266,444 Class A variable voting shares outstanding. Shareholders of record on March 29, 2010 are entitled to receive notice of and vote at the meeting. The list of shareholders entitled to vote at the meeting is available for inspection during usual business hours at the Montreal office of the Corporation's transfer agent, CIBC Mellon, 2001 University Street, Suite 1600, Montreal, Québec and at the meeting.

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

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

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

**Restrictions on voting securities**

Currently, the *Air Canada Public Participation Act* requires the articles of the Corporation to contain provisions limiting ownership of the Corporation's voting interests by non-residents of Canada to a maximum of 25% or any higher percentage that the Governor in Council may by regulation specify. Also, the applicable provisions of the *Canada Transportation Act* require that national holders of domestic, scheduled international and non-scheduled international licences be Canadian. In the case of each licence holder, this requires that it be controlled in fact by Canadians and that, currently, at least 75% of its voting interests be owned and controlled by Canadians. The articles of the Corporation contain restrictions to ensure that Air Canada remains Canadian under the *Canada Transportation Act*. The definition of the term "Canadian" under section 55(1) of the *Canada Transportation Act* may, currently, 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.

Air Canada has two classes of shares: (i) Class B voting shares and (ii) Class A variable voting shares.

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

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

Each Class A variable voting share confers the right to one vote unless: (i) the number of Class A variable voting shares outstanding, as a percentage of the total number of voting shares outstanding of Air Canada exceeds 25% (or any higher percentage that the Governor in Council may by regulation specify), or
(ii) the total number of votes cast by or on behalf of holders of Class A variable voting shares at any meeting exceeds 25% (or any higher percentage that the Governor in Council may by regulation specify) of the total number of votes that may be cast at such meeting. If either of the above noted thresholds would otherwise be surpassed at any time, the vote attached to each Class A variable voting share will decrease proportionately such that: (i) the Class A variable voting shares as a class do not carry more than 25% (or any higher percentage that the Governor in Council may by regulation specify) of the aggregate votes attached to all issued and outstanding voting shares of Air Canada and (ii) the total number of votes cast by or on behalf of holders of Class A variable voting shares at any meeting do not exceed 25% (or any higher percentage that the Governor in Council may by regulation specify) of the votes that may be cast at such meeting.

The Government of Canada's Bill C-10, the Budget Implementation Act 2009, contains provisions whereby the restrictions relating to voting securities in the Air Canada Public Participation Act would be repealed and the Canada Transportation Act would be amended to provide the Governor in Council with flexibility to increase the foreign voting interests ownership limit from the existing 25% level to a maximum of 49%. These provisions will come into force on a date to be fixed by order of the Governor in Council made on the recommendation of the Minister of Finance in the case of the Air Canada Public Participation Act, and on the recommendation of the Minister of Transport in the case of the Canada Transportation Act. Air Canada does not expect that these provisions will come into effect prior to the meeting.

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

Shareholders who wish to vote at the meeting either by completing and delivering a proxy or a voting instruction form or by attending and voting at the meeting will be required to complete a Declaration of Canadian Status in order to enable Air Canada to comply with the restrictions imposed by its articles and the Canada Transportation Act on the ownership and voting of its voting securities. If you do not complete such declaration or if it is determined by Air Canada 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 Ownership Plan of Air Canada and in the Internet voting instructions.

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

As of April 16, 2010, to the knowledge of the officers or directors of the Corporation, each of the following entities beneficially owned or exercised control or direction over, directly or indirectly, shares carrying more than 10% of the votes attached to any class of shares entitled to vote in connection with any matters being proposed for consideration at the meeting.

<table>
<thead>
<tr>
<th>Name of Shareholder</th>
<th>Number and Type of Shares</th>
<th>% of Outstanding Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACE Aviation Holdings Inc. (&quot;ACE Aviation&quot;)</td>
<td>75,000,000 Class B voting shares</td>
<td>34.9% of all outstanding Class B voting shares</td>
</tr>
<tr>
<td>Letko, Brosseau &amp; Associates Inc. (1)</td>
<td>23,497,000 Class B voting shares</td>
<td>10.9% of all outstanding Class B voting shares</td>
</tr>
<tr>
<td>PAR Investment Partners, L.P. (1)</td>
<td>20,000,000 Class A variable voting shares</td>
<td>31.6% of all outstanding Class A variable voting shares</td>
</tr>
<tr>
<td>Fidelity Management &amp; Research Company, together with Pyramis Global Advisors, LLC and Pyramis Global Advisors Trust Company (collectively &quot;Fidelity&quot;) (1)(2)</td>
<td>16,100,038 Class A variable voting shares</td>
<td>25.5% of all outstanding Class A variable voting shares</td>
</tr>
</tbody>
</table>

(1) Based on publicly available early warning reports.

(2) As set out in its early warning report dated January 14, 2010 (the "Report"), all the Class A variable voting shares were acquired by Fidelity on behalf of funds managed by Fidelity (the "Funds"). In the Report it is stated that it was not Fidelity’s intention to acquire additional Class A variable voting shares on the Toronto Stock Exchange after the Funds’ ownership had exceeded 20% of the class in the October 2009 equity offering by Air Canada, and it did so only inadvertently. In the Report, Fidelity also stated that it intends to reduce the Funds’ holdings of Class A variable voting shares, including through secondary market trading on the Toronto Stock Exchange, to take account of the inadvertent purchases, and that such sales will be made over time, subject to market conditions.
BUSINESS OF THE MEETING

Five items will be covered at the meeting:

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

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

3. appointment of auditors;

4. consideration and, if deemed advisable, passing of an ordinary resolution to increase the number of shares that are authorized for issuance under Air Canada's Long-Term Incentive Plan, the complete text of such resolution being set out as Schedule "A" hereto; and

5. 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 Air Canada's financial statements

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

2. Election of directors

Ten (10) directors are to be elected to the Board. Please see "The Nominated Directors" for more information. Directors elected at the meeting will serve until the end of the next annual shareholder meeting or until their successors are elected or appointed.

All of the individuals to be nominated as directors were previously elected to the Board by the shareholders of the Corporation, except for Roy J. Romanow who was appointed to the Board on February 9, 2010.

The Board has adopted a "Majority Voting Policy" to the effect that a nominee for election as a director of Air Canada who receives a greater number of votes "withheld" than votes "for", with respect to the election of directors by shareholders, will be expected to offer to tender his or her resignation to the Chairman promptly following the meeting of shareholders at which the director was elected. The Governance and Corporate Matters Committee will consider such offer and make a recommendation to the Board whether to accept it or not. The Board will make its decision and announce it in a press release within ninety (90) days following the meeting of shareholders. The director who offered to tender his or her resignation should not be part of any committee or Board deliberations pertaining to the resignation offer. This Majority Voting Policy only applies in circumstances involving an uncontested election of directors. An "uncontested election of directors" means the number of director nominees is the same as the number of directors to be elected to the Board and that no proxy materials are circulated in support of one or more nominees who are not part of the candidates supported by the Board.

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

3. Appointment of auditors

The Board, on the advice of the Audit, Finance and Risk Committee, recommends that PricewaterhouseCoopers LLP, Chartered Accountants, be reappointed as auditors. PricewaterhouseCoopers LLP were first appointed as auditors of Air Canada on April 26, 1990.

The auditors appointed at the meeting will serve until the end of the next annual shareholder meeting or until their successors are appointed.

Fees payable for the years ended December 31, 2009 and December 31, 2008 to PricewaterhouseCoopers LLP and its affiliates are $3,755,863 and $3,011,035 respectively, as detailed in the following table:
The nature of each category of fees is described below.

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

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

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

**All Other fees.** Other fees were paid for translation and advisory services.

More information on Air Canada's Audit, Finance and Risk Committee is contained in Air Canada's Annual Information Form filed by Air Canada on March 30, 2010 and which is available on SEDAR at [www.sedar.com](http://www.sedar.com) or on the Corporation's website at [www.aircanada.com](http://www.aircanada.com).

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

### 4. Long-Term Incentive Plan

Concurrent with its initial public offering, Air Canada established the Long-Term Incentive Plan pursuant to which the Corporation may grant stock options or performance share units (also referred to herein as "PSUs") exercisable for Class A variable voting shares or Class B voting shares of the Corporation, as the case may be. For more information on Air Canada's Long-Term Incentive Plan, please refer to page 34 of this circular under the heading "Long-Term Incentives – Stock Options and Performance Share Unit Plan".

At the time of its establishment, Air Canada had authorized and reserved 5,000,000 shares for issuance under the Long-Term Incentive Plan, such number of shares which represented 5% of Air Canada's equity at such time. Currently, there is an aggregate of 3,165,044 options and performance share units outstanding under the Long-Term Incentive Plan exercisable for underlying Air Canada shares. Accordingly, at this time, there are only enough shares remaining to allow Air Canada to grant an aggregate of 1,834,956 options and performance share units.

On October 27, 2009, Air Canada completed a public offering of 160,500,000 units at a price of $1.62 per unit with each unit comprised of one Class A variable voting share or one Class B voting share, as the case may be, and one-half of a share purchase warrant, each whole warrant exercisable for one Class A variable voting share or one Class B voting share, as the case may be. Additionally, on October 26, 2009, in order to satisfy certain obligations under pension funding arrangements reached with its Canadian-based unions, Air Canada issued, to a trust, 17,647,059 Class B voting shares (as further detailed at page 18 of this circular under the heading "Trust Arrangement in connection with Pension MOUs"). Subsequent to these events, Air Canada has an aggregate of 278,147,059 shares outstanding, which represents a 178% increase from the number of shares that it had outstanding at the time of its initial public offering when the Long-Term Incentive Plan was established.

As the Long-Term Incentive Plan is used by Air Canada to attract, retain and motivate employees in key positions, and to align their interests with those of its shareholders, the Board has determined that it would be appropriate to increase the number of shares authorized for issuance under the plan so that the Corporation will have the necessary latitude to grant incentive awards over the next several years. If approved at the meeting, the amendment to the Long-Term Incentive Plan will increase the maximum number of shares under reserve and issuable, following the exercise of stock options and/or the exchange of performance share units granted thereunder, to 19,470,294, which will represent 7% of all outstanding shares of the Corporation.

The approval of Air Canada's shareholders is required in order to amend the Long-Term Incentive Plan to increase the maximum number of shares issuable, following the exercise of stock options and/or the...
exchange of performance share units granted thereunder, to 19,470,294.

Attached as Schedule “A” is the ordinary resolution which will be tabled at the meeting and which, if approved and adopted at the meeting, will increase the number of shares that are authorized for issuance under Air Canada's Long-Term Incentive Plan. To be adopted, the ordinary resolution needs to be approved by a majority of the votes cast at the meeting by proxy or in person. The Board of Directors recommends that shareholders VOTE IN FAVOUR of this resolution.

If you do not specify how you want your shares voted, the persons named as proxyholders will cast the votes represented by proxy at the meeting FOR the passing of the ordinary resolution set out as Schedule "A" hereto authorizing the increase in the number of shares that are authorized for issuance under Air Canada’s Long-Term Incentive Plan to 19,470,294.

5. 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

Ten (10) directors are to be elected at the meeting, each of whom is to hold office until the end of the next annual meeting of shareholders or until their successors are elected or appointed.

All nominees have established their eligibility and willingness to serve as directors. If prior to the meeting, any of the listed nominees would become unable or unavailable to serve, proxies will be voted for any other nominee or nominees at the discretion of the proxyholder. The table below sets out, among other things, the names of the proposed nominees for election as directors, together with their municipality of residence, the date they became directors (if applicable), their principal occupation and other principal directorships and committee memberships. Also indicated is the number of securities beneficially owned, or over which control was exercised, directly or indirectly, as of April 16, 2010, including securities of ACE Aviation which holds 34.9% of the outstanding Class B voting shares of Air Canada.

BERNARD ATTALI
Paris, France
Age: 66

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

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

4,829.61 deferred share units of Air Canada
5,000 Class A variable voting shares of ACE Aviation
MICHAEL M. GREEN  
Radnor, Pennsylvania  
Age: 51

Air Canada director since March 30, 2009

Michael M. Green is the Chief Executive Officer and Managing Director of Tenex Capital Management, a private investment firm. Mr. Green is also a director of ACE Aviation. Mr. Green has a multi-industry operations background in aerospace, transportation, telecommunications and software systems. Mr. Green was Managing Director of Cerberus Capital Management, L.P. from 2003 to 2009. Previously, 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. Mr. Green holds a dual B.S. in Electrical Engineering and Physics from State University of New York, Buffalo and an M.S. in Electrical Engineering from Villanova University.

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

100,000 Class A variable voting shares of Air Canada  
50,000 Warrants - Class A variable voting shares of Air Canada  
5,000 Class B voting shares of ACE Aviation

JEAN MARC HUOT  
Montreal, Québec  
Age: 48

Air Canada director since May 8, 2009

Jean Marc Huot is a partner with the Canadian law firm Stikeman Elliott LLP and co-chair of the firm's national Securities Law Group. His practice is focused primarily in the areas of corporate finance and mergers and acquisitions. Mr. Huot is a member of the Advisory Committee to the Chair of the Autorité des Marchés Financiers. Mr. Huot holds a Bachelor of Arts degree and a Bachelor of Law degree from Laval University.

Member of the Pension Committee  
Member of the Governance and Corporate Matters Committee

25,000 Class B voting shares of Air Canada  
50,897.38 deferred share units of Air Canada
PIERRE MARC JOHNSON,  
G.O.Q., FRSC  
Montreal, Québec  
Age: 63

Air Canada director since November 15, 2006

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

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

3,250 Class B voting shares of Air Canada  
1,625 Warrants - Class B voting shares of Air Canada  
7,091.51 deferred share units of Air Canada  
5,000 Class B voting shares of ACE Aviation

JOSEPH B. LEONARD  
Minneapolis, Minnesota  
Age: 66

Air Canada director since May 21, 2008

Joseph B. Leonard is a director and Interim Chief Executive Officer of Walter Energy, Inc. He is also a director of Mueller Water Products, Inc. Mr. Leonard was Chairman of AirTran Airways from 1999 to 2008 and the Chief Executive Officer from 1999 to 2007. Mr. Leonard was also President and Chief Executive Officer of AlliedSignal's Aerospace marketing, sales and service organization and previously held various senior management positions with Northwest Airlines, Eastern Airlines and American Airlines. Mr. Leonard holds a Bachelor of Science degree in Aerospace Engineering from Auburn University Montgomery.

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

50,000 Class A variable voting shares of Air Canada  
25,000 Warrants - Class A variable voting shares of Air Canada  
3,223.44 deferred share units of Air Canada
Arthur T. Porter is the Director General and Chief Executive Officer of the McGill University Health Centre. Dr. Porter was previously Chief Executive Officer of the Detroit Medical Center from 1999 to 2003 and has extensive clinical, research and administrative experience in a university teaching hospital environment. Dr. Porter has also acted as consultant for several major companies in the airline and energy sectors with respect to human resources and logistic challenges. Dr. Porter is a director and member of the Audit Committee of the Munder Funds and the Chairman of CancerPartnersUK. Dr. Porter holds a Medical degree from the Cambridge School of Clinical Medicine, a Master of Business Administration from the University of Tennessee and certificates in Medical Management from Harvard University and the University of Toronto. Dr. Porter is a member of the Queen's Privy Council for Canada and a member of Canada's Security Intelligence Review Committee.

Chair of the Governance and Corporate Matters Committee  
Chair of the Nominating Committee  
Member of the Audit, Finance and Risk Committee  
Member of the Pension Committee

2,000 Class B voting shares of Air Canada  
7,371.50 deferred share units of Air Canada

David I. Richardson is a corporate director. Mr. Richardson is a director and the Chair of the Audit Committee of ACE Aviation and is the Chairman of Nortel Networks Corporation and Nortel Networks Limited. Mr. Richardson is the former Chairman of Ernst & Young Inc. (Canada) and a former Executive Partner of Ernst & Young LLP. Mr. Richardson joined its predecessor Clarkson, Gordon & Co. in 1963 and was appointed President of The Clarkson Company Limited in 1982. Mr. Richardson was also a member of the Management and Executive Committees of Ernst & Young LLP, national managing partner of the firm's Corporate Finance practice and the senior partner in the Corporate Recovery and Restructuring practice until his retirement from the partnership in 2002. Mr. Richardson is also a governor of Upper Canada College. Mr. Richardson holds a Bachelor of Commerce degree from the University of Toronto and is a member and a Fellow of the Institute of Chartered Accountants of Ontario.

10,000 Class B voting shares of Air Canada  
5,000 Class B voting shares of ACE Aviation
ROY J. ROMANOW, P.C., O.C.,
S.O.M., Q.C.
Saskatoon, Saskatchewan
Age: 70

Roy J. Romanow is a Senior Fellow in Public Policy at the University of Saskatchewan. Mr. Romanow is also a director of Torstar Corporation. During his career in public office, Mr. Romanow served as Premier of Saskatchewan from 1991 until 2001. Mr. Romanow was previously Deputy Premier, Attorney General and Minister of Intergovernmental Affairs. From 2001 to 2002, Mr. Romanow led the Royal Commission on the Future of Health Care in Canada, and from 2003 to 2008, he served on Canada's Security Intelligence Review Committee. Mr. Romanow is a Member of the Queen's Privy Council for Canada and an Officer of the Order of Canada. Mr. Romanow holds a Bachelor of Arts degree and a Bachelor of Law degree from the University of Saskatchewan. He is also the recipient of several honorary degrees.

CALIN ROVINESCU
Montreal, Québec
Age: 54

Calin Rovinescu was appointed President and Chief Executive Officer of Air Canada on April 1, 2009. Mr. Rovinescu was the Executive Vice President, Corporate Development and Strategy of Air Canada from 2000 to 2004, and during the airline's restructuring, he also held the position of Chief Restructuring Officer. From 2004 to 2009, Mr. Rovinescu was a Co-founder and Principal of Genuity Capital Markets, one of Canada's leading independent investment banks. From 1979 to 2000, Mr. Rovinescu was a lawyer and then a partner with the Canadian law firm Stikeman Elliott LLP, and was the Managing Partner of its Montreal office from 1996 to 2000. Mr. Rovinescu is a member of the IATA Board of Governors and has served on the boards of several public and private corporations and charitable organizations. Mr. Rovinescu holds a D.E.C. degree from McGill University and Bachelor of Law degrees from the University of Montreal and the University of Ottawa.

100,000 Class B voting shares of Air Canada
50,000 Warrants - Class B voting shares of Air Canada
Vagn Sørensen is a Senior Industrial Advisor with EQT Partners, a private equity fund. Mr. Sørensen is the Chairman of KMD A/S, Select Service Partner Plc U.K., Scandic Hotels AB and TDC A/S, and Vice Chairman of DFDS A/S and ST Global. Mr. Sørensen is also a director of Braganza AS, Cimber Sterling Group A/S, F L Smidth & Co. A/S and the Scandinavian International Management Institute. Mr. Sørensen has served as Chairman of the Association of European Airlines, member of the Board of Governors of the International Air Transport Association and member of the Board of Vienna Stock Exchange. Mr. Sørensen holds a Master of Economics from Aarhus Business School in Denmark.

Chair of the Human Resources and Compensation Committee
Member of the Audit, Finance and Risk Committee
Member of the Pension Committee
Member of the Governance and Corporate Matters Committee

19,300 Class A variable voting shares of Air Canada
5,000 Warrants - Class A variable voting shares of Air Canada
12,976.76 deferred share units of Air Canada
2,400 Class A variable voting shares of ACE Aviation

Trust Arrangement in connection with Pension MOUs

Air Canada maintains several defined benefit pension plans. In July 2009, the Federal Government of Canada adopted the Air Canada Pension Plan Funding Regulations, 2009 (the "2009 Regulations"). The 2009 Regulations relieve Air Canada from making any past service contributions (i.e. special payments to amortize the plan deficits) to its ten domestic defined benefit registered pension plans in respect of the period beginning April 1, 2009 and ending December 31, 2010. Thereafter, in respect of the period from January 1, 2011 to December 31, 2013, the aggregate annual past service contribution shall equal the lesser of (i) $150 million, $175 million, and $225 million in respect of 2011, 2012, and 2013, respectively, and (ii) the maximum past service contribution permitted under the Income Tax Act (Canada).

The 2009 Regulations were adopted in coordination with pension funding agreements (the "Pension MOUs") reached with Air Canada's Canadian-based unions and a consultation process with its retirees and non-unionized workforce. Pursuant to the Pension MOUs, on October 26, 2009, Air Canada issued, to a trust, 17,647,059 Class B voting shares. This number of shares represented 15% of the shares of Air Canada issued and outstanding as at the date of the Pension MOUs and the date of issuance (in both cases after taking into account such issuance). All net proceeds of sales of such shares by the trust are to be contributed to the pension plans.

For so long as the trust continues to hold at least 2% of Air Canada's issued and outstanding shares, the trustee will have the right to designate one nominee to Air Canada's Board of Directors (who shall not be a member or officer of any of Air Canada's Canadian-based unions), subject to completion by Air Canada of its usual governance process for selection and confirmation of director nominees. Pursuant to the trustee's right of designation, Mr. Romanow was appointed to Air Canada's Board of Directors on February 9, 2010, and is a nominee to Air Canada's Board of Directors for purposes of the election of directors at the meeting.
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. Air Canada measures its director's compensation practices against the market practices of large Canadian based companies including those in the S&P/TSX 60 Index.

The Chairman of Air Canada's Board receives a retainer of $325,000 per year and non-executive directors of Air Canada receive a retainer of $120,000 per year, except for non-executive directors of Air Canada who are also directors of ACE Aviation who instead receive a retainer of $85,000 per year. The annual retainer fee is payable in cash or in deferred share units ("DSUs"). DSUs are notional units whose value is always equal to the value of the shares of Air Canada. The President and Chief Executive Officer of Air Canada receives no compensation as a director of Air Canada or of any of its subsidiaries. All of the current directors of Air Canada's subsidiary, Touram General Partner Inc. ("Touram"), are also executive officers of Air Canada or Touram and receive no compensation as directors of Touram. Additionally, transportation privileges are granted to directors of Air Canada in line with airline industry practice.

The Chair of the Audit, Finance and Risk Committee, the Pension Committee, the Governance and Corporate Matters Committee, the Human Resources and Compensation Committee and the Nominating Committee, respectively, receive an additional retainer of $20,000, $20,000, $10,000, $10,000 and $10,000 per year. The members of the Audit, Finance and Risk Committee, the Pension Committee, the Governance and Corporate Matters Committee, the Human Resources and Compensation Committee and the Nominating Committee, respectively, receive an additional retainer of $10,000, $10,000, $5,000, $5,000 and $5,000 per year.

The following table shows the amounts earned by individual non-executive directors of Air Canada for the year ended December 31, 2009 in respect of memberships on the Board of the Corporation and its committees:

<table>
<thead>
<tr>
<th>Name</th>
<th>Fees Earned</th>
<th>Allocation of total fees</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Board retainer ($)</td>
<td>Committee member retainer ($)</td>
</tr>
<tr>
<td>Bernard Attali(3)</td>
<td>85,000</td>
<td>12,500</td>
</tr>
<tr>
<td>Michael M. Green(1)(2)</td>
<td>63,750</td>
<td>19,452</td>
</tr>
<tr>
<td>Jean Marc Huot(3)</td>
<td>77,803</td>
<td>6,484</td>
</tr>
<tr>
<td>Pierre Marc Johnson(1)</td>
<td>85,000</td>
<td>16,484</td>
</tr>
<tr>
<td>Joseph B. Leonard</td>
<td>120,000</td>
<td>15,000</td>
</tr>
<tr>
<td>Arthur T. Porter</td>
<td>120,000</td>
<td>28,242</td>
</tr>
<tr>
<td>David I. Richardson(1)(4)</td>
<td>325,000</td>
<td>Nil</td>
</tr>
<tr>
<td>Vagn Sorensen</td>
<td>120,000</td>
<td>28,242</td>
</tr>
<tr>
<td>Calin Rovinescu(7)</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>Montie Brewer(8)</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>Pat Jacobsen(7)</td>
<td>60,000</td>
<td>5,000</td>
</tr>
<tr>
<td>Robert G. Long(7)</td>
<td>60,000</td>
<td>12,500</td>
</tr>
<tr>
<td>Michael M. Wilson(7)</td>
<td>60,000</td>
<td>5,000</td>
</tr>
<tr>
<td>Marvin Yontef(7)</td>
<td>42,500</td>
<td>5,000</td>
</tr>
</tbody>
</table>

(1) Also a director of ACE Aviation.
(2) Includes the prorated payment of certain Board and committee member retainer fees (as was appointed a director of Air Canada on March 30, 2009).
(3) Includes the prorated payment of certain Board and committee member retainer fees (as was elected a director of Air Canada on May 8, 2009).
Chairman of the Board of Air Canada.

Appointed a director and the President and CEO of Air Canada on April 1, 2009. Mr. Rovinescu receives no compensation in his capacity as a director of Air Canada or any of its subsidiaries.

Ceased being a director effective April 1, 2009. As Mr. Brewer had been the President and CEO of Air Canada during his tenure as a director of Air Canada, Mr. Brewer received no compensation in his capacity as a director of Air Canada or any of its subsidiaries.

Ceased being a director effective May 8, 2009.

**Share Ownership Requirement for Directors**

The Board has adopted share ownership guidelines according to which non-executive directors are required to own a minimum of securities of Air Canada representing $325,000 (Chairman), $120,000 (non-executive directors) or $85,000 (non-executive directors that are also directors of ACE Aviation) in value, as the case may be, through shares and/or DSUs. The value of the securities is based on the greater of the market value of the securities and the aggregate purchase price of the securities. Such ownership must be achieved by October 1, 2012 or within five years of the date of the director's appointment, whichever occurs later. Also, the President and Chief Executive Officer is required to own a minimum of securities of Air Canada representing $300,000 in value through shares and/or DSUs. The value of the securities is based on the greater of the market value of the securities and the aggregate purchase price of the securities, and such ownership must be achieved within five years of the date of appointment.

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of Shares Owned$^1$</th>
<th>Number of DSUs Owned</th>
<th>Total Value of Shares and DSUs for purposes of guidelines$^2$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bernard Attali</td>
<td>-</td>
<td>4,829.61</td>
<td>$ 47,500</td>
</tr>
<tr>
<td>Michael M. Green</td>
<td>100,000</td>
<td>-</td>
<td>$ 250,000</td>
</tr>
<tr>
<td>Jean Marc Huot</td>
<td>25,000</td>
<td>50,897.38</td>
<td>$ 189,743</td>
</tr>
<tr>
<td>Pierre Marc Johnson</td>
<td>3,250</td>
<td>7,091.51</td>
<td>$ 67,500</td>
</tr>
<tr>
<td>Joseph B. Leonard</td>
<td>50,000</td>
<td>3,223.44</td>
<td>$ 146,758</td>
</tr>
<tr>
<td>Arthur T. Porter</td>
<td>2,000</td>
<td>7,371.50</td>
<td>$ 106,560</td>
</tr>
<tr>
<td>David I. Richardson</td>
<td>10,000</td>
<td>-</td>
<td>$ 188,750</td>
</tr>
<tr>
<td>Roy J. Romanow$^3$</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Calin Rovinescu</td>
<td>100,000</td>
<td>-</td>
<td>$ 250,000</td>
</tr>
<tr>
<td>Vagn Sørensen</td>
<td>19,300</td>
<td>12,976.76</td>
<td>$ 305,395</td>
</tr>
</tbody>
</table>

$^1$ Certain directors also own shares of ACE Aviation.

$^2$ The amounts reported in this column represent the greater of: (i) the market value of the shares and/or DSUs (based on the April 16, 2010 Toronto Stock Exchange closing price of the Class A variable voting shares ($2.50) and the Class B voting shares ($2.50)), and (ii) the aggregate purchase price of the securities.

$^3$ Mr. Romanow was appointed to the Board on February 9, 2010.

**Certain Proceedings**

To the knowledge of Air Canada, none of the proposed nominees for election as directors of Air Canada: (a) are, as at the date hereof, or have been, within 10 years before the date of this circular, a director, chief executive officer or chief financial officer of any company that, (i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days (an "Order") that was issued while the proposed nominee was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to an Order that was issued after the proposed nominee ceased to be a director, chief executive officer or chief financial officer and
which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; (b) are, as at the date of this circular, or have been within 10 years before the date of this circular, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (c) have, within the 10 years before the date of this circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed nominee, except that:

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

(ii) Pierre Marc Johnson was a director of Air Canada when it filed for protection under the Companies Creditors Arrangement Act (Canada) ("CCAA") on April 1, 2003; and

(iii) Calin Rovinescu was the Executive Vice President, Corporate Development and Strategy of Air Canada when it filed for protection under the CCAA on April 1, 2003.

**Retirement Policy for Directors**

The policy of the Board, as reflected in the Corporation's "Charter of the Board of Directors", is that no person shall be appointed or elected as a director of the Corporation if the person exceeds 75 years of age. The policy allows for an exception where the Board determines it is in the interest of the Corporation to request a director to extend his/her term beyond the regular retirement age, provided however that such extension is requested in one-year increments.
The Board has extensively reviewed the Corporation's governance practices and concludes that the Corporation complies with the requirements of National Instrument 58-101, "Disclosure of Corporate Governance Practices". The Corporation regularly reviews its governance practices as regulatory changes come into effect and will continue to monitor these changes closely and consider amendments to its governance practices if need be.

Board of Directors

Director Independence

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

Nine of the ten directors of the Corporation standing for election to the Board, namely Bernard Attali, Michael M. Green, Jean Marc Huot, Pierre Marc Johnson, Joseph B. Leonard, Arthur T. Porter, David I. Richardson, Roy J. Romanow and Vagn Sørensen, 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 Calin Rovinescu is not independent because of his position held as an officer of Air Canada. With respect to Mr. Huot, he is a partner of Stikeman Elliott LLP, a law firm that provides legal services to Air Canada. The Board has reviewed this relationship and has determined that Mr. Huot is independent on the basis that: (i) the fees received by Stikeman Elliott LLP from Air Canada are not material to Air Canada, and represented less than 2% of Stikeman Elliott LLP’s revenues in each of the last five years, (ii) such services are provided on customary commercial terms by Stikeman Elliott LLP and are received by Air Canada in the ordinary course of its business, and (iii) Air Canada receives legal services from several other providers and is at liberty to choose from among such providers which maintain similar quality standards.

Directorships of Other Reporting Issuers

Director nominees' Bernard Attali, Michael M. Green, Pierre Marc Johnson, Joseph B. Leonard, Arthur T. Porter, David I. Richardson, Roy J. Romanow and Vagn Sørensen are currently directors of several public entities. Bernard Attali and Michael M. Green are directors of ACE Aviation. Pierre Marc Johnson is a director of Mueller Water Products, Inc. and Walter Energy, Inc. Arthur T. Porter is a director of the Munder Funds. David I. Richardson is a director of ACE Aviation and Nortel Networks Corporation. Roy J. Romanow is a director of Torstar Corporation. Vagn Sørensen is a director of TDC A/S, DFDS A/S, Cimber Sterling Group A/S and F L Smidth & Co. A/S.

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.

Chairman of the Board

The Chairman of the Board is appointed by resolution of the Board among the Board members. The Chairman of the Board is David I. Richardson who is an independent director of Air Canada. The responsibilities of the Chairman of the Board are set out in a position description, which is described below under "Statement of Governance Practices – Position Descriptions – Chairman".

Independent Directors’ Meetings

At each scheduled meeting of the Board, time is specifically reserved for non-executive directors to hold "in camera" sessions, in the absence of non-independent directors. At each such meeting, the directors consider whether
an "in camera" meeting would be appropriate in the circumstances. The Chairman of the Board chairs the "in camera" sessions. In 2009, following certain scheduled meetings of the Board, the independent directors did hold "in camera" sessions at which the sole non-independent director (Mr. Rovinescu, Air Canada's President and Chief Executive Officer) was excluded from attendance.

Attendance Record

See "Schedule B" of this circular for the attendance records of the directors of the Board and the committees of the Corporation.

Board Size

The Board will be comprised of ten (10) directors in the event all of the director nominees are elected. Please refer to "The Nominated Directors" in this circular for further details. The Board is of the view that this size and its 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 C" to this circular.

Position Descriptions

President and Chief Executive Officer

The Board has adopted a position description for Calin Rovinescu, the 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 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.

Chairman

The Board has adopted a position description for David I. Richardson, the Chairman. As Chairman of the Board, the Chairman chairs Board meetings and establishes procedures to govern the Board's work. More specifically, as Chairman of the Board, the primary responsibilities of the Chairman include the following: (i) adopting procedures to enable the Board to conduct its work effectively and efficiently, including committee structures and composition, scheduling, and management of meetings; (ii) developing the agenda for Board meetings, Board procedures and the composition of Board committees; (iii) providing the proper flow of information to the Board; (iv) being satisfied that the Board has access to such members of senior management as may be required by the Board; and (v) chairing every meeting of the Board and encouraging free and open discussion at meetings of the Board.

Chair of each Standing Committee

The Chairs of the Audit, Finance and Risk Committee, the Pension Committee, the Governance and Corporate Matters Committee, the Human Resources and Compensation Committee and the Nominating Committee are respectively, Michael M. Green, Pierre Marc Johnson, Arthur T. Porter, Vagn Sørensen and Arthur T. Porter.
Position descriptions have been adopted by the Board for the Chair of each of the Audit, Finance and Risk Committee, the Pension Committee, the Governance and Corporate Matters Committee, the Human Resources and Compensation Committee and the Nominating Committee. According to such position descriptions, the Chair of each committee shall, among other things: (i) be satisfied that the committee fulfils the objectives and responsibilities set out in its charter; (ii) be satisfied that enough time and attention is given to each aspect of the committee's responsibilities; (iii) be satisfied 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) be satisfied that the other members of the committee understand the role and responsibilities of the committee; (vi) be satisfied 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 President and CEO, the Chairman and the Chair of each committee in order to fully grasp the role he is expected to play as a director and a committee member. Extensive documentation on the Corporation is also provided to enable the directors to better understand the Corporation and his or her role and responsibilities.

As part of its mandate, the Governance and Corporate Matters Committee is also responsible for providing a continuous education program for directors of the Board. The Corporation has in place a continuous education program. In this regard, the Corporation provides directors with regular reports on the operations and finances of Air Canada. Management periodically gives directors up-to-date industry studies and benchmarking information. At each regular Board meeting, the directors are provided with updates and short summaries of relevant information. Extensive documentation and selected presentations are also provided to directors to ensure that their knowledge and understanding of the Corporation's business remains current. Furthermore, aircraft and facility tours are provided to directors so they can enhance their understanding of the operational aspects of Air Canada's business. The Corporation encourages continuous education by offering to reimburse the costs and expenses of attending conferences or courses, including director education programs offered by leading institutions of higher education.

Air Canada Code of Business Conduct

The Corporation has adopted a Corporate Policy and Guidelines on Business Conduct (the "Code") which was most recently amended by the Board on February 9, 2010. The Code applies to all directors, officers and employees of Air Canada and its wholly-owned subsidiaries, to the extent that policies and guidelines have not been adopted separately by them. A copy of the Code can be obtained on SEDAR at www.sedar.com or on the Corporation's website at www.aircanada.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
The Board, with the assistance of the Governance and Corporate Matters 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 Air Canada and its wholly-owned subsidiaries that have not adopted their own policies and guidelines. All new members of management are required to complete an acknowledgement form whereby they confirm that they have read the Code and will follow its terms, and also undertake to promote the guidelines and principles of the Code and take all reasonable measures to ensure that the employees under their supervision fully comply with the Code. In addition, all members of management are required to complete the acknowledgment form on an annual basis. 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. Since the adoption of the Code, Air Canada 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, composed entirely of independent directors, 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 President and CEO and the Chairman, 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 identifies a list of potential Board candidates and then reviews the competencies and skill-set of each candidate. In addition, the Nominating Committee engages the services of private agencies to conduct broad searches of potential Board candidates. The candidates are then ranked and approached for their interest in serving on the Board. The Nominating Committee then recommends to the Board candidates for nomination as directors and approves the final choice of candidates for nomination and election by the shareholders.

The Nominating Committee also reviews the qualifications, skill-set and experience of the candidate nominated by the trustee appointed under the Pension MOUs reached between Air Canada and its Canadian-based unions, the whole as was further detailed at page 18 of this circular under the heading "Trust Arrangement in connection with Pension MOUs".

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 and Compensation Committee is composed entirely of independent directors. Please see the section titled "Air Canada's Executive Compensation Program – Compensation Discussion and Analysis" for the process and criteria used to determine the compensation of the officers of Air Canada.

In 2009, Hugessen Consulting was engaged by the Human Resources and Compensation Committee to review the President and Chief Executive Officer's compensation arrangements and to report thereon. Additionally, in 2009, Air Canada retained the services of Towers Watson to assist with preparing information on executive compensation (the scope of services included performing competitive reviews of senior executive compensation levels and providing Air Canada with compensation trend information). The Corporation paid an aggregate of $115,200 in consideration for these services. In addition to these services, Towers Perrin also provided benefit consulting services to the Corporation for which the Corporation paid $786,300 in fees.

Board Committees

There are five standing committees of the Board: the Audit, Finance and Risk Committee, the Pension Committee, the Governance and Corporate Matters Committee, the Human Resources and Compensation Committee and the Nominating Committee. 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.

During 2009, the Board constituted an ad hoc committee consisting of the independent directors of Air Canada who were not also members of the board of directors of ACE Aviation. The mandate of the committee was to address matters that may be referred to it by the Board, the Chairman or the President and CEO as constituting an actual or potential material conflict of interest between the Corporation and ACE Aviation.

Assessments

It is the role of the Chair of the Governance and Corporate Matters Committee to assess, on an annual basis, the contribution of each individual director, the effectiveness of the Board and the effectiveness of the committees. For this purpose, the Chair of the Governance and Corporate Matters Committee conducts private meetings with each director, and the directors are also asked to complete an evaluation survey on the effectiveness of the Board and of its committees. Thereafter, a report is made to the Board. Also, on a quarterly 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.
The Board has five standing committees:

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

All committees of the Board are composed of independent directors. The roles and responsibilities of each committee are set out in formal written charters. These charters are reviewed 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, Finance and Risk Committee

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

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

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

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

- Monitor and review the quality and integrity of the Corporation's accounting and financial reporting process through discussions with management, the external auditor and the internal auditor.
- Determine, based on its review and discussion, whether to recommend the approval by the Board of such financial statements and the financial disclosure in any such annual information forms, earnings press releases, prospectuses and other similar documents.
- Review with management, the external auditor and legal counsel, the Corporation's procedures
to be satisfied that it complies with applicable laws and regulations.

• Meet with the Corporation's external auditor to review and approve their audit plan.

• Review and approve estimated audit and audit-related fees and expenses.

• Review and approve the nature of all non-audit services, as permitted by securities legislation and regulations, to be provided by the Corporation's external auditor prior to the commencement of such work.

• Review a report from the external auditor that in the external auditor's professional judgment it is independent of the Corporation.

• Evaluate the performance of the external auditor.

• Review the mandate of and the services provided by the internal audit department.

• Review significant emerging accounting and reporting issues.

• Establish policies and procedures for the receipt, retention and treatment of complaints received by the Corporation from employees, shareholders and other stakeholders regarding accounting issues and financial reporting, internal accounting controls and internal or external auditing matters.

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

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

• Review and approve the Corporation's Public Disclosure Policy.

• Establish processes and procedures to monitor contingent liabilities of the Corporation and its subsidiaries.

• Review the corporate policies, procedures and reports regarding environmental matters.

• Review with management and the Corporation's environmental officer the results of environment audits and recommendations resulting therefrom.

• Identify and address material financial and other risks to the business and affairs of the Corporation and its subsidiaries and make recommendations in that regard to the Board.

• 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, Finance and Risk Committee met 4 times during the period from January 1, 2009 to December 31, 2009.

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

Members: Michael M. Green (Chair)
Joseph B. Leonard
Arthur T. Porter
Vagn Sørensen

Pension Committee

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

The primary objective of the Pension Committee is to assist the Board in fulfilling its responsibilities for the monitoring and oversight of the Corporation's pension plans, to ensure that pension liabilities are appropriately funded as required, pension assets are prudently invested, and retirement benefits administered in a proper and effective manner.

The Pension Committee's responsibilities include the following:

• Recommend to the Board all decisions to initiate, merge, split, terminate, or fundamentally change the nature of any pension plan or supplementary retirement plan.

• Approve the plan text of pension plans and any restatements or material amendments to pension plans.
• Recommend to the Board a governance structure for the pension plans.

• Review the Terms of Reference of the Board and of the Pension Committee with respect to the management of the pension plans.

• Appoint the members of the Management Pension Committee, including any external advisors or experts.

• Review the process, upon recommendation from senior management, for appointing or hiring the President of Air Canada Pension Investments.

• Approve the appointment of the actuary for the pension plans.

• Approve the major actuarial assumptions for the valuation of the liabilities of the defined benefit pension plans.

• Approve the contributions to the pension funds of defined benefit pension plans, subject to actuarial valuation reports.

• Recommend to the Board risk management frameworks for the pension plans.

• Approve the long-term asset mix policy for the defined benefit pension plans.

• Approve the broad nature of the investment program for the defined contribution pension plans and establish the goals and objectives of such investment program.

• Establish policies with respect to how the contributions to a supplementary retirement plan trust fund should be invested.

• Establish statements of investment principles and beliefs with respect to managing the investments of the pension plans.

• Approve the appointment of the auditor as well as the audited annual financial statements and the pension accounting with respect to the defined benefit pension plans.

The Pension Committee was created on May 7, 2009 and met 3 times during the period from May 7, 2009 to December 31, 2009.

The Pension Committee is currently composed of:

Members: Pierre Marc Johnson (Chair)
Jean Marc Huot
Joseph B. Leonard

Arthur T. Porter
Vagn Sørensen

Governance and Corporate Matters Committee

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

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

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

• Review and develop position descriptions for the Board, the Chairman, and the President and CEO.

• Be satisfied 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.

• Satisfy itself of the 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.

• Review such other corporate governance and strategic planning committee functions customarily carried out by such committees as
well as such other matters which may be referred to it by the Board from time to time.

The Governance and Corporate Matters Committee met 3 times during the period from January 1, 2009 to December 31, 2009.

The Governance and Corporate Matters Committee is currently composed of:

Members:  Arthur T. Porter (Chair)  
Jean Marc Huot  
Bernard Attali  
Pierre Marc Johnson  
Vagn Sørensen

Human Resources and Compensation Committee

The Human Resources and Compensation Committee shall be comprised of three 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 in fulfilling its oversight responsibilities in the field of human resources and compensation as well as succession planning including appointing, training and monitoring of senior management, compensation of officers, organization plans and compensation philosophy.

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

- Develop compensation philosophy and guidelines.

- Review and approve corporate goals, objectives and business performance measures relevant to the compensation of the CEO, evaluate the CEO's performance in light of those goals, objectives and business performance measures, and make recommendations to the Board with respect to the CEO's compensation level based on this evaluation.

- Make recommendations to the Board with respect to non-CEO officer (including officers of subsidiaries) 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 long-term incentive plan of the Corporation and 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 satisfy itself that successors have been identified and that their career development is appropriate in the context of the challenges facing the organization.

- Review and approve the training, monitoring and development of senior officers.

- Review and approve the senior management organizations and reporting structure.

- Review and approve the contingency plans in the event of the disability of key executives.

- Review and develop in conjunction with the Governance and Corporate Matters Committee position descriptions for the Board and for the President and CEO including the definition of the limits to management's responsibilities.

The Human Resources and Compensation Committee met 7 times during the period from January 1, 2009 to December 31, 2009.

The Human Resources and Compensation Committee is currently composed of:

Members:  Vagn Sørensen (Chair)  
Bernard Attali  
Pierre Marc Johnson  
Joseph B. Leonard

Nominating Committee

The Nominating Committee shall be comprised of three or more 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 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 to the Board 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 4 times during the period from January 1, 2009 to December 31, 2009.

The Nominating Committee is currently composed of:

Members:  Arthur T. Porter (Chair)
Bernard Attali
Michael M. Green
AIR CANADA'S EXECUTIVE COMPENSATION PROGRAM

COMPENSATION DISCUSSION AND ANALYSIS

To achieve its strategic plans in the face of a challenging economic and competitive environment, Air Canada requires a strong and capable executive team, underscoring the need for an executive compensation program that will attract, retain and motivate the key people necessary to improve the performance of the Corporation and enhance shareholder value.

The Executive Compensation Program is reviewed annually to align it with the Corporation's business plan. The Program's components are also reviewed to ensure their market competitiveness and their link to shareholder value. This report provides an overview of Air Canada's Executive Compensation Program.

Executive Compensation Program

Air Canada's Executive Compensation Program is designed to provide competitive total executive compensation consistent with market-based compensation practices to recruit and retain top talent. It is also designed to align the Corporation's business strategy, values and management interests with those of its shareholders. To achieve these objectives, the Corporation has established the following guiding principles for its Executive Compensation Program:

- Base salaries competitive in markets in which Air Canada competes for talent and skills;
- Incentive programs linked to Air Canada's annual and long-term financial performance so as to align executive and shareholders' interests; and
- Total compensation benchmarked to reward its Chief Executive Officer and other executives at no more than the 75th percentile of Air Canada's comparator group for positions with similar responsibilities and scope. However, in specific circumstances, total compensation may be set below or above this percentile depending on each executive's profile, experience and role.

An annual comparative analysis of compensation practices is conducted by an independent third party consulting firm and this analysis, for the current period, consisted of a comparator group of 28 independent Canadian companies with at least $1 billion in group consolidated annual sales. Air Canada's revenues in 2009 were approximately $9.74 billion. The comparator group, detailed below, is validated from time to time by the Board of Directors, and is made up of a diversified mixture of Canadian transportation, financial institution, manufacturing, energy and communication companies.

The Comparator Group (Benchmark Companies)
- Agrium Inc.
- Bank of Montreal
- BCE Inc.
- Bombardier Inc.
- BP Canada Energy Company
- Canadian National Railway Company
- Canadian Pacific Railway Limited
- Celestica Inc.
- Domtar Corporation
- Enbridge Inc.
- Encana Corporation
- Finning International Inc.
- Imperial Oil Limited
- Maple Leaf Foods Inc.
- Methanex Corporation
- Pratt & Whitney Canada Incorporated
- Research in Motion Limited
- Rio Tinto Alcan Inc.
- Rogers Communications Inc.
- SNC-Lavalin Group Inc.
- Sobeys Inc.
- Suncor Energy Inc.
- TD Bank Financial Group
- Telus Corporation
- Transat A.T. Inc.
- TransCanada Corporation
- WestJet Airlines Ltd.
- World Color Press, Inc.

All proposed changes to any compensation component are first reviewed internally with the Chief Executive Officer, the Chief Financial Officer and the Senior Vice-President Employee Relations, followed by a review with the Human Resources and Compensation Committee prior to final submission to the Board of Directors.
COMPONENTS OF EXECUTIVE COMPENSATION

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

<table>
<thead>
<tr>
<th>Elements</th>
<th>Primary Role</th>
<th>Link to Other Elements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Salary</td>
<td>Reflects skills, competencies and experience</td>
<td>Influences short-term incentive, long-term incentive, pension and benefits</td>
</tr>
<tr>
<td>Short-term Incentive – Annual Incentive Plan</td>
<td>Reflects annual achievement of Air Canada's financial performance against a pre-established EBITDAR target</td>
<td>None, except that the value of these elements is considered within total compensation</td>
</tr>
<tr>
<td>Short-term Incentive – Annual Profit Sharing Plan</td>
<td>Links Air Canada's success with its employees</td>
<td></td>
</tr>
<tr>
<td>Long-term Incentive – Stock Option and Performance Share Units</td>
<td>Links interests of executives with interests of shareholders</td>
<td></td>
</tr>
<tr>
<td>Pension</td>
<td>Provides for replacement income upon retirement, based on years of service with the Corporation</td>
<td></td>
</tr>
<tr>
<td>Group Benefits</td>
<td>Provides protection in case of sickness, disability or death</td>
<td></td>
</tr>
<tr>
<td>Employee share ownership plan</td>
<td>Encourages employees to make investments in Air Canada</td>
<td></td>
</tr>
<tr>
<td>Perquisites</td>
<td>Provides tools to support the conduct of the business</td>
<td></td>
</tr>
</tbody>
</table>

Base Salary

Competitive base salaries are established by Air Canada's Board of Directors based on the executive's skills, competencies and experience. When reviewing base salaries, the Board of Directors also considers the range of salaries of other persons within the officer group, as well as the salaries offered for positions with similar responsibilities and scope in Air Canada's comparator group.

As concerns base salary, Air Canada's policy is to provide compensation at the level of no more than the 75th percentile of the comparator group. However, in specific circumstances, base salaries may be set below or above this percentile depending on each executive's profile, experience and role.

Short-Term Incentives – Air Canada Annual Incentive and Annual Profit Sharing Plans

Annual Incentive Plan

Air Canada's Annual Incentive Plan is designed to pay a cash award to eligible management and administrative and technical support non-unionized employees, based on the Corporation's achievement of its EBITDAR (earnings before interest, taxes, depreciation, amortization and obsolescence, and aircraft rent) target, while incorporating the Board of Directors' authority to recognize and adjust actual EBITDAR results for variances when warranted.

EBITDAR is a non-GAAP financial measure commonly used in the airline industry to view operating results before aircraft rent and depreciation, amortization and obsolescence as these costs can vary significantly among airlines due to differences in the way airlines finance their aircraft and other assets. For more details on Air Canada's EBITDAR, please refer to the "Management's Discussion and Analysis" section of Air Canada's latest annual report.

Air Canada's target bonus is, in the view of the Board, in-line with remuneration practices of the comparator group. Yearly target bonuses typically range as follows:

<table>
<thead>
<tr>
<th>Executive Level</th>
<th>Target Bonus (as a % of base salary)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Executive Officer</td>
<td>100%</td>
</tr>
<tr>
<td>Executive Vice-President</td>
<td>50%</td>
</tr>
<tr>
<td>Senior Vice-President</td>
<td>40%</td>
</tr>
<tr>
<td>Vice-President</td>
<td>35%</td>
</tr>
</tbody>
</table>

and the Annual Incentive Plan typically rewards participants as follows:

<table>
<thead>
<tr>
<th>Achievement of EBITDAR against target EBITDAR</th>
<th>Percentage of the Annual Incentive Plan Target Bonus Payable&lt;sup&gt;(1)&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum ≤90%</td>
<td>0%</td>
</tr>
<tr>
<td>95%</td>
<td>50%</td>
</tr>
<tr>
<td>Target Bonus 100%</td>
<td>100%</td>
</tr>
<tr>
<td>105%</td>
<td>150%</td>
</tr>
<tr>
<td>Maximum ≥110%</td>
<td>200%</td>
</tr>
</tbody>
</table>

<sup>(1)</sup> The Annual Incentive Plan award is calculated on a graduated basis between the reference points above. For example, if 102% of the targeted EBITDAR is achieved, the percentage of the annual incentive plan target bonus payable is 120%.
The Board has broad discretion in its administration of the Annual Incentive Plan and the amount of awards to be paid thereunder.

Following the appointment of Mr. Rovinescu as President and Chief Executive Officer in April 2009, the Corporation's 2009 EBITDAR target was set at $676 million. The Corporation met this target as EBITDAR for 2009 amounted to $679 million. Exercising its discretion in the administration of the Annual Incentive Plan, the Board approved limited awards under the Annual Incentive Plan taking into account special contributions related to the survival and stabilization of the Corporation in the face of the challenges encountered in 2009.

In respect of 2008 and 2009, under the terms of his employment agreement, Mr. Rousseau's bonus for those years was set at a minimum of 25% of his base salary.

**Sharing our Success**

"Sharing our Success" is an adjunct program designed to advance payouts under the Profit Sharing Plan (described below) if the Corporation achieves pre-determined monthly customer service goals for "on-time performance" and "customer satisfaction". The program rewards each full-time employee worldwide, whether unionized or not, CAD $75 each month for each of the two goals met (a total monthly award of CAD $150). In the event the amount of Sharing Our Success payments exceeds the amount that would otherwise be distributed pursuant to the Profit Sharing Plan (described below) in a given year, no further profit sharing distributions are made for that year.

In 2009, employees were paid $29 million under the Sharing our Success program, calculated based on the Corporation's achievement of its pre-determined monthly customer service goals for "on-time performance" and "customer satisfaction".

**Profit Sharing Plan**

The Profit Sharing Plan is offered to all employees, whether unionized or not, so they can share in Air Canada's success and work together to achieve corporate goals. Under this plan, an annual pool of funds is established based on the previous year's adjusted pre-tax profits of Air Canada. The pool of funds is then distributed to all employees *pro rata* based on the employee's base salary compared to the aggregate base salary for all employees.

As the $29 million amount paid to employees under the Sharing our Success program in 2009 exceeded the amount that otherwise would have been payable to employees under the Profit Sharing Plan, no further profit sharing distributions were made.

**Long-Term Incentives – Stock Option and Performance Share Unit Plan**

Air Canada's Long-Term Incentive Plan is intended to attract, retain and motivate management in key positions at Air Canada and align their interests with those of its shareholders. The Human Resources and Compensation Committee determines which employees are eligible to receive stock options or performance share units, with consideration given to: (i) the value of each eligible employee's present and potential future contribution to the Corporation's success, and (ii) any past grants to the employee in question.

The Long-Term Incentive Plan provides for the grant of options and performance share units to all senior management and officers of Air Canada or a subsidiary of Air Canada. Options and performance share units held by any person under the Long-Term Incentive Plan, including any insider of the Corporation, may not at any time exceed 5% of the aggregate number of shares of the Corporation outstanding from time to time. Additionally, the aggregate number of shares: (i) issued to insiders of Air Canada under the Long-Term Incentive Plan or any other share compensation arrangement within any one-year period, and (ii) issuable to insiders of Air Canada at any time under the Long-Term Incentive Plan or any other share compensation arrangement, shall, in each case, not exceed 10% of the issued and outstanding shares of the Corporation.

5,000,000 shares (which represented 5% of the issued and outstanding shares at the time of Air Canada's IPO) are currently authorized for issuance under the Long-Term Incentive Plan in the form of either stock options or performance share units. Currently, there is an aggregate of 3,165,044 options and performance share units outstanding under the Long-Term Incentive Plan that are exercisable for underlying Air Canada shares (2,958,628 options and 206,416 performance share units). This currently represents, in the aggregate, 1.1% of the Corporation's issued and outstanding shares. Since the inception of the Long-Term Incentive Plan, no options or performance share units have been exercised. Accordingly, there is currently only enough shares remaining to allow Air Canada to grant an aggregate of 1,834,956 options and performance share units under the Long-Term Incentive Plan.
At the meeting, shareholders will vote, if deemed advisable, to adopt an ordinary resolution to increase the number of shares authorized for issuance under the Long-Term Incentive Plan to 19,470,294 (the whole as further described under the heading "4. Long-Term Incentive Plan" at page 11 of this circular), which will represent 7% of the currently issued and outstanding shares of the Corporation.

As further detailed under the heading "Compensation of the Named Executive Officers – Compensation of the President and Chief Executive Officer" at page 40 of this circular, in connection with his recruitment and commencement of employment, Mr. Rovinescu was granted 1,000,000 options pursuant to the terms of his employment agreement, which options vest over four years. This grant did not reduce the pool of 5,000,000 shares currently authorized for issuance under the Long-Term Incentive Plan. In accordance with the applicable provisions of the Toronto Stock Exchange ("TSX") Company Manual, given that Mr. Rovinescu's options were granted in conjunction with the commencement of his employment, Air Canada was permitted to create an additional reserve of 1,000,000 shares so as to satisfy future obligations with respect to such options.

Air Canada's target grant of stock options and/or performance share units is, in its view, in line with remuneration practices of the comparator group. Subject to the limit of the number of shares that remain available under the Long-Term Incentive Plan at the relevant time, the plan provides for an annual target grant of stock options and/or performance share units to all eligible senior management and officers of Air Canada as follows:

<table>
<thead>
<tr>
<th>Executive Level</th>
<th>Target Stock Option Grant (% of base salary)</th>
<th>Target Performance Share Unit Grant (% of base salary)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Executive Officer</td>
<td>280%</td>
<td>30%</td>
</tr>
<tr>
<td>Executive Vice-President</td>
<td>145%</td>
<td>30%</td>
</tr>
<tr>
<td>Senior Vice-President</td>
<td>90%</td>
<td>30%</td>
</tr>
<tr>
<td>Vice-President</td>
<td>90%</td>
<td>30%</td>
</tr>
</tbody>
</table>

**Air Canada Stock Options**

The options to purchase Air Canada shares granted under the Long-Term Incentive Plan have a maximum term of 10 years. In the event the expiration date for an option falls within a "black-out period" (being a period during which the optionee cannot trade securities of the Corporation pursuant to its corporate policy respecting restrictions on employee trading) or within 9 business days following the expiration of a black-out period, such expiration date is extended until the 10th business day after the end of the black-out period.

The options to purchase Air Canada shares granted under the Long-Term Incentive Plan have an exercise price based on the market price of Air Canada's shares at the time of the option grant. For these purposes, the market price of Air Canada's shares at the time of the option grant (the "Market Price"), except in certain exceptional circumstances, equals the "volume-weighted average trading price" of the shares on the TSX for the 5 trading days immediately preceding the grant date (calculated by dividing the total value by the total volume of shares traded during such period).

Unless a particular employment agreement otherwise provides, the vesting of options is as follows: (i) 50% of options granted under the Long-Term Incentive Plan vest over four years in an equal amount of 12.5% at the anniversary of each grant, and (ii) the remaining 50% are performance-based, and may vest after four years, as detailed in the table below, based on the Corporation's achievement of its operating margin target for the four-year period.

<table>
<thead>
<tr>
<th>Achievement of Target Operating Margin over the Four-Year Period</th>
<th>Performance-based Stock Options Vested</th>
</tr>
</thead>
<tbody>
<tr>
<td>≤85%</td>
<td>0%</td>
</tr>
<tr>
<td>90%</td>
<td>33%</td>
</tr>
<tr>
<td>95%</td>
<td>66%</td>
</tr>
<tr>
<td>≥100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

The performance-based stock options vest on a graduated basis between the reference points above. For example, if the Corporation's operating margin over the four-year period equals 92.5% of the target operating margin, 50% of the performance-based stock options will vest and the remainder of the performance-based stock options will lapse and be null at such time, unless the Board of Directors determines otherwise.

If an optionee's employment is terminated without cause or the optionee resigns, the vested portion of any options will, in general, remain exercisable for 30 days. In the event an optionee is terminated for cause, then the options lapse forthwith. In the event of the death of an optionee, his/her vested options at the time of death must be exercised by his/her heirs within 1 year of the optionee's death or prior to the expiration of the original term of such options, whichever occurs earlier. In the event of the injury or disability of an optionee, any options may be...
exercised by the optionee as the rights to exercise such options accrue; however such options shall only be exercisable within 3 years after the cessation of employment or prior to the expiration of the original term of the option, whichever occurs earlier. In the event of the retirement of an optionee, any options may be exercised by the optionee as the rights to exercise such options accrue; however such options shall only be exercisable within 3 years after the retirement of the optionee or prior to the expiration of the original term of the option, whichever occurs earlier. In the event an optionee takes a voluntary leave of absence, any options may be exercised by the optionee as the rights to exercise such options accrue; however such options shall only be exercisable within 1 year after the commencement of such leave of absence or prior to the expiration of the original term of the option, whichever occurs earlier.

Each option under the Long-Term Incentive Plan is personal to the optionee and may not be assigned or transferred, except by will or by the laws of succession of the domicile of a deceased optionee.

Air Canada may amend the Long-Term Incentive Plan (or any option or performance share unit granted thereunder) at any time without the consent of the optionees or participants, provided that such amendment:

(i) shall not adversely alter or impair any option or performance share unit previously granted;

(ii) shall be subject to any regulatory approvals including, where required, the approval of the TSX; and

(iii) be subject to shareholder approval where required by law or the requirements of the TSX, provided that shareholder approval shall not be required for: (a) amendments of a "housekeeping nature", (b) a change to the vesting provisions of any option or performance share unit, (c) a change to the termination provisions of any option or performance share unit (except in respect of those held by insiders of the Corporation) that does not entail an extension beyond the original expiration date, (d) the introduction of a cashless exercise feature payable in securities, (e) the addition of a form of financial assistance, (f) a change to the eligible participants of the Long-Term Incentive Plan, and (g) the addition of a deferred or restricted share unit or any other provision which results in optionees or participants receiving securities while no cash consideration is received by the Corporation.

The Long-Term Incentive Plan also provides that the Board may advance the date on which any option may be exercised or any performance share unit may be payable or, subject to applicable regulatory provisions, and except in respect of options or performance share units that are held by an insider of the Corporation, extend the expiration date of any option or performance share unit provided that the period during which an option is exercisable or performance share unit is outstanding does not exceed 10 years in the case of options, and 3 years in the case of performance share units from the date such option or performance share unit is granted.

In the event of a "change of control" (as defined in the Long-Term Incentive Plan) of the Corporation, any unvested options shall become exercisable and any unvested performance share units shall become payable immediately prior to the date of the change of control with respect to all of the shares subject thereto and all options must be exercised prior to their original term.

Air Canada Performance Share Units

The performance share units granted under the Long-Term Incentive Plan are notional share units which are exchangeable, on a one-to-one basis, for, as determined by the Board of Directors, Air Canada shares or the cash equivalent. As such, the value of the performance share units track the value of Air Canada shares. Performance share units have a maximum term of three years. They are performance-based and may vest after the three-year term, as detailed in the table below. Effective January 1, 2010, the vesting of performance share units is based on the Corporation achieving its cumulative EBITDAR target over a three-year period.

<table>
<thead>
<tr>
<th>Achievement of cumulative EBITDAR target over Three-Year Period</th>
<th>Performance Share Units Vested</th>
</tr>
</thead>
<tbody>
<tr>
<td>≤85%</td>
<td>0%</td>
</tr>
<tr>
<td>90%</td>
<td>33%</td>
</tr>
<tr>
<td>95%</td>
<td>66%</td>
</tr>
<tr>
<td>≥100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

The performance share units vest on a graduated basis between the reference points above. For example, if the Corporation's EBITDAR over the three-year period equals 92.5% of the EBITDAR
target, 50% of the units will vest and the remainder of the performance share units will lapse and be null at such time, unless the Board of Directors determines otherwise.

At the end of the three-year term, all vested performance share units are, at the discretion of the Corporation, redeemed for Air Canada shares (either issued from treasury or purchased on the secondary market at the discretion of the Corporation) or for their cash equivalent based on the Market Price (as such term is defined at page 35 of this circular) of Air Canada shares on the redemption date.

Participants receive, therefore, on the redemption date in respect of all vested performance share units, a value equal to the Market Price of the Air Canada shares on such date, with payment being effected with Air Canada shares or cash at the discretion of the Corporation.

During the the three-year term, the Corporation, as determined by the Board, may pay to the participant in cash, at the same time that dividends are paid to holders of shares of the Corporation or, subject to the satisfaction of the applicable vesting conditions, on the last day of the three-year term, the aggregate amount which the participant would have received as dividends if the participant had held a number of shares of the Corporation equal to the number of performance share units credited to the participant's account.

In the event a participant's employment is terminated for cause or the participant resigns from his/her employment, then all performance share units credited to such participant that have not vested shall be forfeited and cancelled and the participant's rights to shares (or equivalent cash) that relate to such participant's unvested performance share units shall be forfeited and cancelled.

Except as otherwise may be determined by the Board, upon a participant's employment being terminated for reasons other than for cause, or upon a participant's retirement, voluntary leave of absence or the participant's employment being terminated by reason of injury, disability or death, the participant's participation in the Long-Term Incentive Plan with respect to performance share units shall be terminated immediately, provided that all unvested performance share units in the participant's account as of such date that relate to a three-year performance period then in progress shall remain in effect until the end of such three-year performance period. If, at the end of the three-year performance period, the vesting conditions are not met, all unvested performance share units credited to such participant's account shall be forfeited and cancelled. If, at the end of the three-year performance period the vesting conditions are met, the participant (or his/her heirs, as the case may be) shall be entitled to receive that number of shares (or equivalent cash at the discretion of the Corporation) equal to the number of performance share units outstanding in the participant's account in respect of such three-year performance period multiplied by a fraction, the numerator of which shall be the number of completed months of service of the participant during the relevant period prior to his/her date of termination, date of leave of absence or retirement and the denominator of which shall be 36 months.

Each performance share unit under the Long-Term Incentive Plan is personal to the participant and may not be assigned or transferred, except by will or by the laws of succession of the domicile of a deceased participant.

**Employment Conditions**

Unless otherwise provided for in an individual's employment agreement with the Corporation, the following table details the treatment of an employee's stock options and performance share units upon an executive's retirement, resignation, termination without cause or for cause.

<table>
<thead>
<tr>
<th>Event</th>
<th>Vesting of Stock Options and Exercise Limitations</th>
<th>Vesting of Performance Share Unit and Payment Limitations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retirement</td>
<td>Rights to vesting continue to accrue. All vested options must be exercised by the earlier of: (i) the third anniversary date of the retirement and (ii) the scheduled expiry date of the options</td>
<td>Prorated number of vested PSUs at the end of their term based on:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(i) the total number of completed months of active service during PSU term, divided by</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(ii) the total number of months in PSU term</td>
</tr>
<tr>
<td>Resignation</td>
<td>No further options vest. All vested options must be exercised within 30 days from the date of the resignation</td>
<td>Forfeiture of unvested PSUs</td>
</tr>
</tbody>
</table>
2009 Annual Grant

In July 2009, the Board approved the grant of an aggregate of 1,320,000 options to executives. Due to the limited number of options that remained available under the Long-Term Incentive Plan at such time and other factors in the Board’s discretion, the Corporation did not grant the number of options that would have corresponded to the annual target grant of stock options (as described at page 35 of this circular), and instead granted the more limited number of options. 1,320,000 options is approximately 30% lower than the 2009 target grant of stock options.

Such 1,320,000 options, along with the 1,000,000 options granted to Mr. Rovinescu pursuant to the terms of his employment agreement, were the only options granted by the Corporation in 2009. These 2,320,000 options represented 0.8% of the Corporation’s issued and outstanding shares as at December 31, 2009.

No performance share units were granted to the Named Executive Officers in 2009.

Equity Compensation Plan Information

The following table details the number of securities to be issued upon the exercise of options and the redemption of PSUs outstanding under Air Canada’s Long-Term Incentive Plan, as well as the weighted-average exercise price of outstanding options and the number of securities remaining available for future issuance under Air Canada’s equity compensation plans.

<table>
<thead>
<tr>
<th>Plan category</th>
<th>Number of securities to be issued upon the exercise of outstanding options and redemption of PSUs</th>
<th>Weighted-average exercise price of outstanding options</th>
<th>Number of securities remaining available for future issuance under equity compensation plans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity compensation plans approved by security-holders(1)&lt;br&gt;(2)</td>
<td>3,169,890&lt;br&gt;$8.66</td>
<td>1,830,110</td>
<td></td>
</tr>
</tbody>
</table>

(1) As at December 31, 2009.
(2) Includes 206,416 Air Canada shares that, at the discretion of the Corporation, may be issued from treasury upon the redemption of vested performance share units. However, does not include shares underlying 1,111,183 performance share units granted on November 6, 2008 as these performance share units will either be redeemed for Air Canada shares purchased on the secondary market (and not issued from treasury) and/or equivalent cash.
(3) Does not include the 1,000,000 Air Canada shares underlying the options granted to Mr. Rovinescu pursuant to the terms of his employment agreement as described at page 40 of this circular.

Pension and Benefits

Air Canada’s group health, other insurance benefits and executive pension plan are, in the view of the Human Resources and Compensation Committee, aligned with the median of the Corporation’s comparator group.

The Corporation offers retirement benefits to its Named Executive Officers including a Supplementary Retirement Plan (the “SERP”). The main provisions of the SERP are described in more detail in the section "Retirement Plan Benefits". The purpose of the SERP is to:

- complement Air Canada's retirement plan to provide Named Executive Officers with an appropriate replacement income upon retirement; and
- provide benefits over and above those provided by Air Canada's primary registered retirement plan.

Employee Share Ownership Plan

An ongoing share purchase plan was established by Air Canada (the “Employee Share Ownership Plan”) concurrent with the completion of its November 2006 initial public offering. The Employee Share Ownership Plan permits eligible
employees of Air Canada to invest up to 6% of their salary for purchase of Air Canada shares with a contribution by Air Canada at 33.33% of the investments made by the employees. The funds contributed by participants and Air Canada are used to purchase Air Canada shares on the secondary market on behalf of such participants.

**Perquisites**

Perquisites are, in the view of the Human Resources and Compensation Committees, aligned with the median of Air Canada’s comparator group. Perquisites include leased automobiles, a medical top-up plan, health counselling and financial counselling.
In the year 2008, Air Canada's operations were impacted by many factors, including an unprecedented spike in the price of fuel, adverse fluctuations in foreign exchange and the onset of a severe global recession. At the beginning of 2009, Air Canada, as well as the airline industry as a whole, continued to operate under challenging circumstances. In Air Canada's case, these challenges included limited access to capital, deteriorating revenues and yield, a significant pension fund deficit and the expiry of all of its collective agreements in the summer of 2009. In this context, the Board recruited Mr. Calin Rovinescu to rejoin Air Canada as its President and Chief Executive Officer on April 1, 2009 based on his leadership skills and broad experience in corporate strategy, finance and law.

The recruitment of top corporate executives, including the CEO, is very competitive. Mr. Rovinescu's compensation arrangements were structured so as to induce him to forgo his then existing employment, as well as other business and corporate opportunities, and to incentivize him to remain with the Corporation over a period of time. In its negotiations with Mr. Rovinescu, Board representatives were advised by an independent third-party consulting firm as to the terms of his compensation and how these arrangements compared to other CEO compensation arrangements.

**Compensation of the President and Chief Executive Officer**

As per the terms of his employment agreement dated May 7, 2009, for the year ended December 31, 2009, Mr. Rovinescu's base salary was $800,000. Any future salary progression will be based on personal performance in the position. Mr. Rovinescu's employment agreement also provides for the payment of quarterly milestone awards in the amount $150,000 per calendar quarter, conditional on his being actively employed by the Corporation at the end of such quarter. As was detailed at page 33 of this circular, Mr. Rovinescu's target bonus under the Corporation's Annual Incentive Plan, based on the Corporation's achievement of EBITDAR against its business plan, is 100% of basic annual salary with a maximum bonus of 200% of basic annual salary.

In connection with his recruitment and commencement of employment, Mr. Rovinescu was granted 1,000,000 options for the purchase of Class B voting shares of the Corporation at an exercise price of $0.97 per share as determined in accordance with applicable TSX requirements. These options are time-based and vest over four years in an equal amount of 25% per year, with an expiration date of May 7, 2016. At the time of grant, these options represented 1% of the aggregate number of issued and outstanding Class A variable voting shares and Class B voting shares of the Corporation. Mr. Rovinescu's employment agreement provides that in the event the aggregate number of issued and outstanding Class A variable voting shares and Class B voting shares of the Corporation increases during his employment, Mr. Rovinescu's options will be increased so that they continue to represent 1% of the aggregate number of issued and outstanding shares or, in certain instances, that he will be provided with economically equivalent compensation as determined by the Board of Directors.

Annual target grants of stock options and/or performance share units to the President and Chief Executive Officer are described at pages 35 and 36 of this circular. Mr. Rovinescu's pension benefits, including his pension entitlements in the event he is terminated, are described at pages 48 to 50 of this circular. In addition, pursuant to Mr. Rovinescu's employment agreement, provided that he is still employed by the Corporation on March 31, 2012, he will be entitled to a retention payment of $5,000,000 (the "Retention Amount").

Mr. Rovinescu's employment agreement provides that, in the event he is terminated without cause, he is entitled to receive a lump sum severance payment equal to two times his overall cash compensation (comprised of annual salary, 100% target bonus and quarterly milestone awards), as well as, if such termination occurs within the first three years, the prorated portion of the Retention Amount that he would have otherwise received on March 31, 2012. If terminated without cause, Mr. Rovinescu is also entitled to the continuation of certain benefits and perquisites until the earlier of the end of 24 months or his re-employment with any other employer that provides equivalent benefits. Additionally, the 1,000,000 options granted to Mr. Rovinescu upon his employment, which otherwise vest over four years in an equal 25% amount, shall immediately vest upon such termination without cause and must be exercised by the earlier of three years from the termination date or the scheduled expiry of the options. The above payments and conditions are subject to Mr. Rovinescu's compliance with the non-competition provisions of his employment agreement which have a duration of 18 months.
The table below shows the estimated amount that would become payable to Mr. Rovinescu in the event of the termination of his employment by Air Canada without cause, as if it had occurred on the last business day of 2009:

<table>
<thead>
<tr>
<th>Name</th>
<th>Cash Portion (1)</th>
<th>Value of exercisable/Vested Air Canada LTIP (2)</th>
<th>Other Benefits (3)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calin Rovinescu</td>
<td>$5,650,000</td>
<td>$350,000</td>
<td>$181,610</td>
<td>$6,181,610</td>
</tr>
</tbody>
</table>

(1) Based on Mr. Rovinescu's salary of $800,000 and quarterly milestone awards of $150,000.
(2) Based on the December 31, 2009 closing price of Air Canada's Class B voting shares ($1.32).
(3) This amount represents the estimated cost of the continuation of group health, other insurance benefits and perquisites during the severance period, as well as the December 31, 2009 termination value of his pension entitlements.

In the event Mr. Rovinescu voluntarily terminates his employment with Air Canada or is terminated by Air Canada with cause, Mr. Rovinescu will generally be entitled to any salary and quarterly milestone awards, expense reimbursement and other benefits that were earned by him prior to the termination date and that remain unpaid as of the termination date. Additionally, all unvested stock options will expire on his last day of active employment and any remaining vested options will remain exercisable for a period of thirty (30) days from the date of termination.

In the event of the termination of Mr. Rovinescu's employment as a result of death or disability, Mr. Rovinescu or his estate, as the case may be, will generally be entitled to any unpaid salary, pro-rata target bonus and quarterly milestone awards for that year that was earned prior to the termination date, as well as expense reimbursement and other benefits that were earned prior to the termination date and that remain unpaid as of such date. All unvested stock options will, upon death, expire on the last day of active employment, and any remaining vested options must be exercised at the earlier of 1 year from the date of death or the scheduled option expiry, and, upon disability, all unvested stock options shall immediately vest, and must be exercised at the earlier of 3 years after disability or the scheduled option expiry.

Compensation of the Executive Vice-President and Chief Financial Officer

As per the terms of his employment agreement, the base salary of Mr. Michael Rousseau, as Executive Vice-President and Chief Financial Officer for the year ended December 31, 2009, was $518,000. Any future salary progression will be based on personal performance in the position. As was detailed at page 33 of this circular, Mr. Rousseau's target bonus under the Corporation's Annual Incentive Plan, based on the Corporation's achievement of EBITDAR against its business plan, is 50% of basic annual salary with a maximum bonus of 100% of basic annual salary (subject to a minimum floor of 25% of basic annual salary in respect of the Corporation's 2008 and 2009 financial years payable by no later than April 2009 and April 2010, respectively).

The Corporation entered into a retention arrangement with Mr. Rousseau in 2008 pursuant to which he received a payment equal to 50% of his base salary on September 30, 2009, as he had remained in the employment of the Corporation on such date.

Annual target grants of stock options and/or performance share units to the Executive Vice-President and Chief Financial Officer are described at pages 35 and 36 of this circular.

Mr. Rousseau's pension benefits, including his pension entitlements in the event he is terminated without cause or if he terminates his employment for "good reason", are described at pages 48 to 50 of this circular. The employment agreement provides that Mr. Rousseau will be credited for an additional five years of pensionable service in 2012 upon his completion of five years of service with Air Canada. This additional pensionable service will still be
credited should Mr. Rousseau be terminated by Air Canada without cause or should Mr. Rousseau terminate his employment for "good reason".

Mr. Rousseau's employment agreement also provides that, in the event he is terminated without cause or if he terminates his employment for "good reason", he is entitled to receive a severance payment that is equal to two years of his then current annual base salary, as well as the continuation of certain benefits and perquisites until the earlier of the end of the severance period or his re-employment with any other employer. In such instance, the agreement also provides that Mr Rousseau's stock options will immediately vest and will be exercisable within 30 days from the termination date, and all granted performance share units shall vest upon the end of each grants' 3 year vesting period, based on the Corporation's financial performance and such units shall be prorated based on his actual service in the 3 year vesting period. The above payments and conditions are subject to Mr. Rousseau's compliance during the severance period with the non-competition provisions of his employment agreement.

The table below shows the estimated amount that would become payable to Mr. Rousseau in the event of the termination of his employment by Air Canada without cause or if he terminates his employment for "good reason", as if it had occurred on the last business day of 2009:

<table>
<thead>
<tr>
<th>Name</th>
<th>Cash Portion (1)</th>
<th>Value of exercisable/Vested Air Canada LTIP (2)</th>
<th>Other Benefits (3)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Michael Rousseau</td>
<td>$1,036,000</td>
<td>$22,026</td>
<td>$326,613</td>
<td>$1,384,639</td>
</tr>
</tbody>
</table>

(1) Based on Mr. Rousseau's salary of $518,000.
(2) Based on the December 31, 2009 closing price of Air Canada's Class B voting shares ($1.32).
(3) This amount represents the estimated cost of the continuation of group health, other insurance benefits and perquisites during the severance period, as well as the December 31, 2009 termination value of the additional five years of pensionable service to be granted to him upon termination, based on 2009 year-end assumptions.

Compensation of the Executive Vice-President and Chief Commercial Officer

As per the terms of his employment agreement, the base salary of Mr. Benjamin Smith, as Executive Vice-President and Chief Commercial Officer for the year ended December 31, 2009, was $408,333. Any future salary progression will be based on personal performance in the position. As was detailed at page 33 of this circular, Mr. Smith's target bonus under the Corporation's Annual Incentive Plan, based on the Corporation's achievement of EBITDAR against its business plan, is 50% of basic annual salary with a maximum bonus of 100% of basic annual salary. Additionally, in February 2009, a discretionary bonus of $135,000 was paid to Mr. Smith in recognition of his significant contributions to the Corporation and Air Canada Vacations in 2007 and 2008.

Annual target grants of stock options and/or performance share units to the Executive Vice-President and Chief Commercial Officer are described at pages 35 and 36 of this circular. Mr. Smith's pension benefits, including his pension entitlements in the event he is terminated without cause or if he terminates his employment for "good reason", are described at pages 48 to 50 of this circular.

Mr. Smith's employment agreement provides that, in the event he is terminated without cause or if he terminates his employment for "good reason", he is entitled to receive a severance payment that is equal to two years of his then current annual base salary, as well as the continuation of certain perquisites until the earlier of the end of the severance period or his re-employment with any other employer.

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1 As used in this section of the circular, the term "good reason" generally encompasses circumstances such as a diminution in position, authority or responsibility, the failure by Air Canada to comply with provisions of the employment agreement, discriminatory treatment by Air Canada or the failure by Air Canada to continue any compensation plan set forth in an employment agreement.
The table below shows the estimated amount that would become payable to Mr. Smith in the event of the termination of his employment by Air Canada without cause or if he terminates his employment for "good reason", as if it had occurred on the last business day of 2009:

<table>
<thead>
<tr>
<th>Name</th>
<th>Cash Portion (1)</th>
<th>Value of exercisable/Vested Air Canada LTIP (2)</th>
<th>Other Benefits (3)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benjamin Smith</td>
<td>$850,000</td>
<td>$9,574</td>
<td>$49,400</td>
<td>$908,974</td>
</tr>
</tbody>
</table>

(1) Based on Mr. Smith's salary of $425,000.
(2) Based on the December 31, 2009 closing price of Air Canada's Class B voting shares ($1.32).
(3) This amount represents the estimated cost of the continuation of group health, other insurance benefits and perquisites during the severance period, as well as the December 31, 2009 termination value of the additional five years of pensionable service to be granted to him upon termination, based on 2009 year-end assumptions.

**Compensation of the Executive Vice-President and Chief Operating Officer**

As per the terms of his employment agreement, the base salary of Mr. Duncan Dee, as Executive Vice-President and Chief Operating Officer for the year ended December 31, 2009, was $500,000. Any future salary progression will be based on personal performance in the position. As was detailed at page 33 of this circular, Mr. Dee's target bonus under the Corporation's Annual Incentive Plan, based on the Corporation's achievement of EBITDAR against its business plan, is 50% of basic annual salary with a maximum bonus of 100% of basic annual salary.

Annual target grants of stock options and/or performance share units to the Executive Vice-President and Chief Operating Officer are described at pages 35 and 36 of this circular. Mr. Dee's pension benefits, including his pension entitlements in the event he is terminated without cause or if he terminates his employment for "good reason", are described at pages 48 to 50 of this circular.

Mr. Dee's employment agreement provides that, in the event he is terminated without cause or if he terminates his employment for "good reason", he is entitled to receive (in one lump sum or as otherwise requested by him) a severance payment equal to: (i) 6 months of base salary if termination is within the first year of employment, (ii) 12 months of base salary if termination is within the first 2 years of employment, (iii) 18 months of base salary if termination is after the second year of employment and within the first 5 years of employment, or (iv) 24 months of base salary if termination is after five years of employment. In such instances, Mr. Dee is also entitled to receive any prorated incentive (bonus) award, if any, and profit sharing award, if any, based on the months of Mr. Dee's service in the year in which he was so terminated, as well as the continuation of certain benefits and perquisites until the earlier of the end of the severance period (subject to a minimum of 20 months if the severance period would otherwise be less) or his re-employment with any other employer that provides equivalent benefits. The above payments and conditions are subject to Mr. Dee's compliance during the severance period with the non-competition provisions of his employment agreement.

The table below shows the estimated amount that would become payable to Mr. Dee in the event of the termination of his employment by Air Canada without cause or if he terminates his employment for "good reason", as if it had occurred on the last business day of 2009:

<table>
<thead>
<tr>
<th>Name</th>
<th>Cash Portion (1)</th>
<th>Value of exercisable/Vested Air Canada LTIP (2)</th>
<th>Other Benefits (3)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Duncan Dee</td>
<td>$250,000</td>
<td>nil</td>
<td>$38,205</td>
<td>$1,038,205</td>
</tr>
</tbody>
</table>

(1) Based on Mr. Dee's salary of $500,000.
(2) Based on the December 31, 2009 closing price of Air Canada's Class B voting shares ($1.32).
(3) This amount represents the estimated cost of the continuation of group health, other insurance benefits and perquisites during the severance period.
In the event Mr. Dee voluntarily terminates his employment with Air Canada or is terminated by Air Canada with cause, Mr. Dee will generally be entitled to salary, expense reimbursement and other benefits that were earned by him prior to the termination date and that remain unpaid as of the termination date. He will also be entitled to receive any prorated incentive (bonus) award, if any, and profit sharing award, if any, based on the months of Mr. Dee's service in the year in which he was so terminated, as well as the continuation of certain benefits and perquisites until the earlier of a twenty (20) month period or his re-employment with any other employer, after which time he shall receive retiree benefits. Additionally, all unvested stock options will expire on his last day of active employment, any remaining vested options will remain exercisable for a period of thirty (30) days from the date of termination, and all unvested performance share units will be forfeit (except for unvested stock options and performance share units that had been granted in 2007 which will vest and expire pursuant to the plan's rules for retirees).

In the event of the termination of Mr. Dee's employment as a result of death, Mr. Dee's estate will generally be entitled to any salary, expense reimbursement and other benefits that were earned by him prior to death and that remain unpaid as of such date. The estate will also be entitled to receive any prorated incentive (bonus) award, if any, and profit sharing award, if any, based on the months of Mr. Dee's service in the year in which death occurred. Additionally, all unvested stock options will, upon death, expire on the last day of active employment, and any remaining vested options must be exercised within 1 year from the date of death, and all unvested performance share units will be prorated at the end of the 3-year performance cycle based on the number of completed months of active service, and if vested, any payment will be paid to the estate.

Compensation of the Vice-President and General Counsel

In general, target bonuses, grants of stock options and/or performance share units will be accorded to Mr. David Shapiro, as Vice-President and General Counsel, based on the Corporation's compensation policies (as they apply at the level of Vice-President), as same were summarized in the preceding pages of this circular. Mr. Shapiro's pension benefits are described at pages 48 to 50 of this circular.

The Corporation entered into a retention arrangement with Mr. Shapiro in 2008 pursuant to which he received a payment equal to 50% of his base salary on September 30, 2009 as he had remained in the employment of the Corporation on such date.

Compensation of the former President and Chief Executive Officer

Mr. Montie Brewer was President and Chief Executive Officer of Air Canada until April 1, 2009. His base salary earned between January 1, 2009 until April 1, 2009 was $151,731. As reflected in the following table, the severance payment related to the termination of his employment with Air Canada equalled approximately $1.6 million which represents two years of base salary. Mr. Brewer will also continue to receive group health, other insurance benefits and perquisites during the severance period. As further detailed at footnote 11 to the "Pension Benefits" table at page 50 of this circular, his unreduced pension of $15,494 per month payable at age 55 was reduced to $12,395 per month payable immediately. Instead of a pension, he received a transfer from the registered pension to a locked-in arrangement of $117,333 in September 2009, plus a transfer from the Supplementary Retirement Plan (SERP) of $2.75 million in December 2009. Mr. Brewer's 484,800 options have all vested, are each exercisable at $21.00 per share and will expire on April 1, 2012. 17,314 of Mr. Brewer's performance share units were forfeited as Air Canada did not achieve the target earnings per share percentage (%) over the units' 3-year performance cycle ended December 31, 2009. Mr. Brewer has an aggregate of 57,582 performance share units outstanding as detailed in the "Air Canada Performance Share Units" table at page 47 of this circular.
The following table provides a summary of the compensation earned for the year ended December 31, 2009 by each of Calin Rovinescu, Air Canada's President and Chief Executive Officer, Michael Rousseau, Air Canada's Executive Vice-President and Chief Financial Officer, the three next most highly compensated persons currently serving as executive officers of Air Canada, and Montie Brewer, Air Canada's former President and Chief Executive Officer (collectively, the "Named Executive Officers") for services rendered in all capacities to Air Canada.

<table>
<thead>
<tr>
<th>Name and principal position</th>
<th>Year</th>
<th>Salary ($)</th>
<th>Share-based awards ($)</th>
<th>Option-based awards ($)(^{(1)})</th>
<th>Non-equity incentive plan compensation ($)</th>
<th>Annual incentive plans ($)</th>
<th>Pension value ($)</th>
<th>All other compensation ($)(^{(2)})</th>
<th>Total compensation ($)</th>
</tr>
</thead>
</table>
| Calin Rovinescu\(^{(3)}\)  
President and Chief Executive Officer | 2009 | 1,053,066\(^{(4)}\) | Nil | 633,410\(^{(5)}\) | 800,825\(^{(6)}\) | 91,000 | Nil | 2,578,301 |
| Michael Rousseau  
Executive Vice-President and Chief Financial Officer | 2009 | 518,000 | Nil | 209,244 | 648,625\(^{(7)}\) | 131,000 | Nil | 1,506,869 |
| 2008 | 513,500 | 155,400 | Nil | 1,200 | 156,000 | Nil | 826,100 |
| Benjamin Smith  
Executive Vice-President and Chief Commercial Officer | 2009 | 408,333 | Nil | 156,933 | 348,625\(^{(8)}\) | 151,000 | Nil | 1,064,891 |
| 2008 | 368,750 | 112,499 | Nil | 1,200 | 70,000 | Nil | 552,449 |
| Duncan Dee\(^{(9)}\)  
Executive Vice-President and Chief Operating Officer | 2009 | 376,917 | Nil | 183,089 | 250,825\(^{(10)}\) | 40,000 | 200,000 | Nil | 850,831 |
| 2008 | 391,866 | Nil | Nil | 1,125 | 828,000 | 1,420,991 |
| David Shapiro  
Vice-President and General Counsel | 2009 | 284,333 | Nil | 52,311 | 196,125\(^{(11)}\) | 70,000 | Nil | 602,769 |
| 2008 | 267,500 | 80,998 | Nil | 1,200 | 50,000 | Nil | 399,698 |
| Montie Brewer\(^{(12)}\)  
(former) President and Chief Executive Officer | 2009 | 218,398 | Nil | 300 | 68,000 | 1,600,000 | 1,820,031 |
| 2008 | 751,500 | 240,002 | Nil | 1,200 | 1,096,000 | 33,059 | 2,121,761 |

\(^{(1)}\) The grant date fair value for options awarded by the Corporation as reported in this table was calculated using the binomial lattice model, being the model used by the Corporation in the review of its compensation practices with respect to target grants of incentive awards under the Long-Term Incentive Plan (refer to the heading "Long-Term Incentives – Stock Option and Performance Share Unit Plan" at page 34 of this circular for more detail).

The grant date fair value for the 1,000,000 stock options granted to Mr. Rovinescu in connection with his recruitment and commencement of employment pursuant to the terms of his employment agreement, using the binomial lattice model, was based on the following factor, key assumptions and plan provisions:

\begin{itemize}
  \item Binomial factor: 65.3%\(^{(1)}\)
  \item Volatility: 90.38%\(^{(1)}\)
  \item Dividend yield: 0%\(^{(1)}\)
  \item Expected life: 4.75 years\(^{(1)}\)
  \item Term: 7 years\(^{(1)}\)
  \item Vesting: 100% over 4 years (25% per year)\(^{(1)}\)
\end{itemize}

The grant date fair value for the options granted to the other NEOs, using the binomial lattice model, was based on the following factor, key assumptions and plan provisions:

\begin{itemize}
  \item Binomial factor: 65.8%\(^{(1)}\)
  \item Volatility: 94.87%\(^{(1)}\)
  \item Dividend yield: 0%\(^{(1)}\)
  \item Expected life: 5.125 years\(^{(1)}\)
  \item Term: 7 years\(^{(1)}\)
  \item Vesting: 50% time based (25% per year); 50% performance-based (after 4 years)\(^{(1)}\)
\end{itemize}

The accounting fair value of these options was: $978,134 for Mr. Rovinescu, $224,637 for Mr. Rousseau, $168,477 for Mr. Smith, $196,557 for Mr. Dee and $56,169 for Mr. Shapiro. The difference between the accounting fair value and the grant date fair value of the options as presented in this column is: $344,724 for Mr. Rovinescu, $15,393 for Mr. Rousseau, $11,549 for Mr. Smith, $13,469 for
Incentive Plan, the Named Executive Officers have the right to acquire Class B voting shares. By virtue of these options and subject to the applicable vesting restrictions under the Air Canada Long-Term Incentive Plan, the Named Executive Officers have the right to acquire Class B voting shares on the date preceding the option grant as an input factor (in accordance with Section 3870 of the Handbook), whereas the corresponding input factor used to establish the grant date fair value as reflected in this column was the exercise price of the options (i.e., $0.97 per share as determined in accordance with TSX requirements based on the volume-weighted average trading price of such shares over the 5 trading days immediately preceding the date of grant).

(2) In 2009, perquisites and other personal benefits did not equal $50,000 or more and did not equal 10% or more of the amount of total salary for the Named Executive Officers. The amounts included in this column for Mr. Brewer (2009) and Mr. Dee (2008) represent severance payments related to the termination of their respective employment with Air Canada.

**Calin Rovinescu**

(3) As described under the heading "Remuneration of Directors" at page 19 of this circular, Mr. Rovinescu did not receive any compensation for serving as a director of Air Canada in 2009.

(4) Mr. Rovinescu was appointed President and Chief Executive Officer of Air Canada on April 1, 2009. Of this amount of $1,053,066, $603,066 represented base salary and $450,000 represented quarterly milestone payments from April 1, 2009 until December 31, 2009 (refer to the heading "Compensation of the President and Chief Executive Officer" at page 40 of this circular for more detail).

(5) Mr. Rovinescu was granted 1,000,000 stock options in connection with his recruitment and commencement of employment pursuant to the terms of his employment agreement (refer to the heading "Compensation of the President and Chief Executive Officer" at page 40 of this circular for more detail) which vest over four years.

(6) For the year ended December 31, 2009: (i) $800,000 was paid to Mr. Rovinescu pursuant to the terms of the Annual Incentive Plan, and (ii) $825 was paid to Mr. Rovinescu pursuant to the terms of the Sharing our Success Plan.

**Michael Rousseau**

(7) For the year ended December 31, 2009: (i) $259,000 was paid to Mr. Rousseau pursuant to the terms of the Annual Incentive Plan, (ii) $259,000 was paid to Mr. Rousseau on September 30, 2009 pursuant to his retention arrangement with the Corporation (refer to the heading "Compensation of the Executive Vice-President and Chief Financial Officer" at page 41 of this circular for more detail), (iii) $129,500 (equal to 25% of his base salary at the time of payment) was paid to Mr. Rousseau on February 12, 2009 in respect of the 2008 financial year as, pursuant to the terms of his employment agreement, his bonus in respect of the Corporation's 2008 and 2009 financial years is subject to a minimum of 25% of basic annual salary (refer to the heading "Compensation of the Executive Vice-President and Chief Financial Officer" at page 41 of this circular for more detail), and (iv) $1,125 was paid to Mr. Rousseau pursuant to the terms of the Sharing our Success Plan.

**Benjamin Smith**

(8) For the year ended December 31, 2009: (i) $212,500 was paid to Mr. Smith pursuant to the terms of the Annual Incentive Plan, (ii) a discretionary bonus of $135,000 was paid on February 28, 2009 to Mr. Smith in recognition of his significant contributions to the Corporation and Air Canada Vacations in 2007 and 2008 (refer to the heading "Compensation of the Executive Vice-President and Chief Commercial Officer" at page 42 of this circular for more detail), and (iii) $1,125 was paid to Mr. Smith pursuant to the terms of the Sharing our Success Plan.

**Duncan Dee**

(9) Mr. Dee rejoined Air Canada as Executive Vice-President and Chief Operating Officer on April 3, 2009.

(10) For the year ended December 31, 2009: (i) $250,000 was paid to Mr. Dee pursuant to the terms of the Annual Incentive Plan, and (ii) $825 was paid to Mr. Dee pursuant to the terms of the Sharing our Success Plan.

**David Shapiro**

(11) For the year ended December 31, 2009: (i) $60,000 was paid to Mr. Shapiro pursuant to the terms of the Annual Incentive Plan, (ii) $135,000 was paid to Mr. Shapiro on September 30, 2009 pursuant to his retention arrangement with the Corporation (refer to the heading "Compensation of the Vice-President and General Counsel" at page 44 of this circular for more detail), (iii) $1,125 was paid to Mr. Shapiro pursuant to the terms of the Sharing our Success Plan.

**Montie Brewer**

(12) Mr. Brewer was President and Chief Executive Officer of Air Canada until April 1, 2009.

**Long-Term Incentive Plan Awards**

The following table details all unexercised options held by the Named Executive Officers as at December 31, 2009. By virtue of these options and subject to the applicable vesting restrictions under the Air Canada Long-Term Incentive Plan, the Named Executive Officers have the right to acquire Class B voting shares.
### AIR CANADA STOCK OPTIONS

#### Option-based awards

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of securities underlying unexercised options (#)</th>
<th>Option exercise price ($)</th>
<th>Option expiration date</th>
<th>Value of unexercised in-the-money options ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calin Rovinescu</td>
<td>1,000,000</td>
<td>$0.97</td>
<td>May 7, 2016</td>
<td>350,000</td>
</tr>
<tr>
<td>Michael Rousseau</td>
<td>165,000</td>
<td>$14.90</td>
<td>Oct 10, 2014</td>
<td>Nil</td>
</tr>
<tr>
<td></td>
<td>200,000</td>
<td>$1.59</td>
<td>Jul 31, 2016</td>
<td>Nil</td>
</tr>
<tr>
<td>Benjamin Smith</td>
<td>34,714</td>
<td>$21.00</td>
<td>Nov 24, 2013</td>
<td>Nil</td>
</tr>
<tr>
<td></td>
<td>110,000</td>
<td>$15.85</td>
<td>May 10, 2014</td>
<td>Nil</td>
</tr>
<tr>
<td></td>
<td>150,000</td>
<td>$1.59</td>
<td>Jul 31, 2016</td>
<td>Nil</td>
</tr>
<tr>
<td>Duncan Dee</td>
<td>110,000</td>
<td>$11.08</td>
<td>Aug 17, 2014</td>
<td>Nil</td>
</tr>
<tr>
<td></td>
<td>175,000</td>
<td>$1.59</td>
<td>Jul 31, 2016</td>
<td>Nil</td>
</tr>
<tr>
<td>David Shapiro</td>
<td>33,429</td>
<td>$21.00</td>
<td>Nov 24, 2013</td>
<td>Nil</td>
</tr>
<tr>
<td></td>
<td>50,000</td>
<td>$1.59</td>
<td>Jul 31, 2016</td>
<td>Nil</td>
</tr>
<tr>
<td>Montie Brewer</td>
<td>484,800</td>
<td>$21.00</td>
<td>Apr 1, 2012</td>
<td>Nil</td>
</tr>
</tbody>
</table>

(1) Based on the closing price of the Class B voting shares ($1.32) on December 31, 2009.

The table below details the number and market value of unvested performance share units held by the Named Executive Officers as at December 31, 2009.

### AIR CANADA PERFORMANCE SHARE UNITS

#### Share-based awards

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of shares or units of shares that have not vested (#)</th>
<th>Performance Cycle</th>
<th>Market or payout value of share-based awards that have not vested ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calin Rovinescu</td>
<td>Nil</td>
<td>n/a</td>
<td>Nil</td>
</tr>
<tr>
<td>Michael Rousseau</td>
<td>10,000</td>
<td>Jan 1, 2008 to Dec 31, 2010</td>
<td>$13,200</td>
</tr>
<tr>
<td></td>
<td>30,058</td>
<td>Jan 1, 2009 to Dec 31, 2011</td>
<td>$39,677</td>
</tr>
<tr>
<td>Benjamin Smith</td>
<td>21,760</td>
<td>Jan 1, 2009 to Dec 31, 2011</td>
<td>$28,723</td>
</tr>
<tr>
<td>Duncan Dee</td>
<td>Nil</td>
<td>n/a</td>
<td>Nil</td>
</tr>
<tr>
<td>David Shapiro</td>
<td>4,788</td>
<td>Jan 1, 2008 to Dec 31, 2010</td>
<td>$6,320</td>
</tr>
<tr>
<td></td>
<td>15,667</td>
<td>Jan 1, 2009 to Dec 31, 2011</td>
<td>$20,680</td>
</tr>
<tr>
<td>Montie Brewer</td>
<td>11,160</td>
<td>Jan 1, 2008 to Dec 31, 2010</td>
<td>$14,731</td>
</tr>
<tr>
<td></td>
<td>46,422</td>
<td>Jan 1, 2009 to Dec 31, 2011</td>
<td>$61,277</td>
</tr>
</tbody>
</table>

(1) Based on the closing price of Class B voting shares ($1.32) on December 31, 2009.

The table below details the number of performance share units with a performance cycle of January 1, 2007 to December 31, 2009 that were forfeit effective December 31, 2009 as Air Canada did not achieve the target earnings per share percentage (%) over the 3-year performance cycle:

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of performance share units lapsed (#)</th>
<th>Performance Cycle</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calin Rovinescu</td>
<td>Nil</td>
<td>n/a</td>
</tr>
<tr>
<td>Michael Rousseau</td>
<td>Nil</td>
<td>n/a</td>
</tr>
<tr>
<td>Benjamin Smith</td>
<td>9,857</td>
<td>Jan 1, 2007 to Dec 31, 2009</td>
</tr>
<tr>
<td>Duncan Dee</td>
<td>6,000</td>
<td>Jan 1, 2007 to Dec 31, 2009</td>
</tr>
<tr>
<td>David Shapiro</td>
<td>3,714</td>
<td>Jan 1, 2007 to Dec 31, 2009</td>
</tr>
<tr>
<td>Montie Brewer</td>
<td>17,314</td>
<td>Jan 1, 2007 to Dec 31, 2009</td>
</tr>
</tbody>
</table>
Incentive plan awards – value vested or earned during the year

As concerns option-based awards, the table below provides information on the value that would have been realized if the Named Executive Officer exercised the awards that vested during the year ended December 31, 2009 on the vesting date of such awards. As concerns non-equity plan compensation, the table below summarizes the aggregate amount of such compensation received by each Named Executive Officer during the year ended December 31, 2009. For details with respect to the amounts set out in the "Non-equity incentive plan compensation" column below, please refer to the corresponding column of the "Summary Compensation Table" at page 45 of this circular.

<table>
<thead>
<tr>
<th>Name</th>
<th>Options Vested</th>
<th>Exercise Price</th>
<th>Vesting Date</th>
<th>Market Price of Shares on the Date of Vesting ($)</th>
<th>Value vested during the year(1) ($)</th>
<th>Value earned during the year ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calin Rovinescu</td>
<td>Nil</td>
<td>Nil</td>
<td>n/a</td>
<td>Nil</td>
<td>Nil</td>
<td>800,825</td>
</tr>
<tr>
<td>Michael Rousseau</td>
<td>20,625</td>
<td>$14.90</td>
<td>Oct 10, 2009</td>
<td>1.63</td>
<td>Nil</td>
<td>648,625</td>
</tr>
<tr>
<td>Benjamin Smith</td>
<td>13,750</td>
<td>$15.85</td>
<td>May 10, 2009</td>
<td>1.25</td>
<td>Nil</td>
<td>348,625</td>
</tr>
<tr>
<td></td>
<td>4,340</td>
<td>$21.00</td>
<td>Nov 24, 2009</td>
<td>1.33</td>
<td>Nil</td>
<td></td>
</tr>
<tr>
<td>Duncan Dee</td>
<td>13,750</td>
<td>$11.08</td>
<td>Aug 9, 2009</td>
<td>1.87</td>
<td>Nil</td>
<td>250,825</td>
</tr>
<tr>
<td>David Shapiro</td>
<td>4,179</td>
<td>$21.00</td>
<td>Nov 24, 2009</td>
<td>1.33</td>
<td>Nil</td>
<td>196,125</td>
</tr>
<tr>
<td>Montie Brewer</td>
<td>363,400</td>
<td>$21.00</td>
<td>April 1, 2009</td>
<td>1.33</td>
<td>Nil</td>
<td>300</td>
</tr>
</tbody>
</table>

(1) Calculated as the difference between the market price of the shares on the date of vesting and the exercise price payable in order to exercise the options.

Share-based Awards

None of the Named Executive Officers' performance share units vested in 2009.

Retirement Plan Benefits

Air Canada provides its Named Executive Officers with a non-contributory, final average earnings defined benefit registered pension plan (the "Pension Plan") and a SERP integrated with the Canada / Quebec pension plans. The defined benefit SERP is a partially funded supplemental arrangement that provides retirement income beyond the limitations of the Pension Plan.

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

Unless specified otherwise, Named Executive Officers are eligible to retire at the earliest of: (i) 25 years of service, (ii) when their age plus years of service equals the sum of 80 or (iii) at age 65. If a Named Executive Officer is eligible to retire based on the foregoing criteria, his or her retirement benefits will not be reduced if he or she retires at or after age 55. Under the terms of federal pension legislation, should any member leave employment at least 10 years prior to the date they become eligible for an unreduced pension, he or she is entitled to elect a lump sum payment from the Pension Plan in lieu of an immediate or deferred pension. Such eligibility is determined without regard to additional years of pensionable service which are credited in the SERP. In accordance with the terms of the SERP, the payment option that an executive elects in the Pension Plan is also applicable to the SERP.
The following table provides information on the pension benefits of each Named Executive Officer calculated as of December 31, 2009.

**PENSION BENEFITS**

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of years of credited service (#)</th>
<th>Annual benefits payable ($)</th>
<th>Accrued obligation at start of year ($)</th>
<th>Compensatory Change ($)</th>
<th>Non-compensatory Change ($)</th>
<th>Accrued obligation at year end ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>At year end (a)</td>
<td>At age 65 (b)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Calin Rovinescu</td>
<td>17.6400</td>
<td>180,500</td>
<td>351,300</td>
<td>2,115,000</td>
<td>91,000</td>
<td>247,600</td>
</tr>
<tr>
<td>(2 separate periods of employment combined)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Michael Rousseau</td>
<td>2.2500</td>
<td>22,300</td>
<td>202,400</td>
<td>155,000</td>
<td>131,000</td>
<td>56,000</td>
</tr>
<tr>
<td>Duncan Dee</td>
<td>9.0833</td>
<td>65,300</td>
<td>251,800</td>
<td>230,000</td>
<td>151,000</td>
<td>116,000</td>
</tr>
<tr>
<td>Benjamin Smith</td>
<td>0.8333</td>
<td>7,400</td>
<td>233,200</td>
<td>Nil</td>
<td>40,000</td>
<td>12,000</td>
</tr>
<tr>
<td>Calin Rovinescu</td>
<td>12.4167</td>
<td>65,800</td>
<td>155,000</td>
<td>421,000</td>
<td>70,000</td>
<td>95,000</td>
</tr>
<tr>
<td>Montie Brewer</td>
<td>14.0000</td>
<td>Nil</td>
<td>Nil</td>
<td>1,775,000</td>
<td>68,000</td>
<td>1,821,000</td>
</tr>
</tbody>
</table>

1. This column reflects the number of years of credited service for each Named Executive Officer as of the year ended December 31, 2009, including, as the case may be, any additional pensionable service credited pursuant to the Named Executive Officer's individual employment agreement. In respect of Mr. Rovinescu, this column includes years of credited pensionable service in respect of his previous period of employment with the Corporation. In respect of his current period of employment, Mr. Rovinescu had 0.75 years of credited pensionable service as of December 31, 2009.

2. Annual unreduced pension benefits are based on the average annual salary during the Named Executive Officer's highest paid 36 successive months of company service and the credited service as of December 31, 2009. The payment of such unreduced pension benefit cannot commence earlier than the Named Executive Officer's unreduced early retirement date. Also, the benefits shown are not yet vested for Named Executive Officers with less than 2 years of service.

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

4. The accrued obligation at the beginning of the year represents the value of pension benefits for company service rendered prior to that date, using the same assumptions that were used for 2008 year-end financial statement reporting purposes. These assumptions include future earnings projections at the rate of 2.5% per annum until retirement, as well as assumptions regarding retirement, termination and death. Benefits are valued using a discount rate of 7.35%, which reflects corporate AA bond yields at the beginning of the year as was adopted for 2008 year-end disclosure. The service prorate method was applied, meaning that the benefit obligation, including the liability for future earnings projections, is spread equally over the Named Executive Officer's project career with Air Canada, regardless of when the credited service is granted.

5. The compensatory change represents the value of pension benefits accrued in the most recently completed financial year due to the accumulation of company service and changes in salary or the terms of the plan. It includes service costs, differences between actual and estimated earnings and any plan changes that have retroactive impact. The amounts disclosed reflect 2008 year-end assumptions and include the increase in the liability pursuant to the terms of the pension retention agreement reached between Mr. Smith and the Corporation early in 2009.

6. The non-compensatory change in the accrued obligation for the Corporation's most recently completed financial year includes all items that are not compensatory, such as changes in assumptions and interest on the accrued obligation at the start of the year, less benefit payments received.

7. The accrued obligation at the end of the Corporation's most recently completed financial year represents the value of pension benefits for company service rendered prior to December 31, 2009 and is based on 2009 year-end assumptions. The 2009 year-end assumptions are
the same as for 2008, except a discount rate of 6.4% was used, which reflects corporate AA bond yields at the end of the year, and no increase in earnings was assumed in 2009 and 2010 other than for merit and promotions. Future earnings projections are applied to 2009 earnings.

(8) Mr. Rovinescu was entitled to an annual benefit payable of $168,600 in relation to his previous period of employment with the Corporation. Effective November 1, 2009, all pension payments in relation to his previous employment with Air Canada were voluntarily suspended. Amounts received prior to the voluntary suspension date are reflected in the table above offsetting the non-compensatory change that would have otherwise been determined. Once the payments were made, they no longer represented an accrued obligation. Benefits related to his previous employment will continue to accrue and will become payable to Mr. Rovinescu upon his departure / retirement from Air Canada, together with the pension that will accrue from his current period of employment.

(9) Mr. Smith bought back 1.25 years of service in 2008 for his previous period of employment and paid up the cost in 2008. The amount paid by Mr. Smith to buy back his service is included in 2009 in the non-compensatory change and the increase in liability in excess of the amount paid by Mr. Smith is included in the compensatory change.

(10) Mr. Dee terminated his previous employment with the Corporation on November 30, 2008. In connection with this past period of employment, on December 4, 2008, $98,523 was transferred from the RPP to a locked-in arrangement, and a cash payment of $1,849,298 was made from the SERP. These amounts are not reflected in the table above as once payment was made they no longer represented accrued obligations.

(11) Mr. Brewer was credited for an additional 5 years of pensionable service in 2007 upon his completion of 5 years of service with Air Canada. He was also to be credited for an additional year of pensionable service for each year of his service to Air Canada from 2008 to 2012, inclusively, plus an additional 5 years of pensionable service in 2012, for a total of 15 additional years of pensionable service. Accordingly, as of his retirement on April 1, 2009, Mr. Brewer had been credited with 7 additional years of pensionable service. As well, he was eligible to retire even if the retirement eligibility criteria were not met, but his pension was reduced since he retired prior to age 55.

His unreduced pension of $15,494 per month payable at age 55 was reduced to $12,395 per month payable immediately under the terms of his employment agreement. Instead of a pension, he received a transfer from the RPP to a locked-in arrangement of $117,333 on September 4, 2009, plus a transfer from the SERP to Mr. Brewer's retirement compensation arrangement (RCA) of $2,750,912 in December 2009. The residual amount as of December 31, 2009 due to the solvency ratio in the RPP being less than 100% is $22,000.

TERMINATION AND CHANGE OF CONTROL BENEFITS

The obligations of the Corporation vis-à-vis its Named Executive Officers in the event of termination were described above under the heading “Compensation of the Named Executive Officers” at page 40 and following of this circular.

Air Canada is currently a party to change of control agreements with each of Messrs. Rovinescu, Rousseau, Smith and Dee. Under these agreements, a “Change of Control” is generally defined as follows:

i) any event or series of related events as a result of or following which any person or two or more persons acting jointly or in concert, beneficially owns or exercises control or direction, directly or indirectly, over thirty-five (35%) percent or more of all issued and outstanding voting securities carrying thirty-five (35%) percent or more of the votes attached to all voting securities then outstanding; ii) any event as a result of or following which any person or two or more persons acting jointly or in concert, beneficially owns or exercises control or direction over voting securities carrying twenty-five (25%) percent or more of the votes attached to all voting securities then outstanding followed by a change in the composition of the Board such that, at any time within two years following thereafter, individuals who were members of the Board immediately prior to such event cease to constitute a majority of the Board; iii) a change in the composition of the Board, which occurs at a single meeting of the shareholders or upon the execution of a shareholders' resolution, such that individuals who are members of the Board immediately prior to such meeting or resolution cease to constitute a majority of the Board without the Board, as constituted immediately prior to such meeting or resolution, approving of such change; or iv) any event or series of related events as a result of or following which the beneficial ownership or control or direction over the assets of Air Canada has decreased by an amount of not less than forty (40%) percent of the assets of Air Canada (on a consolidated basis), as shown on a consolidated balance sheet for Air Canada at the end of the last completed quarter (prior to the event or the first of the series of related events) of the then current financial year or as at the end of the last completed financial year if the event or the first of the series of related events occurs during the first quarter of a financial year.
Notwithstanding the foregoing, the term "Change of Control" as defined in the agreement expressly excludes:

(i) any event in which all the holders of the outstanding equity securities and voting securities with identical attributes in the same relative amounts in a company which acquires all of the equity securities and voting securities and the composition of the board of directors of such company is identical to the composition of the board of directors of Air Canada at the time of such event and further provided that the executive holds the same position with the same title and responsibilities at such company; or (ii) any event forming part of the Plan of Arrangement of ACE Aviation Holdings Inc. as described in its press release dated December 10, 2008 and the material change report dated December 19, 2008 (Form 51-102F3) as filed with the Ontario Securities Commission.

In order for the benefits under the change of control agreements to become payable to Messrs. Rovinescu, Rousseau, Smith or Dee, following the occurrence of a Change of Control (as summarized above), there must, within the subsequent 24 month period, be an involuntary termination (as defined in the agreements) of the respective executive's employment. In the event an involuntary termination of the respective executive's employment occurs within the subsequent 24 month period, the specified amounts would become payable under the agreement to such executive.

In the case of Mr. Rovinescu, the agreement provides that Mr. Rovinescu would become entitled to the payments and benefits to which he is entitled under the terms of his employment agreement in the event of a termination without cause (such payments and benefits having been summarized at pages 40 and 41 of this circular). In the case of Messrs. Rousseau, Smith and Dee, the agreements provide for payment of two years of base salary and two years of their respective average bonuses for the last two completed years. Additionally, the agreements generally provide for the continuation of insurance benefits, the continuation of pensionable service, the acceleration of established retirement arrangements and the immediate vesting of all stock options and performance share units.

Air Canada and Mr. Rovinescu entered into an additional agreement whereby following a "Hostile Change of Control", Mr. Rovinescu has the right at any time within 2 years thereafter, to require the Board of Directors to terminate his employment and any such termination shall be considered to be (and have the same effect as) a termination without cause under the terms of his employment agreement (the payments and benefits to which he would then be entitled having been summarized at pages 40 and 41 of this circular). Under this agreement, a "Hostile Change of Control" is defined as follows:

a "Change of Control" (as was defined above) that results from the take-up of securities under a "take-over bid" (as such term is defined in Québec Regulation 62-104 respecting take-over bids and issuer bids ("62-104")) that is not exempt from the formal bid requirements set out in Part 2 of 62-104 including any acquisition of securities under a statutory right of compulsory acquisition or any second step business combination within the meaning of Québec Regulation 61-101 respecting protection of minority security holders in special transactions, in each case within 120 days following the completion of such take-over bid, and such take-over bid: (i) was not solicited, initiated, approved or recommended by the Board of Directors of Air Canada (a "Hostile Bid"), (ii) was solicited, initiated, approved or recommended by the Board of Directors of Air Canada in response to or an alternative to a Hostile Bid, or (iii) was initially a Hostile Bid but was ultimately approved or recommended by the Board of Directors of Air Canada based on one or more modifications or variations to the take-over bid whether at the request or suggestion of the Board of Directors of Air Canada or otherwise.
The following performance graph compares 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 November 24, 2006 with the cumulative return on the S&P/TSX Composite Index for the period beginning on November 24, 2006 and ended December 31, 2009. The Class A variable voting shares and the Class B voting shares started trading on the TSX on November 24, 2006.

Air Canada emerged from creditor protection in September 2004 and completed its initial public offering in November 2006. Its performance and the price of its shares has since been impacted by many factors, including an unprecedented spike in the price of fuel, adverse fluctuations in foreign exchange and the effects of a severe global recession.

Mr. Rovinescu rejoined Air Canada as its President and Chief Executive Officer on April 1, 2009 and Mr. Dee rejoined the Corporation as Executive Vice-President and Chief Operating Officer on April 3, 2009. Mr. Rovinescu and Mr. Dee's remuneration is reflective of their respective scope of responsibilities and experience, as well as the remuneration practices of Air Canada's comparator group.

As concerns the other two Air Canada executives who have been NEOs over a period of time (Mr. Rousseau and Mr. Smith), their base salaries have remained relatively stable and the exercise prices of the stock options granted to them during this period of time are significantly higher than the current market price of the underlying shares. In addition, the performance share units granted to Mr. Smith in 2006 have been forfeited (as the Corporation did not achieve its 3-year earnings per share target). Bonuses received by Mr. Rousseau and Mr. Smith during this time period are in-line with the remuneration practices of Air Canada's comparator group.
During 2009, Air Canada achieved financial stability, dramatically improved its liquidity position and completed an important equity offering. In addition, Air Canada executed on the first phase of its cost transformation program and was awarded the "The Best Airline in North America" award by Global Traveler Magazine amongst other awards in 2009.

The price of Air Canada's Class A variable voting shares and Class B voting shares rose approximately 75% and 69%, respectively, from April 1, 2009 to December 31, 2009 and 195% and 185%, respectively, from April 1, 2009 to March 31, 2010.

The following performance graph compares 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 April 1, 2009 with the cumulative return on the S&P/TSX Composite Index for the period beginning on April 1, 2009 and ended March 31, 2010.
Directors' and Officers' Liability Insurance

Air Canada maintains directors' and officers' liability insurance for the benefit of the directors and officers of Air Canada and its subsidiaries. The coverage limit of such insurance is US$250,000,000 per claim and US$250,000,000 in the annual aggregate. The current policy is effective from October 1, 2009 to October 1, 2010 and protects the directors and officers from allegations of alleged "wrongful acts" in the conduct of their activities as directors and officers. The aggregate premium for this period of insurance is US$1,856,400.

The directors are indemnified by Air Canada from and against any losses or damages they may suffer in their capacity as directors, to the fullest extent permitted by, but subject to the limitations of, applicable law.

Indebtedness of directors and officers

As at April 16, 2010, none of the directors or executive officers of Air Canada nor any associate of such director or executive officer are indebted to Air Canada. Additionally, Air Canada has not provided any guarantee, support agreement, letter of credit or similar arrangement or undertaking in respect of any indebtedness of any such person to any other person or entity.

Interest of Informed Persons in Material Transactions

Other than as set out below or described elsewhere in this circular, no director, senior officer or other insider, as applicable, of the Corporation, nor any associate or affiliate of the foregoing persons has or has had any material interest, direct or indirect, in any transaction since the commencement of the Corporation's last financial year or in any proposed transaction that has materially affected or will materially affect the Corporation or any of its subsidiaries.

The Corporation is currently a party to agreements with ACE Aviation (which holds a 27% interest in Air Canada as of April 16, 2010) or Aveos Fleet Performance Inc. ("Aveos") (of which Air Canada holds a minority interest as of April 16, 2010), including:

- a registration rights agreement dated November 24, 2006 between Air Canada, ACE Aviation and a wholly-owned subsidiary of ACE Aviation;
- maintenance agreements effective as of October 1, 2006, in respect of aircraft maintenance and related services between Air Canada and Aveos;
- a general services agreement effective as of June 22, 2006 between Air Canada and Aveos with respect to certain unionized employees employed by Air Canada; and
- ACE Aviation is a participant lender in the Amended and Restated Credit Agreement dated July 30, 2009.

For a description of such and other agreements, please refer to the section "Related Party Transactions" in Air Canada's Management's Discussion and Analysis of Results of Operations and Financial Condition for the year ended December 31, 2009 and to the section "Interest of Management and Others in Material Transactions" in Air Canada's Annual Information Form for the year ended December 31, 2009, which sections are incorporated by reference in this circular and which are available on SEDAR at www.sedar.com or on the Corporation's website at www.aircanada.com (and which, upon request, the Corporation will provide a copy of such documents free of charge to a shareholder of the Corporation).

Mail service interruption

If there is a mail service interruption prior to the meeting, in order to return a completed proxy to CIBC Mellon, it is recommended that the shareholder deposit the completed form of 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

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

Ontario
320 Bay Street
Banking Hall
Toronto, Ontario

Québec
2001 University Street
Suite 1600
Montreal, Québec

Nova Scotia
1660 Hollis Street
Centennial Building
Suite 406
Halifax, Nova Scotia

Shareholder proposals for our 2011 annual meeting
We will include proposals from shareholders that comply with applicable laws in next year's management proxy circular for our 2011 annual shareholder meeting. Please send your proposal to us by January 14, 2011.
HOW TO REQUEST MORE INFORMATION

Documents you can request

Financial information with respect to Air Canada is provided in its comparative financial statements and Management’s Discussion and Analysis of Results of Operations and Financial Condition (MD&A) for the year ended December 31, 2009. You can ask us for a copy of the following documents at no charge:

- Air Canada’s annual report for the year ended December 31, 2009, which includes our consolidated financial statements together with the accompanying auditors’ report;

- our MD&A 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, 2009;

- our MD&A related to such interim financial statements; and

- our Annual Information Form for the year ended December 31, 2009.

Please write to Shareholder Relations of Air Canada at Air Canada Centre, P.O. Box 14000, Station Airport, Dorval, Québec, H4Y 1H4.

These documents and additional information will also be available on our website at www.aircanada.com and on SEDAR at www.sedar.com. All of our news releases are also available on our website.

Receiving information electronically

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

How to sign up – registered shareholders

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

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

To sign up go to the website 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.investordelivery.com and follow the instructions.

How to sign up – employees holding shares under the Employee Share Ownership Plan of Air Canada

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 and follow the instructions.
"BE IT RESOLVED THAT:

1. The Long-Term Incentive Plan of the Corporation (the "Plan") be and it is hereby amended to increase the aggregate number of Class A variable voting shares and/or Class B voting shares issuable under the Plan from 5,000,000 to 19,470,294;

2. In order to reflect the foregoing, Section 9.1 of the Plan is hereby amended so as to state as follows:

   9.1 The maximum number of Common Shares that may be issued under the Plan is nineteen million four hundred and seventy thousand two hundred and ninety-four (19,470,294) Common Shares subject to adjustment pursuant to the provisions of Section 10 hereof. In accordance with the foregoing, a total of nineteen million four hundred and seventy thousand two hundred and ninety-four (19,470,294) Common Shares shall be and they are hereby set aside and reserved for allotment for the purpose of the Plan. The Board or the Committee, as the case may be, may cause Common Shares used to satisfy PSU awards granted under the Plan to be purchased instead on the open market.

3. The Board of Directors be authorized to revoke, at its sole discretion, this ordinary resolution at any time before it is acted upon without the requirement to obtain any further approval from the shareholders; and

4. Any director or officer of the Corporation be authorized and directed for and in the name of and on behalf of the Corporation to execute or cause to be executed and to deliver or cause to be delivered, all such documents and instruments, and to do or cause to be done all such other acts and things as in the opinion of such director or officer may be necessary or desirable to carry out the intent of this resolution."
## SCHEDULE "B"- RECORD OF ATTENDANCE BY DIRECTORS

### Record of Attendance by Director for the period beginning January 1, 2009 and ending December 31, 2009

<table>
<thead>
<tr>
<th>Director</th>
<th>Number of meetings attended</th>
<th>Board</th>
<th>Committees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bernard Attali</td>
<td></td>
<td>20 of 24</td>
<td>9 of 9</td>
</tr>
<tr>
<td>Michael M. Green</td>
<td></td>
<td>18 of 18</td>
<td>5 of 5</td>
</tr>
<tr>
<td>Jean Marc Huot</td>
<td></td>
<td>14 of 14</td>
<td>5 of 5</td>
</tr>
<tr>
<td>Pierre Marc Johnson</td>
<td></td>
<td>23 of 24</td>
<td>13 of 13</td>
</tr>
<tr>
<td>Joseph B. Leonard</td>
<td></td>
<td>22 of 24</td>
<td>15 of 15</td>
</tr>
<tr>
<td>Arthur T. Porter</td>
<td></td>
<td>23 of 24</td>
<td>13 of 13</td>
</tr>
<tr>
<td>David I. Richardson</td>
<td></td>
<td>23 of 24</td>
<td>N/A</td>
</tr>
<tr>
<td>Calin Rovinescu</td>
<td></td>
<td>18 of 18</td>
<td>N/A</td>
</tr>
<tr>
<td>Vagn Sørensen</td>
<td></td>
<td>23 of 24</td>
<td>18 of 19</td>
</tr>
<tr>
<td>Montie Brewer</td>
<td></td>
<td>6 of 6</td>
<td>N/A</td>
</tr>
<tr>
<td>Pat Jacobsen</td>
<td></td>
<td>9 of 10</td>
<td>7 of 7</td>
</tr>
<tr>
<td>Robert G. Long</td>
<td></td>
<td>9 of 10</td>
<td>4 of 4</td>
</tr>
<tr>
<td>Michael M. Wilson</td>
<td></td>
<td>9 of 10</td>
<td>6 of 7</td>
</tr>
<tr>
<td>Marvin Yontef</td>
<td></td>
<td>9 of 10</td>
<td>1 of 1</td>
</tr>
</tbody>
</table>

(1) Appointed on March 30, 2009  
(2) Elected on May 8, 2009.  
(3) As ex officio members of each of the Board's committees, the Chairman and the President and Chief Executive Officer also attend committee meetings.  
(4) Appointed on April 1, 2009  
(5) Ceased being a director effective April 1, 2009  
(6) Ceased being a director effective May 8, 2009

### Summary of Board and committee meetings held

<table>
<thead>
<tr>
<th>Committee</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board</td>
<td>24</td>
</tr>
<tr>
<td>Audit, Finance and Risk Committee</td>
<td>4</td>
</tr>
<tr>
<td>Governance and Corporate Matters Committee</td>
<td>3</td>
</tr>
<tr>
<td>Human Resources and Compensation Committee</td>
<td>7</td>
</tr>
<tr>
<td>Nominating Committee</td>
<td>4</td>
</tr>
<tr>
<td>Pension Committee</td>
<td>3</td>
</tr>
</tbody>
</table>
I. PURPOSE

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

II. ROLE

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

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

III. COMPOSITION

Selection

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

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

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

Chairman

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

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

Criteria for Board Membership

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

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

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

(c) devote sufficient time to the affairs of the Corporation and exercise care, diligence and skill in fulfilling their responsibilities both as Board members and as 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;
appointing the Corporation's Chief Executive Officer, satisfying itself that 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 satisfying itself that the appropriate systems are implemented to manage these risks;

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

(h) satisfying itself with respect to 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) satisfying itself 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) satisfying itself 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 of the Board 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;

(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 pension plans, ensuring that the plans are consistent with the goals and objectives of the Corporation, and that the plans are effectively governed and appropriately funded.

VI. MEETINGS

The Board will meet at least quarterly, with additional meetings scheduled as required. Each director has a responsibility to attend and participate in meetings of the Board. The Chairman will prepare and distribute the meeting agenda and minutes to the Board.
Information and materials that are important to the Board's understanding of the agenda items and related topics will be distributed in advance of a meeting. The Corporation will deliver information on the business, operations and finances of the Corporation, to the Board on an as-required basis.

On the occasion of each Board meeting, non-management directors will consider if an "in-camera" meeting under the chairmanship of the Chairman would be appropriate. Additional meetings may be held at the request of any director with notice to all members of the Board. The Chairman 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 pension plans, the Board shall be responsible for approving the following:

(I) Pension Plan Design

   The Board shall approve all decisions to initiate, merge, split, terminate, and/or otherwise fundamentally change the nature of the pension arrangement for all pension plans.

(II) Pension Governance

   (a) Governance Structure – The Board shall approve a governance structure for the pension plans which sets out the major decision-making bodies and their key decision-making and reporting responsibilities.

   (b) Terms of Reference of the Board – The Board shall approve the Terms of Reference of the Board with respect to the monitoring and oversight of the pension plans.

   (c) Terms of Reference of the Pension Committee – The Board shall approve the Terms of Reference of the Pension Committee.

   (d) Appointment of Members of the Pension Committee – The Board shall appoint the members of the Pension Committee.

   (e) Monitoring and Reporting Framework – The Board shall approve a monitoring and reporting framework which specifies the major reports and documents that the various decision-making
bodies shall receive in order to fulfill their responsibilities with respect to the monitoring and oversight of the pension plans.

(III) Valuation and Funding

The Board shall review the contributions to the pension funds of the defined benefit pension plans as approved by the Pension Committee.

(IV) Risk Management Framework

The Board shall approve a risk management framework which sets out how the overall risk of the pension plans should be defined and measured, and how much financial risk the Corporation is prepared to assume.

(V) Executive Retirement Plans

(a) *Initiation, Change and Termination of SERPs* – The Board shall approve all decisions to initiate, terminate, and/or otherwise change the terms of any supplementary retirement plans established for the executive employees of the Corporation.

(b) *Funding of SERPs* – The Board shall approve any decision on whether or not to fund or otherwise secure the liabilities of a SERP and how those liabilities should be funded or secured. If the liabilities are to be funded, the Board shall approve a funding policy which sets out guidelines with respect to the valuation and funding of SERP liabilities.

(c) *SERP Contributions* – The approval of contributions to a SERP trust fund shall be delegated to the Pension Committee of the Board. The Board shall, however, review the contributions approved by the Committee.

(VI) Monitoring and Reporting

The monitoring and reporting requirements necessary to enable the Board to fulfill its duties and responsibilities are set out in a separate Monitoring and Reporting Framework to be approved by the Board.

VIII. BOARD COMMITTEES

There are five Committees of the Board: the Audit, Finance and Risk Committee, the Governance and Corporate Matters Committee, the Nominating Committee, the Human Resources and Compensation Committee and the Pension 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. ADVISORS

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

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

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

August 6, 2009