AIR CANADA

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

AIR CANADA

WHAT'S INSIDE

AIR CANADA

Letter from the Chairman and the President and Chief Executive Officer

Dear Shareholder:

You are cordially invited to attend our annual and special meeting of shareholders of Air Canada. It will be held on Thursday, May 5, 2011 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 and our corporate governance practices and the shareholder rights plan adopted by board of directors on March 30, 2011.

During the meeting, we will present management's report for 2010 and discuss our main business priorities for 2011. Over the past year, we made significant progress in strengthening the Corporation by improving liquidity, transforming costs and developing new sources of revenue. As we continue pursuing these strategies, we will also seek new opportunities to build upon our global network, particularly in conjunction with our international partners. Concurrently, through ongoing cultural change within the organization, we are empowering employees to be more responsive and entrepreneurial in interactions with customers so that we consistently meet and exceed their expectations. These various strategies are designed to converge to create a stronger and more sustainable Air Canada that will yield increased benefits and value for all 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

AIR CANADA

NOTICE OF 2011 ANNUAL AND SPECIAL SHAREHOLDER MEETING

When

May 5, 2011 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 2011 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, 2010, including the auditors' report thereon;

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

3. appointment of auditors;

4. adoption of an ordinary resolution, a copy of which is reproduced at Schedule "A" of the accompanying management proxy circular, confirming the adoption and ratification of the shareholder rights plan adopted by the Board of Directors on March 30, 2011, the whole as described in the accompanying management proxy circular; 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 24, 2011.

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. Hadrovic

Montreal, Québec
March 30, 2011

AIR CANADA

MANAGEMENT PROXY CIRCULAR

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 5, 2011 ("**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 ratification of the shareholder rights plan adopted by the Board of Directors on March 30, 2011 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, the terms of the shareholder rights plan and other matters. The information in this document is current as at March 30, 2011 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, 2010.

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.

Air Canada has retained Phoenix Advisory Partners to solicit proxies from shareholders with respect to the ratification of the shareholder rights plan adopted by the Board of Directors on March 30, 2011. Pursuant to the agreement with Phoenix Advisory Partners, Air Canada has agreed to pay a base fee of $25,000 plus additional fees which shall vary based on the services provided.

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.

If you have any questions regarding the ratification of the shareholder rights plan adopted by the Board of Directors on March 30, 2011, please contact Phoenix Advisory Partners toll-free at 1-888-687-7513 or by e-mail at inquiries@phoenixadvisorypartners.com. Shareholders outside of North America, banks, and brokers should call collect at 647-426-4457.

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. Hadrovic

Montreal, Québec
March 30, 2011

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 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 Trust Company's principal Corporate Trust Offices in Halifax, Montreal, Toronto, Calgary or Vancouver **for receipt before 4:00 p.m. (Montreal time) on May 3, 2011.** A list of addresses for the principal Corporate Trust Offices of CIBC Mellon Trust Company is set forth on pages 70 and 71 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 a shareholder card at the meeting upon registration at the registration desk for admittance to the meeting.

How to vote – non-registered shareholders

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

If you are not sure whether you are a non-registered shareholder, please contact CIBC Mellon Trust Company 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 2, 2011.

By facsimile or by mail

Alternatively you may vote your shares by completing the voting instruction form as directed on the form and returning it by facsimile at (905) 507-7793 or (514) 281-8911 or in the business reply envelope provided **for receipt before 4:00 p.m. (Montreal time) on May 2, 2011.**

In person at the meeting

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

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

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

Shares purchased by employees of Air Canada or its subsidiaries under the Employee Share Ownership Plan and shares received by employees of Air Canada or its subsidiaries under the Employee Recognition Share Award Plan (collectively, "**Employee Shares**") are registered in the name of Computershare Trust Company of Canada ("**Computershare**"), as trustee in accordance with the provisions of such plans 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 2, 2011.

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 2, 2011.**

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 ratification of the shareholder rights plan approved by the Board of Directors on March 30, 2011. 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 or the Employee Recognition Share Award 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 ratifying the shareholders rights plan approved by the Board of Directors on March 30, 2011.**

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 Trust Company, 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 chairman of the meeting on the day of the meeting, or any adjournment thereof. If the voting instructions were conveyed over the Internet, conveying new voting instructions by Internet or by mail within the applicable cut-off times will revoke the prior instructions.

Voting requirements

The election of directors, the appointment of auditors and the ratification of the shareholder rights 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 Trust Company, 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 8 of this circular.

Voting shares and quorum

As of March 30, 2011, there were 235,918,004 Class B voting shares and 43,229,380 Class A variable voting shares outstanding. Shareholders of record on March 24, 2011 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 Trust Company, 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 or the Employee Recognition Share Award Plan of Air Canada, as well as in the Internet voting instructions.

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

Principal shareholders

As of March 30, 2011, to the knowledge of the officers or directors of the Corporation, each of the following entities beneficially owned or exercised control or direction over, directly or indirectly, shares carrying more than 10% of the votes attached to any class of shares entitled to vote in connection with any matters being proposed for consideration at the meeting.

Name of Shareholder	Number and Type of Shares	% of Outstanding Shares of Such Class
ACE Aviation Holdings Inc. ("**ACE Aviation**")(1) (2)	31,000,000 Class B voting shares	13.1% of all outstanding Class B voting shares
PAR Capital Management, Inc. ("**PAR**")(1)(3)	9,250,000 Class A variable voting shares	21.4% of all outstanding Class A variable voting shares
UBS AG(1)	8,529,778 Class A variable voting shares	19.7% of all outstanding Class A variable voting shares
Anchorage Capital Master Offshore, Ltd.(1)	5,450,000 Class A variable voting shares	12.6% of all outstanding Class A variable voting shares
Fidelity Management & Research Company, together with Pyramis Global Advisors, LLC, Pyramis Global Advisors Trust Company, Strategic Advisers Incorporated and FIL Limited(1)	5,100,000 Class A variable voting shares	11.8% of all outstanding Class A variable voting shares
Polar Securities Inc. ("**Polar**")(1)(4)	4,600,000 Class A variable voting shares	10.6% of all outstanding Class A variable voting shares

(1) Based on publicly available early warning reports.

(2) ACE Aviation also holds 2,500,000 warrants, each entitling ACE Aviation to purchase one Class B voting share.

(3) Based on its alternative monthly report dated February 10, 2011, PAR exercises control or direction over 14,000,000 Class A variable voting shares, and 4,166,666 warrants each entitling PAR to purchase one Class A variable voting share. Air Canada understands that, since the filing of its report on February 10, 2011, PAR has reduced the number of shares over which it exercises control or direction such that it now exercises control or direction over 9,250,000 Class A variable voting shares.

(4) Based on its alternative monthly report dated February 10, 2010, Polar also exercises control or direction over 779,100 warrants each entitling Polar to purchase one Class A variable voting share.

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, 2010, including the auditors' report thereon;

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

3. appointment of auditors;

4. adoption of an ordinary resolution, a copy of which is reproduced at Schedule "A" to this circular, confirming the adoption and ratification of the shareholder rights plan adopted by the Board of Directors on March 30, 2011, the whole as described in this circular; 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, 2010, 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.

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 an election of directors in respect of which (i) the number of director nominees is the same as the number of directors to be elected to the Board; and (ii) 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, 2010 and December 31, 2009 to PricewaterhouseCoopers LLP and its affiliates are $2,839,038 and $3,923,863 respectively, as detailed in the following table:

	Year ended December 31, 2010 ($)	**Year ended December 31, 2009 ($)**
Audit fees	1,748,468	2,862,627
Audit-related fees	522,075	635,556
Tax fees	60,961	59,680
All other fees	507,534	366,000
Total fees	2,839,038	3,923,863

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 related to the annual consolidated financial statements, including review engagements performed on the interim consolidated financial statements of Air Canada.

Audit-related fees. Audit-related fees were paid for professional services related to the audit of the non-consolidated financial statements of Air Canada, pension plan audits, audits of subsidiary companies, where required, specified procedures reports and other audit engagements not related to the consolidated financial statements of Air Canada.

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

All Other fees. Other fees were paid for translation services, advisory services and fees related to the auditor's involvement with offering documents.

The classifications of fees for the year ended December 31, 2009 have been restated to conform to the classifications described above.

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, 2011 and which is available on SEDAR at www.sedar.com or on the Corporation's website at 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. Approval of shareholder rights plan

Objectives and Background of the Rights Plan

At the meeting, shareholders will be asked to approve the ordinary resolution, a copy of which is reproduced at Schedule "A" to this circular, confirming the adoption and ratification of the shareholder rights plan (the "**Rights Plan**") adopted by the Board of Directors on March 30, 2011. The Rights Plan became effective on March 30, 2011. A summary of the principal terms of the Rights Plan is included as Schedule "B" to this circular.

Under the listing rules of the Toronto Stock Exchange ("**TSX**"), the Rights Plan must be ratified by the shareholders of the Corporation within six months of its adoption. The TSX has advised the Corporation that this requirement will be satisfied in respect of the Rights Plan if the resolution confirming the adoption and ratification of the Rights Plan is approved by a majority of the votes cast at the meeting by the holders of the Class A variable voting shares and the Class B voting shares, voting together.

The Rights Plan is designed to provide the Corporation's shareholders and the Board of Directors additional time to assess an unsolicited take-over bid for the Corporation and, where appropriate, to give the Board of Directors additional time to pursue alternatives for maximizing shareholder value. It also encourages fair treatment of all shareholders by providing them with an equal opportunity to participate in a take-over bid.

In recommending the confirmation and ratification of the Rights Plan, it is not the intention of the Board of Directors to preclude a bid for control of the Corporation. The Rights Plan provides various mechanisms whereby shareholders may tender their shares to a take-over bid as long as the bid meets the "Permitted Bid" criteria. Furthermore, even in the context of a take-over bid that would not meet the Permitted Bid criteria, the Board of Directors would still have a duty to consider any take-over bid for the Corporation and consider whether or not it should waive the application of the Rights Plan in respect of such bid. In discharging such duty, the Board of Directors must act honestly and in good faith with a view to the best interests of the Corporation and its shareholders.

The Rights Plan is therefore designed to encourage a potential acquirer who makes a take-over bid to proceed either by way of a Permitted Bid (as defined in Schedule "B" to this circular), which requires a take-over bid to satisfy certain minimum standards designed to promote fairness, or with the concurrence of the Board of Directors. If a take-over bid fails to meet these minimum standards and the Rights Plan is not waived by the Board, the Rights Plan provides that holders of rights issued under the Rights Plan, other than the acquirer and certain persons related to the acquirer, will be able to purchase, respectively, additional Class B voting shares or Class A variable voting shares, as applicable, at a significant discount to market, thus exposing the acquirer to substantial dilution of its holdings.

The Rights Plan was not adopted in response to any proposal to acquire control of the Corporation, nor is the Board of Directors currently aware of any pending or threatened take-over bid for the Corporation. The Rights Plan will be in effect until the close of business on the date immediately following the date of the Corporation's annual meeting of shareholders to be held in 2014, unless terminated earlier in accordance with the Rights Plan.

In adopting the Rights Plan, the Board of Directors considered the existing legislative framework governing take-over bids in Canada. The Board of Directors believes that such legislation may not provide sufficient time to permit shareholders to consider a take-over bid and make a reasoned and unhurried decision with respect to the take-over bid or, where appropriate, give the Board of Directors sufficient time to develop alternatives for maximizing shareholder value. Shareholders may also feel compelled to tender their shares to a take-over bid, even if they consider such bid to be inadequate, out of a concern that failing to do so may result in a shareholder being left with illiquid or minority discounted shares in the Corporation. This is particularly so in the case of a partial bid for less than all of the Class B voting shares and Class A variable voting shares. Finally, while existing securities legislation has addressed many concerns related to unequal treatment of shareholders, there remains the possibility that control of a company may be acquired pursuant to private agreements in which a small group of shareholders disposes of shares at a premium to market price, which premium is not shared with the other shareholders.

The Rights Plan does not preclude any shareholder from using the proxy mechanism of the *Canada Business Corporations Act*, the Corporation's governing corporate statute, to promote a change in the Corporation's management or in the Board of Directors, and it will have no effect on the rights of shareholders to requisition a meeting of shareholders in accordance with the provisions of applicable legislation.

In recent years, unsolicited bids have been made for a number of Canadian public companies, many of which had a shareholder rights plan in force at the time of the unsolicited bid. The Board of Directors believes that this demonstrates that the existence of a shareholder rights plan does not in itself prevent the launch of an unsolicited bid. Furthermore, in a number of cases, a change of control ultimately occurred at a price in excess of the original bid price. There can be no assurance, however, that the Rights Plan would serve to bring about a similar result.

The Rights Plan is not expected to interfere with the Corporation's day-to-day operations. The issuance of rights under the Rights Plan will not in any way alter the financial condition of the Corporation, impede its business plans, or alter its financial statements. In addition, the Rights Plan is initially not dilutive. However, if a Flip in Event (as defined in Schedule "B" to this circular) occurs and the rights separate from the shares as described in Schedule "B" to this circular, financial metrics reported on a per-share basis may be affected. In addition, holders of rights not exercising their rights after a Flip-in Event may suffer substantial dilution.

Canadian Federal Income Tax Consequences

The Corporation will not be required to include any amount in computing the Corporation's income for the purposes of the *Income Tax Act* (Canada) (the "**ITA**") as a result of the issuance of the rights.

Generally, under the ITA, the value of a right, if any, to acquire additional shares of a company is not a taxable benefit includable in income and is not subject to non-resident withholding tax if an identical right is conferred on all shareholders. In any event, no amount in respect of the value of the rights is required to be included in computing income, or subject to withholding tax, if the rights do not have any value at the date of issue. The Corporation considers that the rights have negligible value when issued, there being only a remote possibility that the rights will ever be exercised. If the rights have no value, the issue of the rights will not give rise to a taxable benefit and will not be subject to non-resident withholding tax.

The foregoing does not address the Canadian income tax consequences of other events such as the separation of the rights from the shares, the occurrence of a Flip-in Event or the redemption of rights. The holder of rights may have income or be subject to withholding tax under the ITA if the rights become exercisable or are exercised or otherwise disposed of.

This statement is of a general nature only and is not intended to constitute nor should it be construed to constitute legal or tax advice to any particular holder of shares. Such shareholders are advised to consult their own tax advisors regarding the consequences of acquiring, holding, exercising or otherwise disposing of their rights, taking into account their own particular circumstances and any applicable federal, provincial, territorial or foreign legislation.

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 ratification of the Rights Plan.

5. Consideration of other business

We will also:

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

THE NOMINATED DIRECTORS

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 tables below set 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, other principal directorships, committee memberships, attendance record, total compensation received in their capacity as a director of Air Canada, independence and their areas of expertise. Also indicated is the number of securities beneficially owned, or over which control was exercised, directly or indirectly, as of March 30, 2011, the total market value of such securities and whether each director meets the Corporation's minimum shareholding requirements.

BERNARD ATTALI
Paris, France
Age: 67

Air Canada
Director since November 15, 2006

Independent

Areas of Expertise:

Airline industry	Banking
Business management	Consulting
Private equity	

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.

Board/Committee Memberships at the Date Hereof:	Attendance	Attendance (Total):		Public Board Membership:	
Member of the Board Governance and Corporate Matters Committee Human Resources and Compensation Committee Nominating Committee	10 of 12 5 of 5 4 of 4 3 of 3	22 of 24	92%	ACE Aviation	September 30, 2004

Securities Held or Controlled:

As at	Total Securities	Total Market Value of Securities	Value of Securities for the Purpose of Minimum Shareholding Requirements	Minimum Shareholding Requirements	Meets Requirements(1)
March 30, 2011	4,829.61 deferred share units(2)	$11,784(3)	$47,500(4)	$120,000	No
April 16, 2010	4,829.61 deferred share units	$12,074(5)	$47,500 (6)	$85,000(7)	No

Value of Total Compensation Received

Year	$
2010	$100,000(8)
2009	$97,500

(1) Mr. Attali has until October 1, 2012 to meet Air Canada's share ownership requirements.

(2) For further details on deferred share units, see "Remuneration of Directors".

(3) Deferred share units are calculated at a market value of $2.44 per unit (based on the March 30, 2011 Toronto Stock Exchange closing price of the Class A variable voting shares).

(4) This amount represents the greater of: (i) the market value of the deferred share units as at March 30, 2011 (described above), and (ii) the purchase price of the deferred share units.

(5) Deferred share units are calculated at a market value of $2.50 per unit (based on the April 16, 2010 Toronto Stock Exchange closing price of the Class A variable voting shares).

(6) This amount represents the greater of: (i) the market value of the deferred share units as at April 16, 2010 (described above), and (ii) the purchase price of the deferred share units.

(7) Based on Air Canada's director remuneration policy in force as of April 16, 2010 which provided for an annual retainer of $85,000 payable to directors of Air Canada who are also directors of ACE Aviation.

(8) For further details on director remuneration, see "Remuneration of Directors".

MICHAEL M. GREEN
Radnor, Pennsylvania, USA
Age: 52

Air Canada
Director since March 30, 2009

Independent

Areas of Expertise:

Finance	Investments
Engineering	Management
Strategy	Transportation

Michael M. Green is the Chief Executive Officer and Managing Director of Tenex Capital Management, a private investment firm. Mr. Green has a multi-industry investment and operations background in aerospace, transportation, telecommunications and software systems. Mr. Green was the Managing Director of Cerberus Capital Management, L.P. from 2004 to 2009. From 1999 to 2004, Mr. Green was the Managing Partner of TenX Capital Partners and joined Cerberus in 2004 when Cerberus acquired certain portfolio companies from TenX. 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 Bachelor of Science in Electrical Engineering and Physics from State University of New York, Buffalo and a Masters of Science in Electrical Engineering from Villanova University.

Board/Committee Memberships at the Date Hereof:	Attendance	Attendance (Total):		Public Board Membership:
Member of the Board Audit, Finance and Risk Committee (Chair) Human Resources and Compensation Committee Nominating Committee	11 of 12 5 of 5 3 of 4 2 of 3	21 of 24	88%	None.

Securities Held or Controlled:

As at	Total Securities	Total Market Value of Securities	Value of Securities for the Purpose of Minimum Shareholding Requirements	Minimum Shareholding Requirements	Meets Requirements
March 30, 2011	100,000 Class A variable voting shares 50,000 Warrants – Class A variable voting shares	\$274,000[(1)]	\$244,000[(2)]	\$120,000	Yes
April 16, 2010	100,000 Class A variable voting shares 50,000 Warrants – Class A variable voting shares	\$288,000[(3)]	\$250,000[(4)]	\$85,000[(5)]	Yes

Value of Total Compensation Received

Year	$
2010	\$132,500[(6)]
2009	\$83,202

(1) Class A variable voting shares are calculated at a market value of \$2.44 per share (based on the March 30, 2011 Toronto Stock Exchange closing price of the Class A variable voting shares). Warrants are calculated at a market value of \$0.60 per warrant (based on the March 30, 2011 Toronto Stock Exchange closing price of the warrants).

(2) This amount represents the greater of: (i) the market value of the shares as at March 30, 2011 (described above), and (ii) the purchase price of the shares. Warrants are not taken into account for the purposes of Air Canada's share ownership requirements.

(3) Class A variable voting shares are calculated at a market value of \$2.50 per share (based on the April 16, 2010 Toronto Stock Exchange closing price of the Class A variable voting shares). Warrants are calculated at a market value of \$0.76 per warrant (based on the April 16, 2010 Toronto Stock Exchange closing price of the warrants).

(4) This amount represents the greater of: (i) the market value of the shares as at April 16, 2010 (described above), and (ii) the purchase price of the shares. Warrants are not taken into account for the purposes of Air Canada's share ownership requirements.

(5) Based on Air Canada's director remuneration policy in force as of April 16, 2010 which provided for an annual retainer of \$85,000 payable to directors of Air Canada who are also directors of ACE Aviation. Mr. Green ceased to be a director of ACE Aviation in June 2010.

(6) For further details on director remuneration, see "Remuneration of Directors".

JEAN MARC HUOT
Montreal, Québec, Canada
Age: 49

Air Canada
Director since May 8, 2009

Independent

Areas of Expertise:
Legal
Corporate Finance

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 holds a Bachelor of Arts degree and a Bachelor of Law degree from Laval University.

Board/Committee Memberships at the Date Hereof:	Attendance	Attendance (Total):		Public Board Membership:
Member of the Board Pension Committee Governance and Corporate Matters Committee Nominating Committee[1]	12 of 12 6 of 6 5 of 5 1 of 1	24 of 24	100%	None.

Securities Held or Controlled:

As at	Total Securities	Total Market Value of Securities	Value of Securities for the Purpose of Minimum Shareholding Requirements	Minimum Shareholding Requirements	Meets Requirements
March 30, 2011	25,000 Class B voting shares 72,760.37 deferred share units	$237,558[2]	$245,233[3]	$120,000	Yes
April 16, 2010	25,000 Class B voting shares 50,897.38 deferred share units	$189,743[4]	$189,743[5]	$120,000	Yes

Value of Total Compensation Received

Year	$
2010	$137,440[6]
2009	$84,287

(1) Mr. Huot was a member of the Nominating Committee from May 27, 2010 until November 4, 2010.

(2) Class B voting shares and deferred share units are calculated at a market value of $2.43 per share and unit (based on the March 30, 2011 Toronto Stock Exchange closing price of the Class B voting shares).

(3) This amount represents the greater of: (i) the market value of the shares and deferred share units as at March 30, 2011 (described above), and (ii) the purchase price of the shares and deferred share units.

(4) Class B voting shares and deferred share units are calculated at a market value of $2.50 per share and unit (based on the April 16, 2010 Toronto Stock Exchange closing price of the Class B voting shares).

(4) This amount represents the greater of: (i) the market value of the shares and deferred share units as at April 16, 2010 (described above), and (ii) the purchase price of the shares and deferred share units.

(6) For further details on director remuneration, see "Remuneration of Directors".

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

Air Canada
Director since November 15, 2006

Independent

Areas of Expertise:

Public affairs and policy	Governance
Media	Compensation
Legal	Strategy and strategic planning

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

Board/Committee Memberships at the Date Hereof:	Attendance	Attendance (Total):		Public Board Membership:	
Member of the Board Pension Committee (Chair) Human Resources and Compensation Committee Governance and Corporate Matters Committee	10 of 12 4 of 6 4 of 4 5 of 5	23 of 27	85%	ACE Aviation Médicago Inc. Noveko International Inc.	September 30, 2004 October 19, 2009 June 18, 2008

Securities Held or Controlled:

As at	Total Securities	Total Market Value of Securities	Value of Securities for the Purpose of Minimum Shareholding Requirements	Minimum Shareholding Requirements	Meets Requirements[(1)]
March 30, 2011	3,250 Class B voting shares 8,726.59 deferred share units 1,625 Warrants – Class B voting shares	$30,078[(2)]	$72,898[(3)]	$120,000	No
April 16, 2010	3,250 Class B voting shares 7,091.51 deferred share units 1,625 Warrants – Class B voting shares	$27,089[(4)]	$67,500[(5)]	$85,000[(6)]	No

Value of Total Compensation Received

Year	$
2010	$113,917[(7)]
2009	$101,484

(1) Mr. Johnson has until October 1, 2012 to meet Air Canada's share ownership requirements.

(2) Class B voting shares and deferred share units are calculated at a market value of $2.43 per share and unit (based on the March 30, 2011 Toronto Stock Exchange closing price of the Class B voting shares). Warrants are calculated at a market value of $0.60 per warrant (based on the March 30, 2011 Toronto Stock Exchange closing price of the warrants).

(3) This amount represents the greater of: (i) the market value of the shares and deferred share units as at March 30, 2011 (described above), and (ii) the purchase price of the shares and deferred share units. Warrants are not taken into account for the purposes of Air Canada's share ownership requirements.

(4) Class B voting shares and deferred share units are calculated at a market value of $2.50 per share and unit (based on the April 16, 2010 Toronto Stock Exchange closing price of the Class B variable voting shares). Warrants are calculated at a market value of $0.76 per warrant (based on the April 16, 2010 Toronto Stock Exchange closing price of the warrants).

(5) This amount represents the greater of: (i) the market value of the shares and deferred share units as at April 16, 2010 (described above), and (ii) the purchase price of the shares and deferred share units. Warrants are not taken into account for the purposes of Air Canada's share ownership requirements.

(6) Based on Air Canada's director remuneration policy in force as of April 16, 2010 which provided for an annual retainer of $85,000 payable to directors of Air Canada who are also directors of ACE Aviation.

(7) For further details on director remuneration, see "Remuneration of Directors".

JOSEPH B. LEONARD
Minneapolis, Minnesota, USA
Age: 67

Air Canada
Director since May 21, 2008

Independent

Areas of Expertise:
Executive leadership
Aerospace industry
Mergers and acquisitions
Human resource practices
Corporate finance
Corporate governance
Government and regulatory affairs
Airline industry
Strategy

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 the Chairman of AirTran Airways from 1999 to 2008 and the Chief Executive Officer from 1999 to 2007. Mr. Leonard was also the 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.

Board/Committee Memberships at the Date Hereof:	Attendance	Attendance (Total):		Public Board Membership:	
Member of the Board Audit, Finance and Risk Committee Pension Committee Human Resources and Compensation Committee	10 of 12 4 of 5 4 of 6 3 of 4	21 of 27	78%	Mueller Water Products, Inc. Walter Energy, Inc.	April 2006 June 2005 to April 2007. Reappointed in February 2009.

Securities Held or Controlled:

As at	Total Securities	Total Market Value of Securities	Value of Securities for the Purpose of Minimum Shareholding Requirements	Minimum Shareholding Requirements	Meets Requirements
March 30, 2011	50,000 Class A variable voting shares 3,223.44 deferred share units 25,000 Warrants – Class A variable voting shares	$144,865(1)	$143,758(2)	$120,000	Yes
April 16, 2010	50,000 Class A variable voting shares 3,223.44 deferred share units 25,000 Warrants – Class A variable voting shares	$152,059(3)	$146,758(4)	$120,000	Yes

Value of Total Compensation Received	
Year	$
2010	$144,459(5)
2009	$135,000

(1) Class A variable voting shares and deferred share units are calculated at a market value of $2.44 per share and unit (based on the March 30, 2011 Toronto Stock Exchange closing price of the Class A variable voting shares). Warrants are calculated at a market value of $0.60 per warrant (based on the March 30, 2011 Toronto Stock Exchange closing price of the warrants).

(2) This amount represents the greater of: (i) the market value of the shares and deferred share units as at March 30, 2011 (described above), and (ii) the purchase price of the shares and deferred share units. Warrants are not taken into account for the purposes of Air Canada's share ownership requirements.

(3) Class A variable voting shares and deferred share units are calculated at a market value of $2.50 per share and unit (based on the April 16, 2010 Toronto Stock Exchange closing price of the Class A variable voting shares). Warrants are calculated at a market value of $0.76 per warrant (based on the April 16, 2010 Toronto Stock Exchange closing price of the warrants).

(4) This amount represents the greater of: (i) the market value of the shares and deferred share units as at April 16, 2010 (described above), and (ii) the purchase price of the shares and deferred share units. Warrants are not taken into account for the purposes of Air Canada's share ownership requirements.

(5) For further details on director remuneration, see "Remuneration of Directors".

ARTHUR T. PORTER, P.C., MD
Montreal, Québec, Canada
Age: 54

Air Canada
Director since November 15, 2006

Independent

Areas of Expertise:

Brand management	Finance
Executive leadership	Governance
International business	Foreign policy
Mergers and acquisitions	Management
Public policy	Strategy

Arthur T. Porter is the Director General and Chief Executive Officer of the McGill University Health Centre. Dr. Porter was previously President and 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 the Chairman of Canada's Security Intelligence Review Committee.

Board/Committee Memberships at the Date Hereof:	Attendance	Attendance (Total):		Public Board Membership:	
Member of the Board	12 of 12	28 of 28	100%	The Munder Funds	February 2001
Governance and Corporate Matters Committee (Chair)	5 of 5				
Nominating Committee (Chair)	3 of 3				
Audit, Finance and Risk Committee	5 of 5				
Pension Committee[(1)]	3 of 3				

Securities Held or Controlled:

As at	Total Securities	Total Market Value of Securities	Value of Securities for the Purpose of Minimum Shareholding Requirements	Minimum Shareholding Requirements	Meets Requirements
March 30, 2011	2,000 Class B voting shares 12,821.79 deferred share units	$36,017[(2)]	$125,310[(3)]	$120,000	Yes
April 16, 2010	2,000 Class B voting shares 7,371.50 deferred share units	$23,429[(4)]	$106,560[(5)]	$120,000	No

Value of Total Compensation Received

Year	$
2010	$154,459[(6)]
2009	$148,242

(1) Dr. Porter was a member of the Pension Committee from May 8, 2009 until May 27, 2010.

(2) Class B voting shares and deferred share units are calculated at a market value of $2.43 per share and unit (based on the March 30, 2011 Toronto Stock Exchange closing price of the Class B voting shares).

(3) This amount represents the greater of: (i) the market value of the shares and deferred share units as at March 30, 2011 (described above), and (ii) the purchase price of the shares and deferred share units.

(4) Class B voting shares and deferred share units are calculated at a market value of $2.50 per share and unit (based on the April 16, 2010 Toronto Stock Exchange closing price of the Class B voting shares).

(5) This amount represents the greater of: (i) the market value of the shares and deferred share units as at April 16, 2010 (described above), and (ii) the purchase price of the shares and deferred share units.

(6) For further details on director remuneration, see "Remuneration of Directors".

DAVID I. RICHARDSON
Grafton, Ontario, Canada
Age: 69

Air Canada
Director since September 30, 2004
and Chairman since January 1, 2008

Independent

Areas of Expertise:

Accounting	Finance
Mergers and acquisitions	Banking
Credit restructuring	Investments
Business management	

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 Vice Chair of the Board of Governors 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.

Board/Committee Memberships at the Date Hereof:	Attendance	Attendance (Total):		Public Board Membership:	
Member of the Board	12 of 12	12 of 12	100%	ACE Aviation Nortel Networks Corporation	September 30, 2004 March 27, 2009

Securities Held or Controlled:

As at	Total Securities	Total Market Value of Securities	Value of Securities for the Purpose of Minimum Shareholding Requirements	Minimum Shareholding Requirements	Meets Requirements[1]
March 30, 2011	30,000 Class B voting shares	$72,900[2]	$260,750[3]	$325,000	No
April 16, 2010	10,000 Class B voting shares	$25,000[4]	$188,750[5]	$325,000	No

Value of Total Compensation Received	
Year	$
2010	$325,000[6]
2009	$325,000

(1) Mr. Richardson has until October 1, 2012 to meet Air Canada's share ownership requirements.

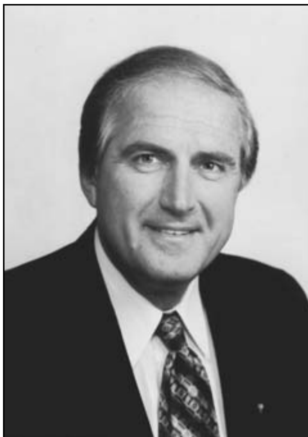
(2) Class B voting shares calculated at a market value of $2.43 per share (based on the March 30, 2011 Toronto Stock Exchange closing price of the Class B voting shares).

(3) This amount represents the greater of: (i) the market value of the shares as at March 30, 2011 (described above), and (ii) the purchase price of the shares.

(4) Class B voting shares are calculated at a market value of $2.50 per share (based on the April 16, 2010 Toronto Stock Exchange closing price of the Class B voting shares).

(5) This amount represents the greater of: (i) the market value of the shares as at April 16, 2010 (described above), and (ii) the purchase price of the shares.

(6) For further details on director remuneration, see "Remuneration of Directors".



ROY J. ROMANOW, P.C., O.C., S.O.M., Q.C.
Saskatoon, Saskatchewan, Canada
Age: 71

Air Canada
Director since February 9, 2010

Independent

Areas of Expertise:

Public policy	Legal
Governance	Government and regulatory affairs

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.

Board/Committee Memberships at the Date Hereof:	Attendance	Attendance (Total):		Public Board Membership:	
Member of the Board Audit, Finance and Risk Committee Governance and Corporate Matters Committee	10 of 10 2 of 2 3 of 3	15 of 15	100%	Torstar Corporation	May 2, 2007 (until May 4, 2011)

Securities Held or Controlled:

As at	Total Securities	Total Market Value of Securities	Value of Securities for the Purpose of Minimum Shareholding Requirements	Minimum Shareholding Requirements	Meets Requirements[(1)]
March 30, 2011	10,000 Class B voting shares	$24,300[(2)]	$24,300[(3)]	$120,000	No
April 16, 2010	None.	None.	None.	$120,000	No

Value of Total Compensation Received	
Year	$
2010	$115,944[(4)]
2009	N/A

(1) Mr. Romanow has until February 9, 2015 to meet Air Canada's share ownership requirements.

(2) Class B voting shares calculated at a market value of $2.43 per share (based on the March 30, 2011 Toronto Stock Exchange closing price of the Class B voting shares).

(3) This amount represents the greater of: (i) the market value of the shares as at March 30, 2011 (described above), and (ii) the purchase price of the shares.

(4) For further details on director remuneration, see "Remuneration of Directors".

CALIN ROVINESCU
Montreal, Québec, Canada
Age: 55

Air Canada
Director since April 1, 2009

Not Independent

Areas of Expertise:

Airline industry	Legal
Corporate finance	Banking
Mergers and acquisitions	Governance
Business management	Strategy
Employment and labour	

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 also serves on the boards of several private and non-profit corporations including the McGill University Health Centre. 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.

Board/Committee Memberships at the Date Hereof:	Attendance	Attendance (Total):		Public Board Membership:
Member of the Board	12 of 12	12 of 12	100%	None.

Securities Held or Controlled:

As at	Total Securities	Total Market Value of Securities	Number/Value of Securities for the Purpose of Minimum Shareholding Requirements	Minimum Shareholding Requirements	Meets Requirements
March 30, 2011	275,000 Class B voting shares 1,176,471 Options – Class B voting shares 752,917 Performance share units – Class B voting shares 50,000 Warrants – Class B voting shares	$698,250(1)	275,000 shares	150,000 shares	Yes
April 16, 2010	100,000 Class B voting shares 1,000,000 Options – Class B voting shares 1,098,609 Performance share units – Class B voting shares 50,000 Warrants – Class B voting shares	$288,000(2)	$250,000(3)	$300,000	No

Value of Total Compensation Received as a Director(4)

Year	$
2010	None.
2009	None.

(1) Class B voting shares are calculated at a market value of $2.43 per share (based on the March 30, 2011 Toronto Stock Exchange closing price of the Class B voting shares). Warrants are calculated at a market value of $0.60 per warrant (based on the March 30, 2011 Toronto Stock Exchange closing price of the warrants). Options and performance share units are not taken into account for the purposes of calculating the total market value of Mr. Rovinescu's securities.

(2) Class B voting shares are calculated at a market value of $2.50 per share (based on the April 16, 2010 Toronto Stock Exchange closing price of the Class B voting shares). Warrants are calculated at a market value of $0.76 per warrant (based on the April 16, 2010 Toronto Stock Exchange closing price of the warrants). Options and performance share units are not taken into account for the purposes of calculating the total market value of Mr. Rovinescu's securities.

(3) This amount represents the greater of: (i) the market value of the shares as at April 16, 2010 (described above), and (ii) the purchase price of the shares. Warrants, options and performance share units are not taken into account for the purposes of Air Canada's share ownership requirements.

(4) For further details on director remuneration, see "Remuneration of Directors".

VAGN SØRENSEN
Holte, Denmark
Age: 51

Air Canada
Director since November 15, 2006

Independent

Areas of Expertise:

International business	Airline industry
Transportation industry	Compensation

Airport and airline food and beverage industry
Global senior executive management
Consulting and private equity
Other international board experience

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. Mr. Sørensen is also a director of Braganza AS, F L Smidth & Co. A/S and Lufthansa Cargo AG. Mr. Sørensen was previously the President and Chief Executive Officer of Austrian Airlines Group from 2001 to 2006 and held various senior commercial positions with SAS Scandinavian Airlines System. Mr. Sørensen has served as the 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.

Board/Committee Memberships at the Date Hereof:	Attendance	Attendance (Total):		Public Board Membership:	
Member of the Board	10 of 12	26 of 29	90%	TDC A/S	April 26, 2006
Human Resources and Compensation Committee (Chair)	4 of 4			DFDS A/S	April 20, 2006
Audit, Finance and Risk Committee	5 of 5			F L Smidth & Co. A/S	April 17, 2009
Pension Committee	5 of 6				
Governance and Corporate Matters Committee[(1)]	2 of 2				

Securities Held or Controlled:

As at	Total Securities	Total Market Value of Securities	Value of Securities for the Purpose of Minimum Shareholding Requirements	Minimum Shareholding Requirements	Meets Requirements
March 30, 2011	19,300 Class A variable voting shares 14,066.81 deferred share units 5,000 Warrants – Class A variable voting shares	\$84,415[(2)]	\$308,346[(3)]	\$120,000	Yes
April 16, 2010	19,300 Class A variable voting shares 12,976.76 deferred share units 5,000 Warrants – Class A variable voting shares	\$84,492[(4)]	\$305,395[(5)]	\$120,000	Yes

Value of Total Compensation Received

Year	$
2010	\$151,959[(6)]
2009	\$148,242

(1) Mr. Sørensen was a member of the Governance and Corporate Matters Committee from December 14, 2006 until May 27, 2010.

(2) Class A variable voting shares and deferred share units are calculated at a market value of \$2.44 per share and unit (based on the March 30, 2011 Toronto Stock Exchange closing price of the Class A variable voting shares). Warrants are calculated at a market value of \$0.60 per warrant (based on the March 30, 2011 Toronto Stock Exchange closing price of the warrants).

(3) This amount represents the greater of: (i) the market value of the shares and deferred share units as at March 30, 2011 (described above), and (ii) the purchase price of the shares and deferred share units. Warrants are not taken into account for the purposes of Air Canada's share ownership requirements.

(4) Class A variable voting shares and deferred share units are calculated at a market value of \$2.50 per share and unit (based on the April 16, 2010 Toronto Stock Exchange closing price of the Class A variable voting shares). Warrants are calculated at a market value of \$0.76 per warrant (based on the April 16, 2010 Toronto Stock Exchange closing price of the warrants).

(5) This amount represents the greater of: (i) the market value of the shares and deferred share units as at April 16, 2010 (described above), and (ii) the purchase price of the shares and deferred share units. Warrants are not taken into account for the purposes of Air Canada's share ownership requirements.

(6) For further details on director remuneration, see "Remuneration of Directors".

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 deferred Air Canada's obligation to make 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 ITA.

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 (the "**Trust**"), 17,647,059 Class B voting shares. The net proceeds of any 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 and later elected to Air Canada's Board of Directors on February 9, 2010 and May 27, 2010, respectively, 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. 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 directors of Air Canada for the year ended December 31, 2010 in respect of memberships on the Board of the Corporation and its committees:

Name	Fees Earned		Share and option based awards ($)	Non-equity incentive plan compensation ($)	Pension value ($)	All other compensation ($)	Total ($)	Allocation of total fees	
	Board retainer ($)	Committee member retainer ($)						In cash ($)	In DSUs ($)
Bernard Attali	85,000	15,000	Nil	Nil	Nil	Nil	100,000	100,000	Nil
Michael M. Green	102,500	30,000	Nil	Nil	Nil	Nil	132,500	132,500	Nil
Jean Marc Huot	120,000	17,440	Nil	Nil	Nil	Nil	137,440	52,470	84,970
Pierre Marc Johnson	85,000	28,917	Nil	Nil	Nil	Nil	113,917	113,917	Nil
Joseph B. Leonard	120,000	24,459	Nil	Nil	Nil	Nil	144,459	144,459	Nil
Arthur T. Porter	120,000	34,459	Nil	Nil	Nil	Nil	154,459	154,459	Nil
David I. Richardson(1)	325,000	Nil	Nil	Nil	Nil	Nil	325,000	325,000	Nil
Roy J. Romanow	107,001	8,943	Nil	Nil	Nil	Nil	115,944	115,944	Nil
Calin Rovinescu (2)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Vagn Sørensen	120,000	31,959	Nil	Nil	Nil	Nil	151,959	151,959	Nil

(1) Chairman of the Board of Air Canada.
(2) President and Chief Executive Officer of Air Canada. Mr. Rovinescu receives no compensation in his capacity as a director of Air Canada or any of its subsidiaries.

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 an amount equivalent in value to one time their annual Board retainer ($325,000 in the case of the Chairman and $120,000 in the case of non-executive directors), through shares and/or DSUs. The value of the securities is based on the greater of the market value of the securities and the 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 150,000 shares of Air Canada, and Mr. Rovinescu meets such requirement.

Name	Number of Shares Owned	Number of DSUs Owned	Total Value of Shares and DSUs for purposes of guidelines[(1)]	Value/ Number of Shares Required to Meet Guidelines	Latest Date to Meet Share Ownership Requirements	Value Held as Multiple of Annual Retainer
Bernard Attali	-	4,829.61	$47,500	$120,000	October 1, 2012	0.40 times
Michael M. Green	100,000	-	$244,000	$120,000	March 30, 2014	2.03 times
Jean Marc Huot	25,000	72,760.37	$245,233	$120,000	May 8, 2014	2.04 times
Pierre Marc Johnson	3,250	8,726.59	$72,898	$120,000	October 1, 2012	0.61 times
Joseph B. Leonard	50,000	3,223.44	$143,758	$120,000	May 21, 2013	1.20 times
Arthur T. Porter	2,000	12,821.79	$125,310	$120,000	October 1, 2012	1.04 times
David I. Richardson	30,000	-	$260,750	$325,000	October 1, 2012	0.80 times
Roy J. Romanow	10,000	-	$24,300	$120,000	February 9, 2015	0.20 times
Calin Rovinescu	275,000	-	$668,250[(2)]	150,000 shares	November 2, 2013	N/A
Vagn Sørensen	19,300	14,066.81	$308,346	$120,000	October 1, 2012	2.57 times

(1) The amounts reported in this column represent the greater of: (i) the market value of the shares and/or DSUs (based on the March 30, 2011 Toronto Stock Exchange closing price of the Class A variable voting shares ($2.44) or the Class B voting shares ($2.43), as applicable), and (ii) the purchase price of the securities.

(2) This amount represents the total market value of the Class B voting shares owned by Mr. Rovinescu on March 30, 2011, calculated at a market value of $2.43 per share (based on the March 30, 2011 Toronto Stock Exchange closing price of the Class B voting shares).

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.

STATEMENT OF GOVERNANCE PRACTICES

The Board and management believe that a strong, effective, independent board plays a crucial role in protecting the interests of stakeholders and maximizing the value they receive from their investment in the Corporation. The Board is committed to meeting high standards of corporate governance in all aspects of the Corporation's affairs.

To comply with the applicable corporate governance standards and achieve those best practices, the Corporation has adopted a Corporate Policy and Guidelines on Business Conduct, as further described below in "Air Canada Code of Business Conduct". A complete copy of this document can be obtained on SEDAR at www.sedar.com or on the Corporation's website at www.aircanada.com.

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

Board of Directors

Director Independence

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

Nine of ten directors are independent. All committee members are independent.

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 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. The following table indicates the status of each director in terms of their independence.

Name	Status		Reason for Non-Independence
	Independent	Not Independent	
Bernard Attali	✓		
Michael M. Green	✓		
Jean Marc Huot	✓		
Pierre Marc Johnson	✓		
Joseph B. Leonard	✓		
Arthur T. Porter	✓		
David I. Richardson	✓		
Roy J. Romanow	✓		
Calin Rovinescu		✓	Mr. Rovinescu is the President and Chief Executive Officer of Air Canada
Vagn Sørensen	✓		

Skills of Directors

The following skills matrix sets forth the skills most commonly possessed by the directors relevant to their capacity as members of the Board of Air Canada:

Name	Business Management	Finance	Accounting	Legal	Strategy	Human Resources/ Compensation	Governance	Knowledge of Transportation/ Airline Industry	Public Policy
Bernard Attali	✓							✓	
Michael M. Green	✓	✓			✓			✓	
Jean Marc Huot		✓		✓					
Pierre Marc Johnson				✓	✓	✓	✓		✓
Joseph B. Leonard		✓			✓	✓	✓	✓	
Arthur T. Porter	✓	✓			✓		✓		✓
David I. Richardson	✓	✓	✓						
Roy J. Romanow				✓			✓		✓
Calin Rovinescu	✓	✓		✓	✓		✓	✓	
Vagn Sørensen	✓					✓		✓	

Directorships of Other Reporting Issuers

Director nominees Bernard Attali, 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 is a director of ACE Aviation. Pierre Marc Johnson is a director of ACE Aviation, Médicago Inc. and Noveko International Inc. Joseph B. Leonard 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 (until May 4, 2011). Vagn Sørensen is a director of TDC A/S, DFDS 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

The independent Board members regularly meet before or after meetings of the Board in *in camera* sessions, without the presence of management (except the Corporate Secretary) and under the chairmanship of the Chairman of the Board. During the year ended December 31, 2010, there were seven *in camera* sessions at which the sole non-independent director (Mr. Rovinescu, Air Canada's President and Chief Executive Officer) and management (except the Corporate Secretary) were excluded from attendance.

Attendance Record

The table below shows the record of attendance by directors at meetings of the Board and its committees, as well as the number of Board and Board committee meetings held during the 12-month period ended December 31, 2010.

Name	Number and % of Meetings Attended							
	Board	Audit, Finance and Risk Committee	Governance and Corporate Matters Committee	Pension Committee	Human Resources and Compensation Committee	Nominating Committee	Committees (Total)	Overall Attendance
Bernard Attali	10/12 (83%)	-	5/5	-	4/4	3/3	12/12 (100%)	22/24 (92%)
Michael M. Green	11/12 (92%)	5/5 (Chair)	-	-	3/4	2/3	10/12 (83%)	21/24 (88%)
Jean Marc Huot	12/12 (100%)	-	5/5	6/6	-	1/1(1)	12/12 (100%)	24/24 (100%)
Pierre Marc Johnson	10/12 (83%)	-	5/5	4/6 (Chair)	4/4	-	13/15 (87%)	23/27 (85%)
Joseph B. Leonard	10/12 (83%)	4/5	-	4/6	3/4	-	11/15 (73%)	21/27 (78%)
Arthur T. Porter	12/12 (100%)	5/5	5/5 (Chair)	3/3(2)	-	3/3 (Chair)	16/16 (100%)	28/28 (100%)
David I. Richardson	12/12 (100%)	-	-	-	-	-	-	12/12 (100%)
Roy J. Romanow	10/10 (100%)	2/2	3/3	-	-	-	5/5 (100%)	15/15 (100%)
Calin Rovinescu	12/12 (100%)	-	-	-	-	-	-	12/12 (100%)
Vagn Sørensen	10/12 (83%)	5/5	2/2(3)	5/6	4/4 (Chair)	-	16/17 (94%)	26/29 (90%)

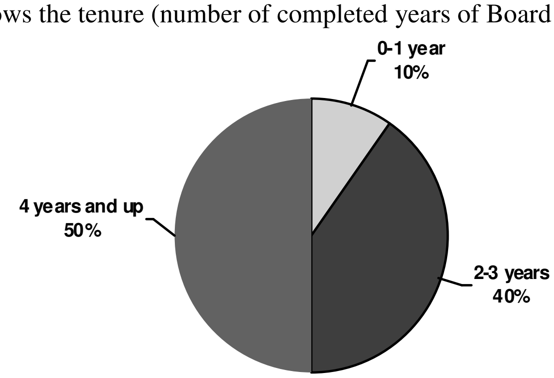
(1) Mr. Huot was a member of the Nominating Committee from May 27, 2010 until November 4, 2010.
(2) Dr. Porter was a member of the Pension Committee from May 8, 2009 until May 27, 2010.
(3) Mr. Sørensen was a member of the Governance and Corporate Matters Committee from December 14, 2006 until May 27, 2010.

Board Size

The Board will be comprised of ten (10) directors in the event that 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 Tenure

The following chart shows the tenure (number of completed years of Board service) of Air Canada's Board.



Air Canada's average Board tenure is 3.2 years.

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 continuous education program provides directors with opportunities to develop skills that are essential to their directorship at Air Canada and to ensure that they are up to date in their awareness of company and industry issues.

The Corporation provides directors with regular reports on the operations and finances of Air Canada. Management periodically briefs the Board with 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 on material developments that could affect Air Canada's business. 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 available for directors so they can enhance their understanding of the operational aspects of Air Canada's business.

The Corporation encourages the attendance by directors of conferences, seminars or courses relevant to their directorship at Air Canada. The Corporation reimburses directors for expenses incurred by attending such events.

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

(h) reporting suspected non-compliance.

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. The Nominating Committee strives to ensure that the Board is populated by directors who have diverse backgrounds and who possess the ability to make valuable contributions to the Board.

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 strengths 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. The Nominating Committee also considers potential conflicts of interest and interlocking directorships of potential candidates.

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 22 of this circular under the heading "Trust Arrangement in connection with Pension MOUs".

Board members must have a broad spectrum of skills, knowledge, educational backgrounds and experience in business, as well as an understanding of the industry and the geographical areas in which the Corporation operates and the ability to satisfactorily represent the Corporation domestically and internationally. For more information concerning the skills possessed by directors of the Corporation, please refer to the skills matrix contained under "Board of Directors – Skills of Directors".

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.

The Human Resources and Compensation Committee has the authority to retain and does retain, from time to time, the services of executive compensation consultants to provide advice on executive compensation matters. The Human Resources and Compensation Committee also has the authority to determine and pay the fees of its consultants.

In 2009 and 2010, 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 and 2010, Air Canada retained the services of Towers Watson to assist with preparing information on executive compensation and to provide benefit consulting services to the Corporation. The executive compensation consulting services provided by Towers Watson include:

- A review of Air Canada's executive compensation practices and program design;
- Updates on ongoing and emerging trends in executive compensation and governance best practices;
- Perspective on appropriate total compensation mix and levels, based on competitive practice and Air Canada's performance; and
- Review of materials in advance of committee meetings; identification of discussion points and issues for the committee's consideration when evaluating compensation design proposals.

As independent advisors to the Human Resources and Compensation Committee, Hugessen Consulting reports solely to the committee and does not provide any services to management and attests annually to the committee that this is the case. The Human Resources and Compensation Committee's decisions with regard to compensation or the compensation programs for the President and Chief Executive Officer and other executive officers of the Corporation are its sole responsibility and may reflect factors and information other than information and recommendations provided by Hugessen Consulting or Towers Watson.

The following table details the aggregate fees incurred by the Corporation in consideration of the services provided by Hugessen Consulting and by Towers Watson in respect of Human Resources and Compensation Committee work and executive compensation consulting work, and by Towers Watson in respect of benefit consulting work.

Type of Fee	Billed in 2009	Billed in 2010	Percentage of Total Fees Billed in 2010
Fees Attributable to Human Resources and Compensation Committee Work and Executive Compensation Consulting Work	$115,200	$274,677	22%
Fees Attributable to Benefit Consulting Work	$786,300	$995,284	78%
Total Annual Fees	$901,500	$1,269,960	100%

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 oversees the assessment process described below.

Each year directors are asked to complete a detailed evaluation survey on the effectiveness of the Board and its committees which (a) provides for quantitative ratings in key areas and (b) seeks subjective comment in each of those areas. The evaluation survey is administered by the Corporate Secretary. Responses are reviewed by the Corporate Secretary and the Chair of the Governance and Corporate Matters Committee. The results of the evaluation survey are evaluated with the objective of identifying areas in which the Board and its committees may improve.

After the completion of Air Canada's annual assessment process, a summary report is prepared and is presented to the Board. 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.

Executive Succession Planning

Each year, the Board, with the assistance of the Human Resources and Compensation Committee, formally reviews and discusses executive succession planning with the President and Chief Executive Officer. More particularly, the Human Resources and Compensation Committee reviews the succession plan status for all executive officers and assesses whether there is a readiness to fill potential vacancies, identifies the qualified individuals to fill such vacancies on both an immediate and longer-term basis and determines whether there are any gaps in readiness, as well as how the executive succession planning process can be improved. The Board also focuses specifically on the succession of the Chief Executive Officer as well as development considerations for each potential successor candidate and the performance of individual executives in their current roles.

The Board also meets with members of the executive management team through their participation in meetings and presentations to the Board, as well as occasionally through informal meetings throughout the year, which allows Board members to get to know members of the management team who are potential future leaders of the Corporation.

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 contains information about the members, responsibilities and activities of each committee.

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 "financially literate" and at least one member of the Audit, Finance and Risk Committee shall be a "financial expert" as defined by relevant securities legislation or regulations.

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

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

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

- Monitor and review the quality and integrity of the Corporation's accounting and financial reporting process through discussions with management, the external auditor and the internal auditor.

- Determine, based on its review and discussion, whether to recommend the approval by the Board of such financial statements and the financial disclosure in any such annual information forms, earnings press releases, prospectuses and other similar documents.

- Review with management, the 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.

- 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 five times during the period from January 1, 2010 to December 31, 2010.

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

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

Pension Committee

The Pension Committee shall be comprised of three or more directors as determined by the Board. 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 retirement 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, subject to certain exceptions that apply to retirement plans in the United Kingdom and other foreign countries:

- 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 retirement 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 a risk management framework for the retirement plans.
- Establish statements of investment principles and beliefs with respect to managing the defined benefit investments of the retirement plans.
- Approve the long-term asset mix policy for the defined benefit pension plans.
- Approve the broad nature of the investment program for the capital accumulation plans and establish the goals and objectives of such investment program.
- Recommend to the Board a funding policy which sets out guidelines with respect to the valuation and funding of the liabilities of a supplementary retirement plan.
- Approve any contributions to the supplementary retirement plan's trust fund and establish policies with respect to how the contributions to a supplementary retirement plan trust fund should be invested.
- Approve the appointment of the auditor as well as the audited annual financial statements for the defined benefit pension plans.

The Pension Committee met six times during the period from January 1, 2010 to December 31, 2010.

The Pension Committee is currently composed of:

Members: Pierre Marc Johnson (Chair)
Jean Marc Huot
Joseph B. Leonard
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 Corporation's compliance with applicable legislation including directors' and officers' compliance.
- Review proposed amendments to the Corporation's by-laws.
- Periodically review and approve the Corporate Policy and Guidelines on Business Conduct.
- Make recommendations to the Board with respect to the 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 five times during the period from January 1, 2010 to December 31, 2010.

The Governance and Corporate Matters Committee is currently composed of:

Members: Arthur T. Porter (Chair)
Bernard Attali
Jean Marc Huot
Pierre Marc Johnson
Roy J. Romanow

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 officers' (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 four times during the period from January 1, 2010 to December 31, 2010.

The Human Resources and Compensation Committee is currently composed of:

Members: Vagn Sørensen (Chair)
Bernard Attali
Michael M. Green
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.
- 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 three times during the period from January 1, 2010 to December 31, 2010.

The Nominating Committee is currently composed of:

Members: Arthur T. Porter (Chair)
Bernard Attali
Michael M. Green

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 report below provides an overview of Air Canada's Executive Compensation Program for 2010. Effective April 1, 2011, certain changes will be made to the Executive Compensation Program with a view to ensure market competitiveness and to better link performance and shareholder value.

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 25 companies comprised of large U.S. and Canadian airlines, Canadian companies in the transportation or aviation related industry, Canadian companies with annual revenues exceeding $5 billion, Canadian companies with an extensive customer service component, Canadian companies operating in a highly technological environment and Canadian companies with a large asset base. Using a point factor system, the comparator group, detailed below, was selected, and will be validated annually, by the Board of Directors.

The Comparator Group (Benchmark Companies)

The table below describes the companies which have been identified in accordance with the above criteria and included in Air Canada's comparator group, as well as each organization's level of alignment to Air Canada's peer profile requirements in the list below. The comparator group for the President and Chief Executive Officer excludes the four financial institutions named below.

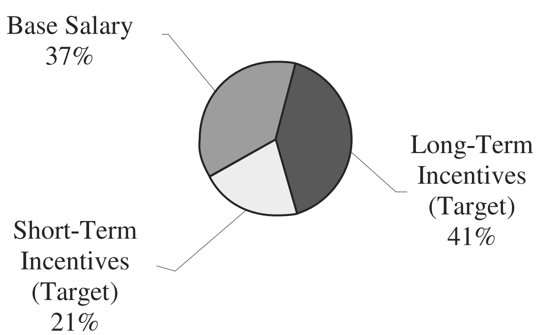
	Relevant Criteria					
Company	**Large Airline**	**Transportation Sector or Aviation Related**	**Revenues Exceeding $5 Billion**	**Extensive Customer Service**	**Highly Technological Environment**	**Large Asset Base**
Agrium Inc.			✓			✓
American Airlines Inc.	✓		✓	✓	✓	✓
Bank of Montreal			✓	✓	✓	

Company	Relevant Criteria					
	Large Airline	**Transportation Sector or Aviation Related**	**Revenues Exceeding $5 Billion**	**Extensive Customer Service**	**Highly Technological Environment**	**Large Asset Base**
BCE Inc.			✓	✓	✓	✓
Bombardier Inc.		✓	✓		✓	✓
CAE Inc.		✓			✓	✓
Canadian National Railway Company		✓	✓			
Canadian Pacific Railway Limited		✓				✓
Celestica Inc.			✓		✓	
Delta Airlines Inc. / Northwest Airlines Corp	✓		✓	✓	✓	✓
Domtar Corp.			✓			✓
Enbridge Inc.			✓			✓
EnCana Corp			✓			✓
Maple Leaf Foods Inc.			✓			✓
Research in Motion Ltd.			✓		✓	
Rogers Communications Inc.			✓	✓	✓	✓
Royal Bank of Canada			✓	✓	✓	
SunLife Financial Inc.			✓	✓	✓	
Telus Corporation			✓	✓	✓	✓
Toronto-Dominion Bank			✓	✓	✓	
Transat AT Inc.	✓			✓	✓	✓
TransCanada Corp			✓		✓	✓
United Airlines Inc. / Continental Airlines Inc.	✓		✓	✓	✓	✓
US Airways Inc.	✓		✓	✓	✓	✓
Westjet Airlines Ltd.	✓			✓	✓	✓

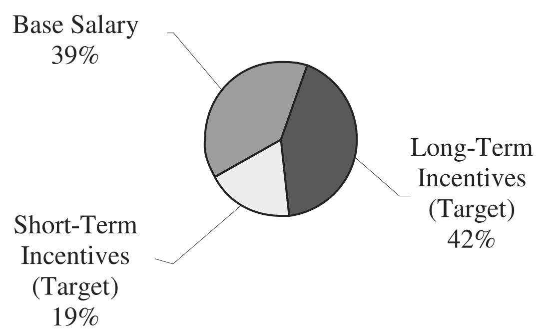
COMPONENTS OF EXECUTIVE COMPENSATION

The following charts set forth the relative weight of 2010 compensation attributable to base salary, short-term incentive targets and long-term incentive targets for Air Canada's (1) Chief Executive Officer, (2) Executive Vice-Presidents, (3) Senior Vice-Presidents and (4) Vice-Presidents.

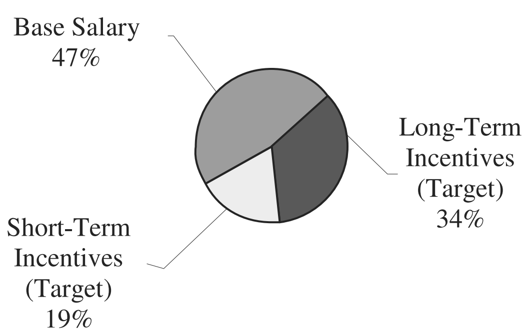
<u>Compensation of Chief Executive Officer</u>



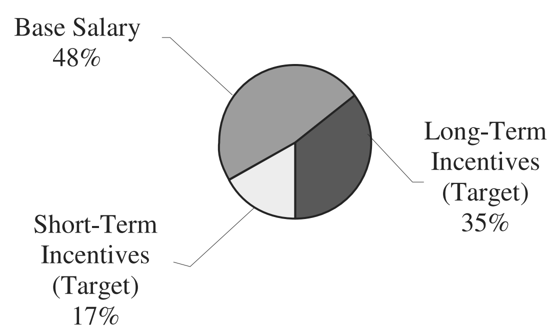
<u>Compensation of Executive Vice-Presidents</u>



<u>Compensation of Senior Vice-Presidents</u>



<u>Compensation of Vice-Presidents</u>



The principal components of Air Canada's Executive Compensation Program (including their primary role and how the components are linked together), the form of compensation provided, eligible employees for each element of compensation and the relevant performance period for each element of compensation are presented in the table below:

Current Compensation	Form	Eligibility	Performance Period
Base Salary • Reflects skills, competencies and experience • Influences short-term incentive, long-term incentive, pension and benefits • Established by Air Canada's Board based on the executive's skills, competencies and experience • Air Canada's policy is to provide base salaries at the level of no more than the 75th percentile of the comparator group, subject to specific circumstances where base salaries may be set below or above this percentile depending on each executive's profile, experience and role	Cash	All salaried employees	Annual
Short-term Incentive – Annual Incentive Plan • Reflects annual achievement of Air Canada's financial performance against a pre-established EBITDAR target • The Board of Directors may recognize and adjust actual EBITDAR results for variances when warranted • Air Canada's target bonus is, in the view of the Board, in-line with remuneration practices of the comparator group • The Board has broad discretion in its administration of the Annual Incentive Plan and the amount of awards to be paid thereunder	Cash	Eligible management and administrative and technical support non-unionized employees (approximately 2,200 individuals)	1 year
Short-term Incentive – Annual Profit Sharing Plan • Links Air Canada's success with its employees • An annual pool of funds is established based on the previous year's adjusted pre-tax profits of Air Canada, which is distributed to all employees pro rata based on the employee's base salary	Cash	All employees excluding, effective April 1, 2011, all senior management and officers of Air Canada	1 year
Long-term Incentive – Stock Option and Performance Share Units • Links interests of executives with interests of shareholders • 50% of options vest over four years in an equal amount of 12.5% at the anniversary of each grant and the remaining 50% are performance-based, and may vest after four years, based on the Corporation's achievement of its operating margin target for the four-year 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 • The vesting of performance share units is normally based on the Corporation achieving its cumulative annual EBITDAR target over a three-year period • Participants receive 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 • The Long-Term Incentive Plan provides for an annual target grant of stock options and performance share units in the amounts described in the table in "Long-Term Incentives – Stock Options and Performance Share Units"	Stock Options and Performance Share Units	All senior management and officers of Air Canada (approximately 166 individuals)	4 year vesting, 10 year option term 3 year vesting term for performance share units

Pension	Form	Eligibility	Measurement Period
Pension Plan and Supplementary Retirement Plan • Provides for replacement income upon retirement, based on years of service with the Corporation • Aligned with the median of the Corporation's comparator group • Benefits are calculated multiplying (i) 2% of the final average salary during the executive's highest paid 36 successive months of company service, less 0.25% of the Canada/Quebec pension plan's average annual maximum pensionable earnings during that period, by (ii) the executive's years of service (maximum 35 years) • Named Executive Officers are generally 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	Cash	All officers of Air Canada (approximately 21 individuals)	Pensionable service period to a maximum of 35 years
Other Benefits	**Form**	**Eligibility**	**Applicable Period**
Group Benefits • Provides protection in case of sickness, disability or death	Cash, Insurance and Other Benefits	All employees	N/A
Employee share ownership plan • Encourages employees to make investments in Air Canada • 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	Cash	All employees where permitted	Annual
Perquisites • Provides tools to support the conduct of the business • Perquisites include leased automobiles, a medical top-up plan, health counselling and financial counselling	Cash and Other Benefits	All officers of Air Canada (approximately 21 individuals)	N/A

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.

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:

Executive Level	**Target Bonus (as a % of base salary)**
Chief Executive Officer	100%
Executive Vice-President	50%
Senior Vice-President	40%
Vice-President	35%

and the Annual Incentive Plan typically rewards participants as follows:

	Achievement of EBITDAR against target EBITDAR	**Percentage of the Annual Incentive Plan Target Bonus Payable[(1)]**
Minimum	≤90%	0%
	95%	50%
Target Bonus	100%	100%
	105%	150%
Maximum	≥110%	200%

(1) 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.

The Corporation's 2010 EBITDAR target was set at $1.21 billion. The Corporation achieved this target by more than 110%, as EBITDAR for 2010 amounted to $1.386 billion, resulting in a 200% Annual Incentive Plan payment for 2010 pursuant to the terms of the Annual Incentive Plan.

Effective April 1, 2011, with a view to encouraging the development of a greater performance-driven organization, Air Canada's target bonus awards under the Annual Incentive Plan will be restructured to (i) introduce separate department objectives, in addition to the corporate (consolidated) EBITDAR objective, and (ii) introduce a range of percentages (as opposed to a specific percentage) for purposes of determining and measuring individual performance and target bonus awards as a percentage of 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, $75 each month for each of the two goals met (a total monthly award of $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 2010, employees were paid $28.6 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 $28.6 million amount paid to employees under the Sharing our Success program in 2010 exceeded the amount of $7.6 million that otherwise would have been payable to employees under the Profit Sharing Plan, no further profit sharing distributions were made.

Effective in respect of the 2011 plan year, all senior management and officers of Air Canada are no longer eligible for the Profit Sharing Plan and the Sharing our Success program.

Special Employee Recognition Share Award

In special recognition of Air Canada's employees' contributions to the Corporation's strong performance in 2010, on February 9, 2011, the Board of Directors approved a special employee award of Air Canada shares to all eligible employees worldwide (excluding all officers and senior management), where permitted, representing an aggregate amount of $14 million, including an amount payable to the employees for a portion of the taxes payable in respect of the award. The shares were purchased on the secondary market and are held by an independent trust company, with 50% of the award having vested immediately upon the date of grant and the remaining 50% to vest on December 31, 2013, subject to certain conditions.

Special Incentive Award under Pension MOUs

As a result of the Corporation's strong performance in 2010, Air Canada awarded an amount of $500 in cash to each eligible employee (excluding all officers of the Corporation) who are members of Air Canada's Canadian defined benefit pension plans (representing an aggregate award of approximately $13 million) in accordance with the terms of the Pension MOUs.

Long-Term Incentives – Stock Options and Performance Share Units

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. 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.

19,470,294 shares (which represented 6.97% of the issued and outstanding shares of Air Canada on March 30, 2011) 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 3,460,027 options and 3,226,439 performance share units outstanding under the Long-Term Incentive Plan. This represents, in the aggregate, a maximum of 2.4% of the Corporation's issued and outstanding shares as of March 30, 2011. 3,460,027 options and 2,500 performance share units are exercisable for underlying Air Canada shares (3,460,027 shares in the case of the options and 2,500 shares in the case of the performance share units). The remaining 3,223,939 performance share units outstanding under the

Long-Term Incentive Plan are exercisable for Air Canada shares purchased on the secondary market or for cash, at the discretion 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 54 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 dated May 7, 2009 (the "**Employment Agreement**"), which options vest over four years. In accordance with the applicable rules of the TSX, 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 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:

Executive Level	Target Stock Option Grant (% of base salary)	Target Performance Share Unit Grant (% of base salary)
Chief Executive Officer	280%	30%
Executive Vice-President	145%	30%
Senior Vice-President	90%	30%
Vice-President	90%	30%

Effective April 1, 2011, with a view to encouraging the development of a greater performance-driven organization, Air Canada's formula respecting target grants of stock options and performance share units will be restructured to (i) introduce new percentages for the target mix between stock options and performance share units and (ii) introduce a range of percentages (as opposed to a specific percentage) for purposes of determining and measuring individual performance and target stock option and performance share unit grants as a percentage of base salary.

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.

Achievement of Target Operating Margin over the Four- Year Period	Performance-based Stock Options Vested
≤85%	0%
90%	33%
95%	66%
≥100%	100%

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 shall:

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

(ii) 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) the introduction of a cashless exercise feature payable in securities, (d) the addition of a form of financial assistance, and (e) 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.

Notwithstanding the foregoing, Air Canada must obtain shareholder approval in order to enact any of the following amendments to the Long-Term Incentive Plan:

(i) any change to the maximum number of shares issuable from treasury under the Long-Term Incentive Plan, including an increase to the fixed maximum number of shares or a change from a fixed maximum number of shares to a fixed maximum percentage;

(ii) any amendment which reduces the exercise price of any option previously granted or any cancellation of an option and its substitution by a new option with a reduced price or any cancellation of a performance share unit and its substitution by a new performance share unit;

(iii) any amendment that extends the term of options or performance share units beyond their original expiry;

(iv) any amendment which would permit any option or performance share unit to be transferable or assignable by any optionee or participant other than for normal estate settlement purposes;

(v) any amendment which would permit a change to the eligible participants, including a change which would have the potential of broadening or increasing participation by insiders, including non-employee directors, in the Long-Term Incentive Plan;

(vi) any amendment which increases the maximum number of shares that may be issued in a one-year period to insiders of the Corporation and associates of such insiders or any one insider of the Corporation and associates of such insider under the Long-Term Incentive Plan or any other compensation arrangements described in the Long-Term Incentive Plan; and

(vii) amendments to the amendment provisions of the Long-Term Incentive Plan.

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. Except as otherwise may be determined by the Board of Directors, the vesting of performance share units is normally based on the Corporation achieving its cumulative EBITDAR target over a three-year period.

Achievement of cumulative annual EBITDAR target over a Three-Year Period	Performance Share Units Vested
≤85%	0%
90%	33%
95%	66%
≥100%	100%

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 47 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 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 and except as otherwise may be determined by the Board, the following table summarizes the treatment of a participant's stock options and performance share units upon a participant's retirement, resignation, termination without cause or for cause, death, injury or disability or voluntary leave of absence.

<table>
<tr><th>Event</th><th>Vesting of Stock Options and Exercise Limitations</th><th>Vesting of Performance Share Units ("PSUs") and Payment Limitations</th></tr>
<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:
(i) the total number of completed months of active service during PSU term, divided by
(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>
<tr><td>Termination without cause</td><td>No further options vest. All vested options must be exercised within 30 days from the date of the termination for reasons other than cause</td><td>Prorated number of vested PSUs at the end of their term based on:
(i) the total number of completed months of active service during PSU term, divided by
(ii) the total number of months in PSU term</td></tr>
<tr><td>Termination for cause</td><td>Forfeiture of all unexercised options</td><td>Forfeiture of all unvested PSUs</td></tr>
<tr><td>Death</td><td>All vested options at the time of death must be exercised by his/her heirs by the earlier of: (i) one year of his/her death and (ii) the scheduled expiry date of the options</td><td>Prorated number of vested PSUs at the end of their term based on:
(i) the total number of completed months of active service during PSU term, divided by
(ii) the total number of months in PSU term</td></tr>
</table>

Event	Vesting of Stock Options and Exercise Limitations	Vesting of Performance Share Units ("PSUs") and Payment Limitations
Injury or disability	Rights to vesting continue to accrue. All vested options must be exercised by the earlier of: (i) three years after the cessation of employment and (ii) the scheduled expiry date of the options	Prorated number of vested PSUs at the end of their term based on: (i) the total number of completed months of active service during PSU term, divided by (ii) the total number of months in PSU term
Voluntary leave of absence	Rights to vesting continue to accrue. All vested options must be exercised by the earlier of: (i) one year after the commencement of the leave of absence and (ii) the scheduled expiry date of the options	Prorated number of vested PSUs at the end of their term based on: (i) the total number of completed months of active service during PSU term, divided by (ii) the total number of months in PSU term

2010 Annual Grants

On February 9, 2010, a reduced grant of 1,445,260 performance share units, equivalent to 33.33% of a target grant, was granted to eligible employees.

In addition, as described under "Compensation of the Named Executive Officers – Compensation of the President and Chief Executive Officer" at page 54 of this circular, pursuant to the terms of the President and Chief Executive Officer's Employment Agreement, 1,037,077 performance share units were granted on February 9, 2010 to the President and Chief Executive Officer as "economically equivalent compensation" in lieu of the 1,605,000 stock options that were due pursuant to the terms of his Employment Agreement.

No grants of stock options were made in 2010 other than grants made to the officers of the Corporation hired in 2010, namely Mr. Amos Kazzaz, Vice President, Financial Planning and Analysis, and Mr. Craig Landry, Vice President, Marketing.

The following table summarizes the total number of options granted during each of the last five calendar years:

Year	Number of Options Granted	Number of Participants
2010	50,000	2
2009	2,330,000	65
2008	11,000	1
2007	482,870	18
2006	1,699,678	58

The following table summarizes the total potential dilution (total number of options outstanding divided by the total number of shares outstanding) represented by the options granted during each of the last five calendar years:

Year	Total Number of Options Outstanding as of December 31	Dilution
2010	3,287,931	1.2%
2009	3,963,474	1.4%
2008	1,701,447	1.7%
2007	1,720,092	1.7%
2006	1,695,035	1.7%

The following table summarizes the total number of performance share units granted during each of the last five calendar years:

Year	Number of PSUs Granted	Number of Participants
2010	2,532,337	164
2009	2,500	1
2008	1,134,183	169
2007	232,760	86
2006	347,591	149

The following table summarizes the total potential dilution (total number of dilutive performance share units outstanding divided by the total number of shares outstanding) represented by the performance share units granted during each of the last five calendar years:

Year	Total Number of PSUs Outstanding as of December 31	Dilution
2010	3,589,449	0.0009%(1)
2009	1,653,064	0.2%(2)
2008	1,680,159	0.57%(3)
2007	551,251	0.55%
2006	345,803	0.35%

(1) The dilution percentage does not include shares underlying 3,586,949 performance share units, 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, at the discretion of the Corporation.

(2) The dilution percentage did not include shares underlying 1,091,218 performance share units, as these performance share units would have been either redeemed for Air Canada shares purchased on the secondary market (and not issued from treasury) and/or equivalent cash, at the discretion of the Corporation.

(3) The dilution percentage did not include shares underlying 1,111,183 performance share units, as these performance share units would have been either redeemed for Air Canada shares purchased on the secondary market (and not issued from treasury) and/or equivalent cash, at the discretion of the Corporation.

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.

Plan category	Number of securities to be issued upon the exercise of outstanding options and redemption of PSUs(1)(2)(3)	Weighted-average exercise price of outstanding options(1)	Number of securities remaining available for future issuance under equity compensation plans(1)
Equity compensation plans approved by security-holders(1)	3,290,431	$6.17	16,179,863

(1) As at December 31, 2010.

(2) Includes 2,500 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 3,586,949 performance share units granted on November 6, 2008, February 9, 2010 and June 10, 2010 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, at the discretion of the Corporation.

(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 54 of this circular.

AIR CANADA

Executive Compensation Clawback

On March 30, 2011, the Board of Directors adopted an executive clawback compensation policy concerning awards made after December 31, 2010 under Air Canada's annual and long-term incentive plans. Under this policy, which applies to all executives, the Board of Directors may, in its sole discretion, to the full extent permitted by governing laws and to the extent it determines that it is in the best interests of Air Canada to do so, require reimbursement of all or a portion of annual or long term incentive compensation received by an executive. The Board of Directors may seek reimbursement of full or partial compensation from an executive or former executive officer in situations where:

a) the amount of a bonus or incentive compensation was calculated based upon, or contingent on, the achievement of certain financial results that were subsequently the subject of or affected by a restatement of all or a portion of Air Canada's financial statements;

b) the executive officer engaged in gross negligence, intentional misconduct or fraud that caused or partially caused the need for the restatement; and

c) the amount of the bonus or incentive compensation that would have been awarded to or the profit realized by the executive officer had the financial results been properly reported would have been lower than the amount actually awarded or received.

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 Committee, aligned with the median of Air Canada's comparator group. Perquisites include leased automobiles, a medical top-up plan, health counselling and financial counselling.

COMPENSATION OF THE NAMED EXECUTIVE OFFICERS

Compensation of the President and Chief Executive Officer

Mr. Calin Rovinescu was appointed President and Chief Executive Officer on April 1, 2009. Over the 18 months preceeding his appointment, 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. 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. Rovinescu to rejoin Air Canada as its President and Chief Executive Officer 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 forego his then existing employment, as well as other business and corporate interests and opportunities, and to incentivize him to remain with the Corporation over a period of time. In their 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.

According to the terms of his Employment Agreement, for the year ended December 31, 2010, Mr. Rovinescu's base salary was $800,000, and his Employment Agreement also provided for the payment of quarterly milestone awards in the amount of $150,000 per calendar quarter of 2010, conditional on his being actively employed by the Corporation at the end of such quarter. As was detailed at page 45 of this circular, for the 2010 calendar year Mr. Rovinescu's target bonus under the Corporation's Annual Incentive Plan, based on the Corporation's achievement of EBITDAR against its business plan, was 100% of basic annual salary with a maximum bonus of 200% of basic annual salary where 110% or more of the EBITDAR target was achieved, in accordance with the terms of the Annual Incentive Plan. Mr. Rovinescu's compensation in 2010 was below market median for his comparator group.

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 also provided that in the event the aggregate number of issued and outstanding Class A variable voting shares and Class B voting shares of the Corporation increased during his employment, Mr. Rovinescu's options would be increased so that they would continue to represent 1% of the aggregate number of issued and outstanding shares or, in certain instances, that he would be provided with economically equivalent compensation as determined by the Board of Directors.

As a result of the completion of a public treasury offering of 160,500,000 shares on October 27, 2009, Mr. Rovinescu was entitled to receive a grant of 1,605,000 options pursuant to the anti-dilution clause of his Employment Agreement. As only 1,475,306 shares remained available for issuance pursuant to the Long-Term Incentive Plan at the time, on February 9, 2010, the Board awarded Mr. Rovinescu 1,037,077 performance share units, representing economically equivalent compensation, as contemplated by his Employment Agreement.

Annual target grants of stock options and/or performance share units to the President and Chief Executive Officer are described at pages 47 to 50 of this circular. Mr. Rovinescu's pension benefits, including his pension entitlements in the event he is terminated, are described at pages 64 to 66 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 one-time retention payment of $5,000,000 (the "**Retention Amount**").

AIR CANADA

Specific information on Mr. Rovinescu's individual performance goals and achievements (and their relationship to Air Canada's corporate goals) is provided in the following table:

Objective	Metric	Result
Culture Change – Further develop a strong employee brand	• Ensuring that employees understand the meaning of "culture change" • Welcoming, entrepreneurial and nimble workforce with employees that are ambassadors to Air Canada • Breaking down silos and streamlining processes • Improved flight completion rate	Achieved
Customer Engagement – Air Canada's commitment to customers as North America's best airline	• Improved monthly customer satisfaction surveys • Recognition from passenger-oriented publications and industry reviews	Achieved
Building an International Powerhouse – Exploiting Air Canada's brand and network globally	• Addition of new transatlantic flights • Increased capacity to Asia • Increasing connecting traffic at Canadian hubs • Developing a transatlantic revenue sharing joint venture	Exceeded
Cost Transformation - Sustainability	• $300 million in annual costs savings and additional revenue through contract improvements, process and productivity gains and revenue optimization • Achieving revenue and EBITDAR targets • Permanently reducing cost structure without compromising the customer experience	Exceeded

Please refer to the section titled "Performance Graphs" on pages 68 and 69 of this circular for additional achievements of Air Canada in 2010.

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, milestone payments and 100% target bonus), 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, all unexercised options granted, as well as any of the performance share units granted, shall immediately vest upon such termination without cause and, in the case of the options, 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 2010:

	CALIN ROVINESCU – IF TERMINATED WITHOUT CAUSE			
Name	Cash Portion (1)	Value of Exercisable/Vested Options and PSUs(2)	Other Benefits (3)	Total(4)
Calin Rovinescu	$7,316,667	$6,128,679	$107,992	$13,553,338

(1) Based on Mr. Rovinescu's salary of $800,000 and quarterly milestone awards of $150,000 for the year ended December 31, 2010. This amount includes the pro-rata portion of the $5,000,000 Retention Amount payable on March 31, 2012. Once the Retention Amount is paid, the amount payable upon termination without cause will be reduced accordingly.

(2) Based on the December 31, 2010 closing price of Air Canada's Class B voting shares ($3.45).

(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, 2010 termination value of his pension entitlements.

(4) This amount includes the pro-rata portion of the $5,000,000 Retention Amount payable on March 31, 2012. Once the Retention Amount is paid, the amount payable upon termination without cause will be reduced accordingly.

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, 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 and pro-rata target bonus 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.

In the event that Mr. Rovinescu voluntarily terminates his employment with Air Canada or is terminated by Air Canada with cause, all unvested performance share units granted shall be forfeited and cancelled on Mr. Rovinescu's last day of active employment. All unvested performance share units granted will, upon the death of Mr. Rovinescu, expire on the last day of active employment. In the event of the termination of Mr. Rovinescu's employment as a result of disability or in the event that Mr. Rovinescu is terminated by Air Canada without cause, all unvested performance share units granted shall be immediately vested on such termination date and shall be paid as soon as practicable to Mr. Rovinescu.

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, 2010, was $518,000. Any future salary progression will be based on personal performance in the position. As was detailed at page 45 of this circular, for the 2010 calendar year, Mr. Rousseau's target bonus under the Corporation's Annual Incentive Plan, based on the Corporation's achievement of EBITDAR against its business plan, was 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 Financial Officer are described at pages 47 to 50 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 64 to 66 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"[1].

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 grant's 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.

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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. 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 2010:

Name	MICHAEL ROUSSEAU – IF TERMINATED WITHOUT CAUSE			
	Cash Portion (1)	Value of Exercisable/Vested Options and PSUs(2)	Other Benefits (3)	Total
Michael Rousseau	$1,036,000	$486,954	$73,513	$1,596,467

(1) Based on Mr. Rousseau's salary of $518,000 for the year ended December 31, 2010.
(2) Based on the December 31, 2010 closing price of Air Canada's Class B voting shares ($3.45).
(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, 2010 termination value of the additional five years of pensionable service to be granted to him upon termination, based on 2010 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, 2010, was $500,000. Any future salary progression will be based on personal performance in the position. As was detailed at page 45 of this circular, for the 2010 calendar year, Mr. Dee's target bonus under the Corporation's Annual Incentive Plan, based on the Corporation's achievement of EBITDAR against its business plan, was 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 47 to 50 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 64 to 66 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 2010:

Name	DUNCAN DEE – IF TERMINATED WITHOUT CAUSE			
	Cash Portion (1)	Value of Exercisable/Vested Options and PSUs(2)	Other Benefits (3)	Total
Duncan Dee	$1,000,000	$84,914	$77,066	$1,161,980

(1) Based on Mr. Dee's salary of $500,000 for the year ended December 31, 2010.
(2) Based on the December 31, 2010 closing price of Air Canada's Class B voting shares ($3.45).
(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 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, 2010, was $425,000. Any future salary progression will be based on personal performance in the position. As was detailed at page 45 of this circular, for the 2010 calendar year, Mr. Smith's target bonus under the Corporation's Annual Incentive Plan, based on the Corporation's achievement of EBITDAR against its business plan, was 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 47 to 50 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 64 to 66 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.

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 2010:

	BENJAMIN SMITH – IF TERMINATED WITHOUT CAUSE			
Name	**Cash Portion (1)**	**Value of Exercisable/Vested Options and PSUs (2)**	**Other Benefits (3)**	**Total**
Benjamin Smith	$850,000	$122,515	$49,400	$1,021,915

(1) Based on Mr. Smith's salary of $425,000 for the year ended December 31, 2010.

(2) Based on the December 31, 2010 closing price of Air Canada's Class B voting shares ($3.45).

(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, 2010 termination value of the additional five years of pensionable service to be granted to him upon termination, based on 2010 year-end assumptions.

Compensation of the Senior Vice-President, Operations

In general, target bonuses, grants of stock options and/or performance share units will be accorded to Mr. David Legge, as Senior Vice-President, Operations, based on the Corporation's compensation policies (as they apply at the level of Senior Vice-President), as same were summarized in the preceding pages of this circular. Mr. Legge's pension benefits are described at pages 64 to 66 of this circular.

Share Ownership Requirements for Executive Officers

On November 3, 2010, the Board adopted share ownership guidelines according to which the President and Chief Executive Officer is required to own a minimum of 150,000 shares of Air Canada and each Executive Vice-President is required to own a minimum of 50,000 shares of Air Canada. Such ownership of shares must be achieved within five years of the date of the officer's appointment, except in the case of the President and Chief Executive Officer who was required to meet such requirement by November 2, 2013.

Name	Number of Shares Owned	Number of Shares Required to Meet Guidelines	Latest Date to Meet Share Ownership Requirements
Calin Rovinescu – President and Chief Executive Officer	275,000	150,000	N/A
Michael Rousseau – Executive Vice-President and Chief Financial Officer	41,000	50,000	November 2, 2015
Duncan Dee – Executive Vice-President and Chief Operating Officer	5,500	50,000	November 2, 2015
Benjamin Smith – Executive Vice-President and Chief Commercial Officer	10,000	50,000	November 2, 2015

SUMMARY COMPENSATION TABLE

The following table provides a summary of the compensation earned for the years ended December 31, 2010, 2009 and 2008 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 and the three next most highly compensated persons currently serving as executive officers of Air Canada (collectively, the "**Named Executive Officers**") for services rendered in all capacities to Air Canada.

Name and principal position	Year	Salary ($)	Share-based awards ($)	Option-based awards ($)(1)(2)	Non-equity incentive plan compensation Annual incentive plans ($)	Pension value ($)	All other compensation ($)(3)	Total compensation ($)
Calin Rovinescu	2010	1,400,000(4)	1,392,195(5)	Nil	1,601,125 (6)	156,400	Nil	4,549,720
President and Chief Executive Officer	2009(7)	1,053,066(8)	Nil	633,410(9)	800,825(10)	91,000	Nil	2,578,301
Michael Rousseau	2010	518,000	28,487	Nil	519,125(11)	156,400	Nil	1,222,012
Executive Vice-President and Chief Financial Officer	2009	518,000	Nil	209,244	648,625(12)	131,000	Nil	1,506,869
	2008	513,500	155,400	Nil	1,200	156,000	Nil	826,100
Duncan Dee	2010	500,000	27,497	Nil	501,125(13)	77,700	Nil	1,106,322
Executive Vice-President and Chief Operating Officer	2009(14)	376,917	Nil	189,089	250,825(15)	40,000	Nil	850,831
	2008	391,866	Nil	Nil	1,125	200,000	828,000	1,420,991
Benjamin Smith	2010	425,000	23,373	Nil	426,125(16)	76,000	Nil	950,498
Executive Vice-President and Chief Commercial Officer	2009	408,333	Nil	156,933	348,625(17)	151,000	Nil	1,064,891
	2008	368,750	112,499	Nil	1,200	70,000	Nil	552,449
David Legge	2010	346,879	17,874	Nil	325,125(18)	288,600	Nil	978,478
Senior Vice-President, Operations	2009	301,629	Nil	78,467	71,125(19)	326,400	Nil	777,621
	2008	265,000	80,998	Nil	1,200	111,000	Nil	458,198

(1) The grant date fair value of the annual grant of Performance Share Units (PSUs) awarded in 2010 under the Corporation's Long Term Incentive Program (LTIP), as reported in this table, reflects a payout factor of 55%. The payout factor used is consistent with empirical testing of performance plan payouts, including the performance payout factor analysis provided to the Corporation by Towers Watson which was based on the compilation of actual payouts for similar plans in the market. The payout factor was applied to the value of the award which was calculated using a share price at the time of the grant of $1.30. The share price at the time of the grant is equal to the volume weighted average of the trading price per Class B voting share of Air Canada for the five consecutive trading days ending on the trading day prior to the date of the grant. The grant date fair value of the performance share units was $43,995 for Mr. Rovinescu, $28,487 for Mr. Rousseau, $27,497 for Mr. Dee, $23,373 for Mr. Smith and $17,874 for Mr. Legge. These performance share units have a term of three years and vest upon the Corporation achieving its cumulative EBITDAR target over such three-year period. See "Air Canada Performance Share Units" on page 63 of this circular for more details.

The accounting fair value of these Performance Share Units was $68,585 for Mr. Rovinescu, $44,409 for Mr. Rousseau, $42,866 for Mr. Dee, $36,436 for Mr. Smith and $27,863 for Mr. Legge. The difference between the accounting fair value and the grant date fair value of the PSUs as presented in this column is $24,590 for Mr. Rovinescu, $15,922 for Mr. Rousseau, $15,369 for Mr. Dee, $13,063 for Mr. Smith and $9,989 for Mr. Legge. The difference between the accounting fair value and the grant date fair value of the performance share units as presented in this column is due to a forfeiture rate of 85.74% applied for accounting purposes versus the payout factor of 55% applied for purposes of determining the grant date fair value.

The amount reported in the table for Mr. Rovinescu also includes the grant date fair value of 1,037,077 performance share units granted to Mr. Rovinescu on February 9, 2010, as economically equivalent compensation, pursuant to the terms of his Employment Agreement (see "Compensation of the President and Chief Executive Officer" at page 54 of this circular for more details). Such award of performance share units had a grant date fair value of $1,348,200. The grant date fair value of the award was calculated using a share price at the time of the grant of $1.30. The share price at the time of the grant is equal to the volume weighted average of the trading price per Class B voting share of Air Canada for the five consecutive trading days ending on the trading day prior to the date of the grant. The accounting fair value of these performance share units was the same as the grant date fair value. 33.33% of the 1,037,077 performance share units vested on February 9, 2011, and an additional 33.33% shall vest on each of February 9, 2012 and February 9, 2013.

(2) The grant date fair value for options awarded in 2009 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 Options and Performance Share Units" at page 46 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:

i. Binomial factor: 65.3%
ii. Volatility: 90.38%
iii. Dividend yield: 0%
iv. Expected life: 4.75 years
v. Term: 7 years
vi. Vesting: 100% over 4 years (25% per year)

The grant date fair value for the options granted in 2009 to the other NEOs, using the binomial lattice model, was based on the following factor, key assumptions and plan provisions:

i. Binomial factor: 65.8%
ii. Volatility: 94.87%
iii. Dividend yield: 0%
iv. Expected life: 5.125 years
v. Term: 7 years
vi. Vesting: 50% time based (25% per year); 50% performance-based (after 4 years)

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 $84,238 for Mr. Legge. 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, $11,544 for Mr. Smith, $13,469 for Mr. Dee and $5,772 for Mr. Legge. The difference between the accounting fair value and the grant date fair value of the options as presented in this column is due to the choice of models used (Black-Scholes model for accounting purposes versus the binomial lattice model) and the use of different factors and assumptions. More specifically, as concerns the options granted to Mr. Rovinescu, the $344,724 difference is principally the result of the accounting fair value having used the closing price of the underlying 1,000,000 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).

(3) In 2010, 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. Dee (2008) represent severance payments related to the termination of his employment with Air Canada.

Calin Rovinescu

(4) Of this amount of $1,400,000, $800,000 represents base salary and $600,000 represents quarterly milestone payments from January 1, 2010 until December 31, 2010 (refer to the heading "Compensation of the President and Chief Executive Officer" at page 54 of this circular for more details). As described under the heading "Remuneration of Directors" at page 23 of this circular, Mr. Rovinescu did not receive any compensation for serving as a director of Air Canada in 2010.

(5) Mr. Rovinescu was granted 1,037,077 performance share units on February 9, 2010, as economically equivalent compensation, pursuant to the terms of his Employment Agreement (see "Compensation of the President and Chief Executive Officer" at page 54 of this circular for more details). Such award of performance share units had a grant date fair value of $1,348,200. The grant date fair value of the award was calculated using a share price at the time of the grant of $1.30. The share price at the time of the grant is equal to the volume weighted average of the trading price per Class B voting share of Air Canada for the five consecutive trading days ending on the trading day prior to the date of the grant. The accounting fair value of these performance share units was the same as the grant date fair value. 33.33% of the 1,037,077 performance share units vested on February 9, 2011, and an additional 33.33% shall vest on each of February 9, 2012 and February 9, 2013.

(6) For the year ended December 31, 2010, (i) $1,600,000 was paid to Mr. Rovinescu pursuant to the terms of the Annual Incentive Plan, and (ii) $1,125 was paid to Mr. Rovinescu pursuant to the terms of the Sharing our Success Plan.

(7) Mr. Rovinescu was appointed President and Chief Executive Officer of Air Canada on April 1, 2009.

(8) Of this amount of $1,053,066, $603,066 represented base salary and $450,000 represented quarterly milestone payments from January 1, 2009 until December 31, 2009. Mr. Rovinescu did not receive any compensation for serving as a director of Air Canada in 2009.

(9) Mr. Rovinescu was granted 1,000,000 stock options in 2009 in connection with his recruitment and commencement of employment pursuant to the terms of his Employment Agreement (refer to footnote 2 above and to the heading "Compensation of the President and Chief Executive Officer" at page 54 of this circular for more detail) which vest over four years.

(10) 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

(11) For the year ended December 31, 2010, (i) $518,000 was paid to Mr. Rousseau pursuant to the terms of the Annual Incentive Plan, and (ii) $1,125 was paid to Mr. Rousseau pursuant to the terms of the Sharing our Success Plan.

(12) 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, (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, and (iv) $1,125 was paid to Mr. Rousseau pursuant to the terms of the Sharing our Success Plan.

Duncan Dee

(13) For the year ended December 31, 2010, (i) $500,000 was paid to Mr. Dee pursuant to the terms of the Annual Incentive Plan, and (ii) $1,125 was paid to Mr. Dee pursuant to the terms of the Sharing our Success Plan.

(14) Mr. Dee rejoined Air Canada as Executive Vice-President and Chief Operating Officer on April 1, 2009.

(15) 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.

Benjamin Smith

(16) For the year ended December 31, 2010, (i) $425,000 was paid to Mr. Smith pursuant to the terms of the Annual Incentive Plan, and (ii) $1,125 was paid to Mr. Smith pursuant to the terms of the Sharing our Success Plan.

(17) 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, and (iii) $1,125 was paid to Mr. Smith pursuant to the terms of the Sharing our Success Plan.

David Legge

(18) For the year ended December 31, 2010, (i) $324,000 was paid to Mr. Legge pursuant to the terms of the Annual Incentive Plan, and (ii) $1,125 was paid to Mr. Legge pursuant to the terms of the Sharing our Success Plan.

(19) For the year ended December 31, 2009, (i) $70,000 was paid to Mr. Legge pursuant to the terms of the Annual Incentive Plan, and (ii) $1,125 was paid to Mr. Legge pursuant to the terms of the Sharing our Success Plan.

Long-Term Incentive Plan Awards

The following table details all unexercised options held by the Named Executive Officers as at December 31, 2010. 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

Name	Option-based awards			
	Number of securities underlying unexercised options (#)	Option exercise price ($)	Option expiration date	Value of unexercised in-the-money options ($)[1]
Calin Rovinescu	1,000,000	$0.97	May 7, 2016	2,480,000
Michael Rousseau	165,000 200,000	$14.90 $1.59	Oct 10, 2014 Jul 31, 2016	Nil 372,000
Duncan Dee	55,000 175,000	$11.08 $1.59	Aug 17, 2014 July 31, 2016	Nil 325,500
Benjamin Smith	17,357 55,000 150,000	$21.00 $15.85 $1.59	Nov 24, 2013 May 10, 2014 Jul 31, 2016	Nil Nil 279,000
David Legge	16,072 75,000	$21.00 $1.59	Nov 24, 2013 Jul 31, 2016	Nil 139,500

(1) Based on the closing price of the Class B voting shares ($3.45) on December 31, 2010.

Stock Option Forfeitures

The table below details the number of options with a performance cycle of January 1, 2007 to December 31, 2010 that were forfeited effective December 31, 2010 as Air Canada did not achieve the minimum performance threshold for vesting.

Name	Option-based awards	
	Number of options lapsed	Performance Cycle
Calin Rovinescu	Nil	Nil
Michael Rousseau	Nil	Nil
Duncan Dee	55,000	Jan 1, 2007 to Dec 31, 2010
Benjamin Smith	72,357	Jan 1, 2007 to Dec 31, 2010
David Legge	16,071	Jan 1, 2007 to Dec 31, 2010

AIR CANADA PERFORMANCE SHARE UNITS

The table below details the number and market value of unvested performance share units held by the Named Executive Officers as at December 31, 2010.

Name	Share-based awards		
	Number of shares or units of shares that have not vested (#)	Performance Cycle	Market or payout value of share-based awards that have not vested ($)(1)
Calin Rovinescu	1,098,609	Jan 1, 2010 to Dec 31, 2012	3,790,201
Michael Rousseau	30,058 39,842	Jan 1, 2009 to Dec 31, 2011 Jan 1, 2010 to Dec 31, 2012	103,700 137,455
Duncan Dee	38,458	Jan 1, 2010 to Dec 31, 2012	132,680
Benjamin Smith	21,760 32,689	Jan 1, 2009 to Dec 31, 2011 Jan 1, 2010 to Dec 31, 2012	75,072 112,777
David Legge	15,667 24,998	Jan 1, 2009 to Dec 31, 2011 Jan 1, 2010 to Dec 31, 2012	54,051 86,243

(1) Based on the closing price of Class B voting shares ($3.45) on December 31, 2010.

Performance Share Unit Forfeitures

The table below details the number of performance share units with a performance cycle of January 1, 2008 to December 31, 2010 that were forfeited effective December 31, 2010 as Air Canada did not achieve the minimum performance threshold for vesting.

Name	Share-based awards	
	Number of performance share units lapsed	Performance Cycle
Calin Rovinescu	Nil	Nil
Michael Rousseau	10,000	Jan 1, 2008 to Dec 31, 2010
Duncan Dee	Nil	Nil
Benjamin Smith	Nil	Nil
David Legge	4,604	Jan 1, 2008 to Dec 31, 2010

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, 2010 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, 2010. 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 60 of this circular.

Option-based awards						Non-equity incentive plan compensation
Name	**Options Vested**	**Exercise Price ($)**	**Vesting Date**	**Market (closing) Price of Shares on the Date of Vesting ($)**	**Value Vested during the Year(1) ($)**	**Value Earned during the Year(2) ($)**
Calin Rovinescu	250,000	0.97	May 7, 2010	1.95	245,000	1,601,125
Michael Rousseau	25,000	1.59	July 31, 2010	2.21	15,500	519,125
	20,625	14.90	October 10, 2010	3.33	Nil	
Duncan Dee	21,875	1.59	July 31, 2010	2.21	13,563	501,125
	13,750	11.08	August 17, 2010	2.26	Nil	
Benjamin Smith	13,750	15.85	May 10, 2010	2.16	Nil	
	18,750	1.59	July 31, 2010	2.21	11,625	426,125
	4,337	21.00	November 24, 2010	3.67	Nil	
David Legge	9,375	1.59	July 31, 2010	2.21	5,813	325,125
	4,018	21.00	November 24, 2010	3.67	Nil	

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

(2) The amounts disclosed in this column represent the cash payments made pursuant to the Annual Incentive Plan in 2010 and correspond to the amounts disclosed in the Summary Compensation Table on page 60 of this circular under the heading "Annual Incentive Plans".

Performance Share Units – value vested or earned during the year

None of the performance share units of the Named Executive Officers vested in 2010.

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 / Québec 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, 2010.

PENSION BENEFITS

Name	Number of years of credited service (#)(1)	Annual benefits payable ($)		Accrued obligation at start of year ($)(4)	Compensatory Change ($)(5)	Non-Compensatory Change ($)(6)	Accrued obligation at year end ($)(7)
		At year end(2)	At age 65(3)				
Calin Rovinescu (2 separate periods of employment combined)(8)	18.6400	196,400	351,300	2,453,800	156,400	463,400	3,073,600
Michael Rousseau	3.2500	33,200	208,500	342,300	156,400	125,000	623,700
Duncan Dee	1.8333	17,300	247,500	51,700	77,700	23,600	153,000
Benjamin Smith	10.0833	79,600	276,400	497,100	76,000	210,000	783,100
David Legge(9)	35.0000	193,700	211,200	2,122,200	288,600	411,400	2,822,200

(1) This column reflects the number of years of credited service for each Named Executive Officer as of the year ended December 31, 2010, 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 1.75 years of credited pensionable service as of December 31, 2010.

If the relevant conditions set out in their respective individual employment agreements are satisfied, another two of the above Named Executive Officers will be credited for additional years of pensionable service under the SERP beyond the credited service they would have otherwise normally accumulated, namely:

A. Mr. Rousseau will be credited for an additional 5 years of pensionable service in 2012 upon his completion of 5 years of service with Air Canada. Mr. Rousseau's employment agreement also provides that should he be terminated without cause or should he terminate his employment for "good reason", this additional pensionable service will still be credited.

B. In 2009, Mr. Smith entered into an agreement with the Corporation under which he will be credited for an additional 3 years of pensionable service on March 1, 2012 upon his completion of 10 years of service.

(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, 2010. 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, 2010 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 2009 year-end financial statement reporting purposes. These assumptions include future earnings projections at the rate of 2.5% per annum until retirement (but no increase in earnings was assumed in 2009 and 2010 other than for merit and promotions), as well as assumptions regarding retirement, termination and death. Benefits are valued using a discount rate of 6.4%, which reflects corporate AA bond yields at the beginning of the year as was adopted for 2009 year-end disclosure. The service prorate method was applied, meaning that the benefit obligation, including the liability pursuant to additional credited service under individual employment agreements entered into prior to 2010, is spread equally over the Named Executive Officer's projected career with Air Canada, regardless of when the credited service is granted, except such projected career is limited to 35 years of pensionable service.

(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 2010 year-end assumptions.

(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.

(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, 2010 and is based on 2010 year-end assumptions. The 2010 year-end assumptions are the same as for 2009, except a discount rate of 5.5% was used, which reflects corporate AA bond yields at the end of the year, and the mortality table projections have been updated. Future earnings projections are applied to 2010 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 employments 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. Legge had accumulated 30.67 years of service in the pilots pension arrangements prior to his transfer to executive pension arrangements on March 1, 2006. For each year of service Mr. Legge renders as an executive, five years of his pilots service are recognized in the executive pension arrangements. At December 31, 2010, 6.5 years of service remain recognized under the pilots arrangements and are subject to a maximum unreduced annual pension of $3,342 per year of service payable at age 60. All of Mr. Legge's service will be recognized in the executive arrangements effective April 2012.

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 54 and following of this circular.

Air Canada is currently a party to change of control agreements with each of Messrs. Rovinescu, Rousseau, Dee and Smith. 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, Dee or Smith, 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 55 and 56 of this circular). In the case of Messrs. Rousseau, Dee and Smith, 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.

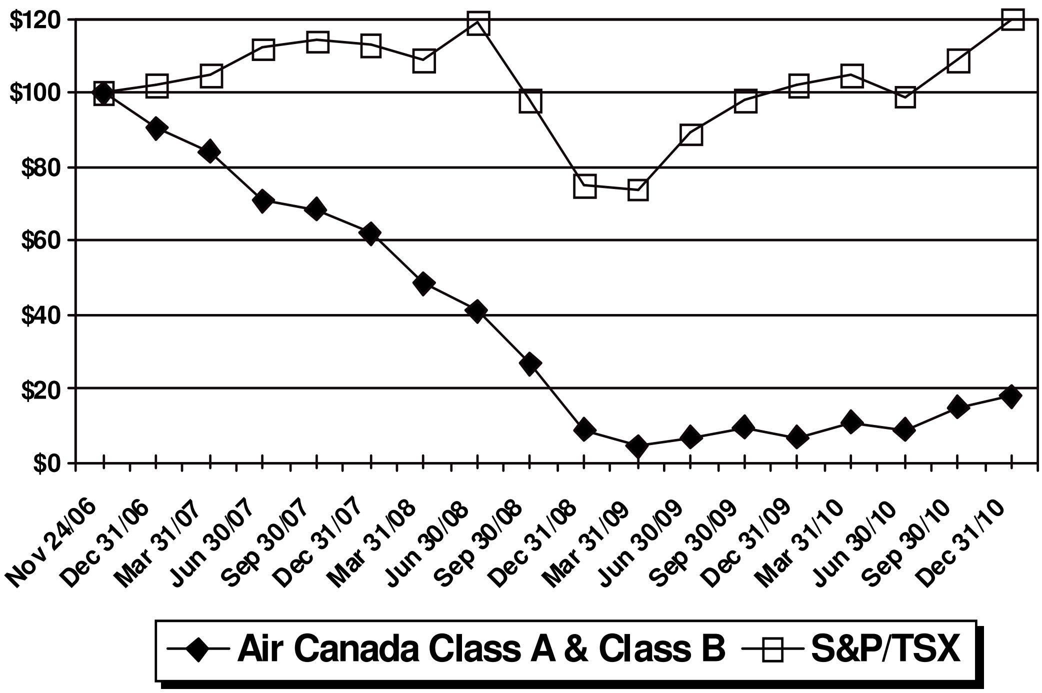
Air Canada and Mr. Rovinescu entered into an additional agreement whereby following a "Hostile Change of Control", Mr. Rovinescu has the right at any time within 2 years thereafter, to require the Board of Directors to terminate his employment and any such termination shall be considered to be (and have 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 55 and 56 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 as 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.

PERFORMANCE GRAPHS

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, 2010. The Class A variable voting shares and the Class B voting shares started trading on the TSX on November 24, 2006.

Air Canada Class A & Class B Shares
Versus S&P/TSX Composite Index
November 24, 2006 to December 31, 2010



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, which affected the entire airline industry worldwide.

Mr. Rovinescu was appointed as President and Chief Executive Officer of Air Canada on April 1, 2009 and Mr. Dee was appointed as Executive Vice-President and Chief Operating Officer of Air Canada 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.

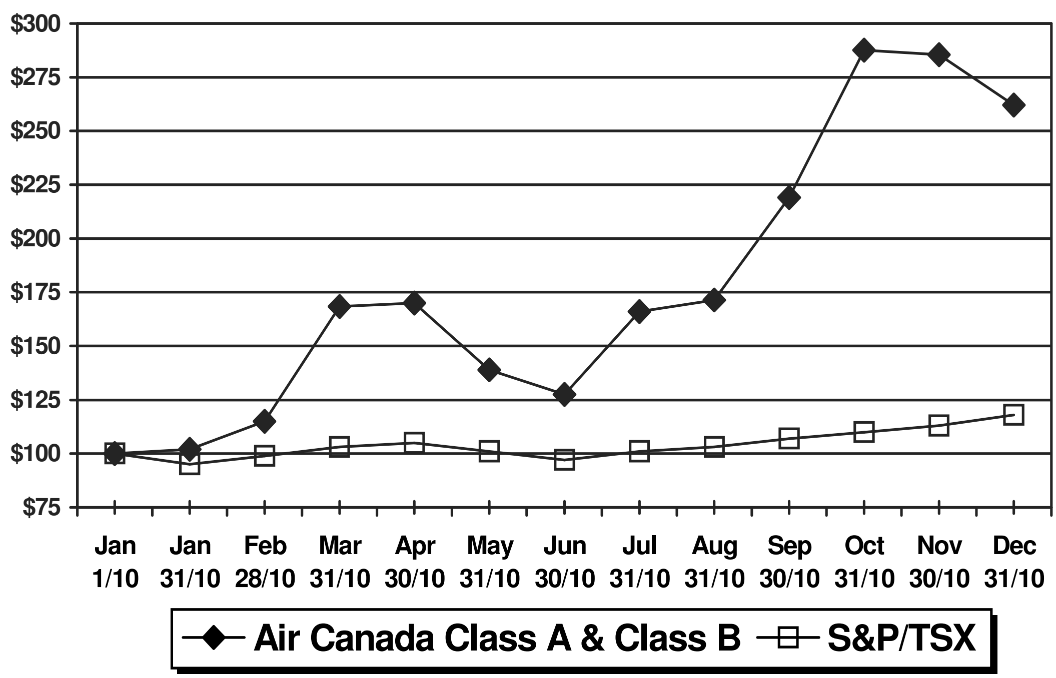
As concerns the other two Air Canada executives who have been NEOs over a period of time (Mr. Rousseau and Mr. Smith), their base salaries have remained relatively stable and the exercise prices of the stock options granted to them during this period of time are significantly higher than the current market price of the underlying shares. In addition, stock options granted to Messrs. Dee, Smith and Legge in 2006 and performance share units granted to Messrs. Rousseau and Legge in 2007 have been forfeited (as the Corporation did not achieve its 3-year earnings per share target). Bonuses received by Messrs. Rousseau, Dee, Smith and Legge during this time period are in-line with the remuneration practices of Air Canada's comparator group.

During 2009 and 2010, Air Canada achieved financial stability, dramatically improved its liquidity position and completed an important equity offering. In addition, Air Canada continued to execute on its cost transformation program in 2010, posting four consecutive quarters of improvement in the quality of revenue, earning a net profit of approximately $107 million in 2010, doing so for the first time since 2007. Air Canada succeeded in improving its operational efficiency in 2010, as it flew 3,700 more flights and carried 400,000 more passengers than in 2009 using the same fleet, while also managing to significantly reduce unit costs, exceeding its target of $300 million for 2010. Air Canada also successfully completed a private offering of two series of senior secured notes, receiving net proceeds of $1.075 billion, and ended the 2010 year with a strong liquidity position of approximately $2.2 billion. 2010 also saw Air Canada continue its commitment to customers, experiencing improvements in customer satisfaction surveys and receiving "The Best Airline in North America" award by Global Traveler Magazine and by Skytrax for their 2010 World Airline Awards, amongst other awards in 2010.

The price of Air Canada's Class A variable voting shares and Class B voting shares almost tripled from January 1, 2010 to December 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 January 1, 2010 with the cumulative return on the S&P/TSX Composite Index for the period beginning on January 1, 2010 and ended December 31, 2010.

Air Canada Class A & Class B Shares
Versus S&P/TSX Composite Index
January 1, 2010 to December 31, 2010



OTHER IMPORTANT INFORMATION

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, 2010 to October 1, 2011 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$1,634,402.

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 March 30, 2011, 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, to the best of the Corporation's knowledge, 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 party to agreements with ACE Aviation (which holds an 11.1% interest in Air Canada as of March 30, 2011, based on publicly available early warning reports), including a registration rights agreement dated November 24, 2006 between Air Canada and ACE Aviation.

For a description of the registration rights agreement, please refer to the section "Interest of Management and Others in Material Transactions" in Air Canada's Annual Information Form for the year ended December 31, 2010, which section is incorporated by reference in this circular and which is 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 document 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 Trust Company, 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 Trust Company:

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 2012 annual meeting

We will include proposals from shareholders that comply with applicable laws in next year's management proxy circular for our 2012 annual shareholder meeting. Please send your proposal to the Corporate Secretary of Air Canada at P.O. Box 14,000, Station Airport, Dorval, Québec, H4Y 1H4 by January 3, 2012.

AIR CANADA

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, 2010. 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, 2010, 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, 2010;
- our MD&A related to such interim financial statements;
- our Annual Information Form for the year ended December 31, 2010; and
- the Shareholders Rights Plan dated March 30, 2011.

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 Trust Company 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 Trust Company at 1-800-387-0825.

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

AIR CANADA

How to sign up – employees holding shares under the Employee Share Ownership Plan or the Employee Recognition Share Award 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.

SCHEDULE "A"

RESOLUTION

ORDINARY RESOLUTION REGARDING ADOPTION AND RATIFICATION OF SHAREHOLDER RIGHTS PLAN

"BE IT RESOLVED THAT:

1. The Rights Plan, as set forth in the Shareholder Rights Plan Agreement dated March 30, 2011 between the Corporation and CIBC Mellon Trust Company, and the issuance of all rights issued pursuant to such Rights Plan, be, and it is hereby, adopted and ratified; and

2. Any director or officer of the Corporation be, and each is hereby, authorized and directed, for and on behalf of the Corporation, to sign and execute all documents, to conclude any agreements and to do and perform all acts and things deemed necessary or advisable in order to give effect to this resolution, including compliance with all securities laws and regulations."

SCHEDULE "B"

SUMMARY OF PRINCIPAL TERMS OF THE SHAREHOLDER RIGHTS PLAN

This summary is qualified in its entirety by reference to the text of the shareholder rights plan agreement entered into on March 30, 2011, between Air Canada (the "**Corporation**") and CIBC Mellon Trust Company, as amended from time to time in accordance with its terms (the "**Rights Plan**") which is available on SEDAR at www.sedar.com. Capitalized terms used in this summary without express definition have the meanings ascribed thereto in the Rights Plan.

Issue of Rights

The Corporation issued one right (a "**Right**") in respect of each Class B Voting Share (the "**Voting Shares**") and Class A variable voting share (the "**Variable Voting Shares**" and, together with the Voting Shares, the "**Shares**") outstanding at the close of business on March 30, 2011 (the "**Record Time**"). The Corporation will issue Rights on the same basis for each Voting Share and Variable Voting Share issued after the Record Time but prior to the earlier of the Separation Time (as defined below) and the Expiration Time (as defined below).

Rights Certificates and Transferability

Before the Separation Time, the Rights will be evidenced by the registered ownership of the Shares (whether or not evidence by a certificate representing such Shares) and the Rights will not be transferable separate from the Shares. From and after the Separation Time, the Rights will be evidenced by separate Rights Certificates which will be transferable separate from and independent of the Shares.

Exercise of Rights

Rights are not exercisable before the Separation Time. After the Separation Time and before the Expiration Time, each Right entitles the holder (other than holders described below) to acquire that number of Voting Shares or Variable Voting Shares, as the case may be, having an aggregate Market Price on the date of the occurrence of the Flip-in Event (as defined below) equal to twice the Exercise Price for an amount in cash equal to the Exercise Price of $100 (subject to certain anti-dilution adjustments). Effectively, this means that a shareholder of the Corporation, other than an Acquiring Person (as defined below) and certain persons related to such Acquiring Person as further described in the Rights Plan, can acquire additional Shares from treasury at half their Market Price after the Separation Time.

Definition of "Acquiring Person"

Subject to certain exceptions, an Acquiring Person is a person who is the Beneficial Owner (as defined below) of (i) 20% or more of the outstanding Voting Shares, or (ii) 20% or more of the outstanding Variable Voting Shares.

Definition of "Beneficial Ownership"

Under the Rights Plan, a person shall be deemed the "Beneficial Owner" of, and to have "Beneficial Ownership" of, and to "Beneficially Own":

1. any securities of which such person or any Affiliate or Associate of such person or any other person acting jointly or in concert with such person is the owner in law or equity;

2. any securities as to which such person or any Affiliate or Associate of such person or any other person acting jointly or in concert with such person has the right to acquire upon the exercise of any Convertible Securities or pursuant to any agreement, arrangement or understanding, in each case if such right is exercisable immediately or within a period of 60 days thereafter; and

3. any securities which are subject to a lock-up or similar agreement to tender or deposit them into any Take-over Bid (as defined in the Rights Plan) made by such person or any Affiliate or Associate of such person or any other person acting jointly or in concert with such person.

However, a person is not deemed the "Beneficial Owner" of, or to have "Beneficial Ownership" of, or to "Beneficially Own" securities under the Rights Plan where:

1. such securities have been deposited or tendered pursuant to a Take-over Bid, unless those securities have been taken up or paid for;

2. by reason of the holders of such securities having agreed to deposit or tender such securities to a Take-over Bid pursuant to a Permitted Lock-Up Agreement (as defined below);

3. such person is an investment fund or mutual fund manager, a trust company, a statutory body established to manage funds of public bodies, an agent of the crown for the management of public assets, a pension fund or a pension fund administrator or trustee, as long as such person is not making a Take-over Bid or acting jointly or in concert with a person who is making a Take-over Bid, the whole as more fully described in the Rights Plan and subject to certain exceptions set forth therein; or

4. such person is a registered holder of securities as a result of carrying on the business of or acting as a nominee of a securities depository.

Definition of "Separation Time"

Separation Time occurs on the tenth trading day after the earlier of the following dates, or such later date as may be determined by the Board of Directors:

1. the first date of public announcement of facts indicating that a person has become an Acquiring Person;

2. the date of the commencement or announcement of the intent of a person to commence a Take-over Bid (other than a Permitted Bid or Competing Bid (as such terms are defined below)) or such later date as determined by the Board of Directors; and

3. the date on which a Permitted Bid or Competing Bid ceases to qualify as such; or such later date as determined by the Board of Directors.

Definition of "Expiration Time"

Expiration Time occurs on the date being the earlier of:

1. the time at which the right to exercise Rights is terminated under the terms of the Rights Plan; and

2. the date immediately after the Corporation's annual meeting of shareholders to be held in 2014.

Definition of a "Flip-in Event"

A Flip-in Event occurs when a person becomes an Acquiring Person. Upon the occurrence of a Flip-in Event, any Rights that are beneficially owned by an Acquiring Person or by certain persons related to the Acquiring Person or by persons to whom the Acquiring Person has transferred its Rights will become null and void as a result of which the Acquiring Person's investment in the Corporation would be greatly diluted if a substantial portion of the Rights are exercised after a Flip-in Event occurs.

Definition of "Permitted Bid"

A Permitted Bid is a Take-over Bid made by an Offeror (as defined in the Rights Plan) pursuant to a Take-over Bid circular that complies with the following conditions:

1. the bid is made to all registered holders of Voting Shares and Variable Voting Shares (other than Shares held by the Offeror);

2. the Offeror agrees that no Shares will be taken up or paid for under the bid for 60 days following the commencement of the bid and that no Shares will be taken up or paid for unless more than 50% of the outstanding Voting Shares and Variable Voting Shares (on a combined basis) held by Independent Shareholders have been deposited pursuant to the bid and not withdrawn;

3. the Offeror agrees that the Shares may be deposited to the Take-over Bid at any time before its expiry, unless the Take-over Bid is withdrawn, and Shares deposited to the Take-over Bid may be withdrawn at any time until taken up or paid for; and

4. if the condition in paragraph 2 above is satisfied, the bid shall remain open for an additional period of at least 10 business days to permit the remaining shareholders to tender their Shares.

Definition of "Competing Bid"

A Competing Bid is a Take-over Bid that:

1. is made while another Permitted Bid is in existence; and

2. satisfies all the requirements of a Permitted Bid except that the Shares under a Competing Bid may be taken up on a date that is no earlier than the date which is the later of 35 days after the Competing Bid was made and 60 days after the earliest date on which any other Permitted Bid or Competing Bid that was then in existence was made, and only if at that date more than 50% of the outstanding Voting Shares and Variable Voting Shares (on a combined basis) held by Independent Shareholders have been deposited pursuant to the bid and not withdrawn.

Definition of "Permitted Lock-Up Agreement"

A Permitted Lock-Up Agreement is an agreement between a person making a Take-over Bid (the "**Lock-up Bid**") and one or more holders (each a "**Locked-up Person**") of Shares pursuant to which such Locked-up Persons agree to deposit or tender Shares to Lock-up Bid and where the agreement:

1. (i) permits the Locked-up Person to withdraw Shares in order to tender or deposit such Shares to another Take-over Bid (or terminate the agreement in order to support another transaction) that represents an offering price for each Share that exceeds, or provides a value for each Share that is greater than, the offering price or value represented by or proposed to be represented by the Lock-up Bid; or

   (ii) permits the Locked-up Person to withdraw Shares in order to tender or deposit such Shares to another Take-over Bid (or terminate the agreement in order to support another transaction) that represents an offering price for each Share that exceeds, or provides a value for each Share that is greater than, the offering price or value represented by or proposed to be represented by, the Lock-up Bid by as much or more than a specified amount not greater than 7% of the offering price or value that is represented by the Lock-up Bid; and

2. permits the Locked-up Person to withdraw Shares in order to tender or deposit such Shares to another Take-over Bid (or terminate the agreement in order to support another transaction) if the number of Shares to be purchased under such other Take-over Bid or transaction exceeds the number of Shares offered to be purchased under the Lock-up Bid by as much or more than a specified number of Shares not greater than

7% of the number of Shares offered to be purchased under the Lock-up Bid, at an offering price for each Share that is not less, or provides a value for each Share that is not less than, the offering price or value represented by or proposed to be represented by the Lock-up Bid; and

3. provides for no "break-up" fees, "top-up" fees, penalties, payments, expenses or other amounts that exceed in the aggregate the greater of: (i) the cash equivalent of 2.5% of the price or value payable under the Lock-up Bid to the Locked-up Person, and (ii) 50% of the amount by which the price or value payable under another Take-over Bid or another transaction to a Locked-up Person exceeds the price or value of the consideration that such Locked-up Person would have received under the Lock-up Bid, to be payable, directly or indirectly, by such Locked-up Person pursuant to the agreement if any Locked-up Person fails to tender Shares pursuant thereto or withdraws Shares previously tendered thereto in order to tender such Shares to another Take-over Bid or support another transaction.

Fiduciary Duties of Directors

The Rights Plan will not detract from or lessen duties of the Board of Directors, including the duty to act honestly and in good faith with a view to the best interests of the Corporation and its shareholders. The Board will continue to have the duty and power to take such actions and make such recommendations to the Corporation's shareholders as are considered appropriate.

Redemption of Rights

The Rights may be redeemed by the Board at its option with the prior approval of the shareholders at any time before a Flip-in Event occurs at a redemption price of $0.00001 per Right. In addition, the Rights will be redeemed automatically in the event of a successful Permitted Bid, Competing Bid or a bid for which the Board has waived, in accordance with the provisions of the Rights Plan, the operation of the Rights Plan.

Waiver

Before a Flip-in Event occurs, the Board may waive the application of the Flip-in provisions of the Rights Plan to any prospective Flip-in Event which would occur by reason of a Take-over Bid made by a Take-over Bid circular to all registered holders of Voting Shares and Variable Voting Shares. However, if the Board waives the Rights Plan with respect to a particular bid, it will be deemed to have waived the Rights Plan with respect to any other Take-over Bid made by Take-over Bid circular to all registered holders of Voting Shares and Variable Voting Shares before the expiry of that first bid.

The Board may also waive the "Flip-in" provisions of the Rights Plan in respect of any Flip-in Event provided that the Board has determined that the Acquiring Person became an Acquiring Person through inadvertence and on the condition that such Acquiring Person reduces its ownership to such a level that it is no longer an Acquiring Person.

Finally, the Board may waive the "Flip-in" provisions of the Rights Plan in respect of any Flip-in Event provided that the Acquiring Person has reduced its ownership or has entered into a contractual arrangement with the Corporation or other acceptable undertaking to do so such that at the time the waiver becomes effective such person is no longer an Acquiring Person.

Other waivers of the "Flip-in" provisions of the Rights Plan will require prior approval of the shareholders of the Corporation.

Term of the Rights Plan

The Rights Plan will be in effect until the close of business on the date immediately following the date of the Corporation's annual meeting of shareholders to be held in 2014, unless terminated earlier in accordance with the Rights Plan.

Amending Power

Except for minor amendments to correct clerical or typographical errors and amendments to maintain the validity of the Rights Plan as a result of a change in any applicable legislation or regulations or rules thereunder, including the *Canada Transportation Act*, consent of shareholders is required for amendments to the Rights Plan before the Separation Time and consent of the holders of Rights is required for amendments to the Rights Plan after the Separation Time and before the Expiration Time.

Rights Agent

CIBC Mellon Trust Company.

Rightholder not a Shareholder

Until a Right is exercised, the holder thereof as such will have no rights as a shareholder of the Corporation.

SCHEDULE "C"

AIR CANADA

CHARTER OF THE BOARD OF DIRECTORS

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 interests 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 or her term beyond the regular retirement age, provided however that such extension is requested in one-year increments.

IV. COMPENSATION

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

V. RESPONSIBILITIES

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

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

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

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

(d) appointing the Corporation's Chief Executive Officer, 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 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 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 retirement 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 the retirement plans, the Board shall be responsible for the following:

(I) <u>Plan Design</u>

The Board shall approve all decisions to initiate, merge, split, terminate, and/or otherwise fundamentally change the nature of the pension arrangement for all retirement plans, with the exception of small foreign plans established outside the United States and the United Kingdom where the expected impact of such decisions on the Corporation is not material.

(II) <u>Governance</u>

The Board shall approve a governance structure for the retirement plans which sets out the major decision-making bodies and their key decision-making and reporting responsibilities.

(III) <u>Valuation and Funding</u>

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

(IV) <u>Supplemental Executive Retirement Plans</u>

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

(ii) *Funding and Contributions* – The Board shall approve any decision on whether or not to fund or otherwise secure the liabilities of a supplementary retirement plan 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 the plan’s liabilities. The Board shall also review the contributions to the plan’s trust fund as approved by the Pension Committee.

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.

May 5, 2010