Court File No. 500-11-042912-127

QUEBEC
SUPERIOR COURT
(COMMERCIAL DIVISION)

IN THE MATTER OF THE *CANADA BUSINESS CORPORATIONS ACT*

AND IN THE LIQUIDATION OF
ACE AVIATION HOLDINGS INC.

FIFTH REPORT OF THE LIQUIDATOR DATED MAY 20, 2016

INTRODUCTION

1. On June 28, 2012, ACE Aviation Holdings Inc. ("**ACE**") applied for and obtained a court order (the "**Liquidation Order**") appointing Ernst & Young Inc. as the court-appointed liquidator of ACE pursuant to the *Canada Business Corporation Act* (the "**Liquidator**").

PURPOSE

2. The purpose of this report of the Liquidator (the "**Fifth Report**") is to provide this Court with an update in respect of the following:

   a. the liquidation activities;

   b. status of the Liquidator's claims processes of ACE and ACE's subsidiaries ACTS LP and 4378555 Canada Inc.;

   c. the Liquidator's request for an order exempting ACE from the requirement to call and hold an Annual Meeting of Shareholders for the year ended on December 31, 2015 ("**Shareholders Meeting Order**"); and

d. the Liquidator's request for an order approving an interim distribution of approximately $12 million to the shareholders of ACE.

TERMS OF REFERENCE

3. In preparing this Fifth Report, the Liquidator has relied upon certain unaudited financial information and other information obtained from third parties. The Liquidator has not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of this information and, accordingly, the Liquidator expresses no opinion or other form of assurance on the related information contained in this Fifth Report.

4. Capitalized terms not defined in this Fifth Report are as defined in previous Reports of the Liquidator or in the Claims Process Order.

5. All monetary amounts contained herein are expressed in Canadian dollars.

GENERAL BACKGROUND

6. On April 25, 2012, the shareholders of ACE approved a special resolution providing for the voluntary liquidation of ACE pursuant to Section 211 of the *Canada Business Corporations Act*, through distribution of its remaining assets to shareholders, after providing for outstanding liabilities, contingencies and costs of the liquidation (the "**Liquidation Resolution**").

7. On June 28, 2012, this Court issued an order granting the liquidation motion and appointing Ernst & Young Inc. as Liquidator of all the present and future undertakings, property and assets of ACE (the "**Liquidation Order**").

8. The Liquidation Order provides, among other things, that:

a. the powers of the directors and shareholders are vested in the Liquidator; and

b. the Liquidator shall report periodically to the Court as to the status of the Claims Process.

9. On February 22, 2013, ACE filed an "*Application for an Order Establishing a Claims Process*" with this Honourable Court. On February 25, 2013, Justice Mark Schrager issued an order approving, establishing a process for the identification, resolution and barring of claims and other contingent liabilities against ACE (the "**Claims Process Order**").

10. On April 19, 2013, May 20, 2014 and May 8, 2015, this Court issued orders exempting ACE from the requirement to hold a shareholder meeting with respect to the financial years ended December 31, 2012, December 31, 2013 and December 31, 2014, respectively.

11. On May 20, 2014 this Court issued an order confirming a group acting on behalf of certain air cargo customers of Air Canada (the "**Stichting Compensation Foundation**") and the air cargo customers of Air Canada that the group purports to represent are barred from advancing a claim against ACE in its liquidation process and shall not be entitled to receive any amount from the Liquidator in connection with ACE's liquidation process.

12. On May 9, 2014, ACE filed an "*Application for an Order Relating to the Remaining Subsidiaries of ACE Aviation Holdings Inc.*" with this Honourable Court. On May 9, 2014, Justice Chantal Corriveau issued an order to establish a process for the identification, resolution and barring of any claims or other contingent liabilities against ACTS LP and its general partner 4378555 Canada Inc. (the "**General Partner**"), the two remaining subsidiaries of ACE which are inactive (the "**Subsidiary Claims Process Order**").

13. On May 8, 2015, ACE filed an "*Application for an Order authorizing the Liquidator to proceed with a distribution to the Shareholders*" with this Honourable Court. On May 8, 2015, Justice Mongeon issued an order authorizing the

Liquidator to establish a record date and payment date and proceed with a distribution of $115 million to the Shareholders pursuant to the Liquidation Order.

14. The Liquidator has made various materials relating to the liquidation available on its website at www.ey.com/ca/aceaviation.

LIQUIDATION ACTIVITIES

15. The activities of the Liquidator from June 28, 2012 to April 29, 2015 are set out in previous reports of the Liquidator which have been filed with the Court and are posted on the Liquidator's website at www.ey.com/ca/aceaviation.

16. As at April 30, 2016, ACE's cash holdings were approximately $18.9 million. During the aggregate period of time from the appointment of the Liquidator to April 30, 2016, the Liquidator has generated a total of approximately $62.6 million in receipts including approximately $58 million from the sale of Air Canada shares and warrants as set out in the Liquidator's First Report, approximately $4.2 million in interest revenue and approximately $0.4 million in QST and HST refunds. During the same period, the Liquidator made disbursements totalling approximately $2.8 million including approximately $0.5 million in respect of liabilities arising prior to the date of the Liquidator's appointment, approximately $2.0 million in costs incurred during the liquidation period, approximately $0.2 million in respect of QST, HST and PST. In addition, ACE made an interim distribution to shareholders of ACE of $115 million pursuant to the Liquidation Order which was described above. A summary of ACE's receipts and disbursements is attached as Appendix "**A**".

ACE AND ITS SUBSIDIARIES CLAIMS PROCESS UPDATE

17. Pursuant to the Claims Process Order, creditors of ACE had until May 13, 2013 (the "**Claims Bar Date**") to file their proof of claims, failing which their claims would be barred and extinguished.

18. A summary of the claims filed with the Liquidator further to the Claims Process Order is attached at Appendix **"B**".

19. The Liquidator received a total of 24 claims with an aggregate claim value of approximately $252.7 million. In accordance with the Claims Process Order, the Liquidator has reviewed each individual claim, initiated discussions with individual claimants as appropriate in an effort to consensually resolve the claims and issued notices of disallowance as appropriate. The current status of these claims is as follows:

    a. 2 claims have been accepted as Valid Contingent Claims (as defined in the Claims Process Order). These claims were filed by Air Canada and Aveos Fleet Performance Inc. in the approximate amounts of $50.1 million and $1.6 million respectively. These claims related to certain tax indemnities granted to the parties by ACE;

    b. 21 claims with an aggregate value of $201 million have either been withdrawn by the claimant or disallowed by the Liquidator with no Notice of Dispute having been filed by the claimant in accordance with the Claims Process Order; and

    c. 1 claim in the amount of $20,000 was filed by a shareholder which does not have creditor status. The claim was disallowed by the Liquidator and the claimant has filed a Notice of Dispute. This claim remains unresolved and the Liquidator continues to make efforts to consensually resolve the claim with the claimant.

20. Pursuant to the Subsidiary Claims Process Order, creditors of ACTS LP and its general partner, 4378555 Canada Inc. (the "**General Partner**") had until July 18, 2014 (the "**Subsidiary Claims Bar Date**") to file their proof of claims, failing which their claims would be barred and extinguished.

21. A summary of the claims filed with the Liquidator further to the Subsidiary Claims Process Order is attached at Appendix **"C**";

22. The Liquidator received a total of 2 contingent claims, one against ACTS LP for an aggregate claim value of approximately $43.8 million, and a similar claim against the General Partner of ACTS LP for the same amount and with respect to the same potential contingent liability than the claim filed against ACTS LP. The current status of these claims is as follows:

    a. 1 contingent claim was filed against ACTS LP and a similar contingent claim was filed against the General Partner, each had been accepted as Valid Contingent Claim pursuant to the Subsidiary Claims Process Order. The two contingent claims were duplicative of each other, in that one was filed against ACTS LP and a similar claim was filed against its General Partner. Each of these claims was filed by Air Canada for approximately $43.8 million. These claims are pursuant to agreements dated November 25, 2010 and November 28, 2011 between Air Canada, ACE and ACTS LP in which ACTS LP agreed to indemnify Air Canada for an eventual reassessment of certain input tax credit refund claims, as further described in the financial statements of ACE.

23. The two contingent claims filed by Air Canada were duplicative of the contingent claims filed by Air Canada against ACE pursuant to the Claims Process Order.

24. On May 18, 2016 the Liquidator sent a letter to Air Canada confirming its understanding that CRA's reassessment period against ACE in respect of certain tax liabilities has expired and that as a result, ACE no longer has any contingent liability owing to Air Canada.

ANNUAL MEETING OF SHAREHOLDERS

25. As described in the Fourth Report, the *Canada Business Corporations Act* and the Liquidation Order provide that, as a result of the appointment of the Liquidator, the powers of the shareholders of ACE ceased and vested in the Liquidator. Accordingly, there would be no purpose in holding an annual meeting of shareholders of ACE since the powers of the shareholders are vested in the Liquidator.

26. As noted above, orders exempting ACE from the requirement to call and hold an annual meeting of shareholders for the years ended December 31, 2012, December 31, 2013 and December 31, 2014 have been issued by this Court.

27. The Liquidator is seeking a further order from this Court that no shareholder meeting shall be called or held by ACE in 2016 with respect to the financial year ended on December 31, 2015.

28. As in prior years, the Liquidator has issued a press release in conjunction with the release of the 2015 financial statements and posted it at the Liquidator's website providing notice that ACE does not plan to hold an annual shareholder meeting in 2016 with respect to the financial year ended on December 31, 2015. Shareholders who have questions or require additional information with respect to ACE and the liquidation process were directed to contact the Liquidator by telephone or fax.

29. The Liquidator estimates that the costs associated with the preparation, printing and mailing of the management information circular and the holding of a meeting could amount to between $80,000 and $100,000 including fees of ACE's transfer agent, Canadian Stock Transfer Company.

30. In view of the above, it is the recommendation of the Liquidator that no shareholder meeting should be held for the year ended on December 31, 2015.

31. Since the date of its appointment, the Liquidator has continually prepared and filed on SEDAR consolidated quarterly and annual financial statements in respect of ACE in accordance with the requirements of applicable securities laws. Most recently, the Liquidator has prepared the Annual Financial Statements for the year ended December 31, 2015 and accompanying Management Discussion and Analysis ("**MD&A"**) which was filed with Canadian securities regulatory agencies and made available to Shareholders on the Liquidator's website at www.ey.com/ca/aceaviation and on ACE's SEDAR profile at www.sedar.com on April 29, 2016. A copy of these Annual Financial Statements and MD&A are attached at Appendix "**D**".

INTERIM DISTRIBUTION

32. On May 9, 2012, ACE declared a distribution in the aggregate amount of $275,000,000 (or approximately $8.46 per common share) to common shareholders of record as of June 1, 2012, which was paid on June 8, 2012. This distribution represented the initial distribution to shareholders of amounts to be paid in the course of the voluntary liquidation of ACE pursuant to Section 211 of the Canada Business Corporations Act.

33. As described in ACE's 2015 financial statements, further distributions of ACE's remaining net cash to its shareholders are subject to the approval of this Court.

34. As described above, only 1 claim in the amount of $20,000 remains unresolved in the Claims Process. Two claims filed by Air Canada in the Subsidiary Claims Process had been accepted as Valid Contingent Claims, but were otherwise duplicative of the similar claim contingent claim filed by Air Canada against ACE.

35. The total potential maximum contingent liability of ACE under the indemnity agreements in favour of Air Canada initially totalled $50,161,321.25. Based on the last remaining reassessment period for the input tax credits covered by the indemnity having expired at the beginning of 2016, the potential contingent liability has expired. A schedule summarizing the expiration dates of the contingent tax

indemnities which are covered by the proof of claim filed by Air Canada against ACE is attached at appendix "**E**".

36. Since the proof of claims filed by Air Canada against ACTS LP and its General Partner are duplicative of the proof of claim filed by Air Canada against ACE, any remaining contingent liability of ACTS LP and its General Partner to Air Canada under the indemnity agreements have also expired.

37. The full amount of the potential contingent liability of ACE under the indemnity agreement in favour of Aveos has expired based upon the expiration in 2014 of the reassessment period for the input tax credits covered by the indemnity.

38. ACE previously received tax clearance certificates from Canada Revenue Agency and Revenue Quebec for the taxation years up to and including December 31, 2010. On August 21, 2015, ACE received a tax clearance certificate from the Canada Revenue Agency in connection with all taxation years ended on or prior to December 31, 2013. Currently, the Liquidator does not expect that ACE has or will incur any significant income tax liability for the years 2014 and beyond.

39. As a result of the above, the Liquidator is of the view that an interim distribution in the amount of $12 million would be appropriate. This would leave the Liquidator with a remaining reserve of approximately $6.9 million which the Liquidator considers to be sufficient to cover: (i) a reasonable reserve to address any potential indemnity claims by former directors or officers of ACE as contemplated in paragraph 30 of the Liquidation Order; (ii) a reasonable reserve to address any potential additional tax liabilities that may arise in respect of ACE; and (iii) other issues or expenses that may occur or be incurred until the dissolution of ACE.

All of which is respectfully submitted this 20th day of May 2016.

ERNST & YOUNG INC.
In its capacity as Liquidator of ACE Aviation Holdings Inc.

Per:

Sharon Hamilton

Sharon S. Hamilton
Senior Vice-President

APPENDIX A
ACE's receipts and disbursements

	June 28, 2012 to December 31, 2012	January 1, 2013 to December 31, 2013	January 1, 2014 to December 31, 2014	January 1, 2015 to December 31, 2015	January 1, 2016 to April 30, 2016	Total
Receipts						
QST / HST / PST refund	193	126	27	67	26	438
Interest Earned	152	1,682	1,478	806	44	4,161
Sale of shares and warrants	58,036	-	-	-	-	58,036
Other	-	-	-	-	1	1
Total Receipts	**58,381**	**1,807**	**1,505**	**873**	**70**	**62,636**
Disbursements						
Pre-liquidation period						
QST / HST / PST paid	(78)	(3)	-	-	-	(80)
Corporate Tax	(69)	-	-	-	-	(69)
Professional fees	(122)	-	-	-	-	(122)
Canadian Stock Transfer (CST)	(18)	-	-	-	-	(18)
Air Canada services	(32)	-	-	-	-	(32)
Payroll	(154)	-	-	-	-	(154)
Other	(7)	-	-	-	-	(7)
Subtotal Pre-liquidation disbursemen	(480)	(3)	-	-	-	(483)
Post-liquidation period						
QST / HST / PST paid		(80)	(68)	(57)	(13)	(217)
Corporate Tax	-	-	-	-	-	-
Professional fees	(305)	(426)	(363)	(284)	(46)	(1,424)
Transfer Agent Fees	(13)	(58)	(45)	(46)	(31)	(192)
Air Canada services	(41)	(48)	(30)	(30)	(10)	(159)
Audit and filing Fees	-	(73)	(76)	(70)	(8)	(228)
Other	(17)	(9)	(12)	(8)	(0)	(46)
Subtotal Post-liquidation disbursemen	(375)	(694)	(594)	(495)	(108)	(2,267)
Post-liquidation period						
Interim Distribution	-	-	-	(115,000)	-	(115,000)
Total Disbursements	**(855)**	**(696)**	**(594)**	**(115,495)**	**(108)**	**(117,750)**
Opening Cash Balance	-	131,504	132,614	133,526	18,903	-
Cash balance transferred from ACE	73,978	-	-	-	-	73,978
Net inflow / (outflow)	57,526	1,111	911	(114,622)	(38)	(55,113)
Closing cash position	**131,504**	**132,614**	**133,526**	**18,903**	**18,865**	**18,865**

APPENDIX B
Summary of Claims Process Claims

ACE Aviation Holdings Inc.

Claims Summary

As at April 30, 2016

Proofs of Claim Filed [1]		Under Review		Claims Accepted [2]		Claims Disallowed / Withdrawn		Claims Disputed	
#	$	#	$	#	$	#	$	#	$
24	252,704,161	-	-	2	51,761,356	21	200,922,805	1	20,000

Notes:

Note 1: Claims denominated in a currency other than Canadian dollars were converted using June 28, 2013 foreign exchange rates by the Liquidator.

Note 2: Air Canada and Aveos Fleet Performance Inc. claims were accepted by the Liquidator as Valid Contingent Claims in the amounts of $50.1 million and $1.6 million respectively As the underlying indemnities giving rise to these claims have since expired, the Liquidator is of the view that the contingent liability has been extinguished and that ACE has no further liability to Air Canada or Aveos.

APPENDIX C
Summary of Subsidiary Claims Process Claims

Subsidiary Claims Process

Claims Summary

As At April 30, 2016

Proofs of Claim Filed [1]		Under Review		Claims Accepted [2]		Claims Disallowed / Withdrawn		Claims Disputed	
#	$	#	$	#	$	#	$	#	$
2	43,794,621	-	-	2	43,794,621	-	-	-	-

Notes:

Note 1: Claims denominated in a currency other than Canadian dollars were converted using June 28, 2013 foreign exchange rates by the Liquidator.

Note 2: A claim filed by Air Canada was accepted by the Liquidator as Valid Contingent Claims in the amount of approximately $43.8 million against each of ACTS LP and its general partner, 4378555 Canada Inc. As the underlying indemnities giving rise to these claims have since expired, the Liquidator is of the view that the contingent liability has been extinguished and that ACE has no further liability to Air Canada.

APPENDIX D

2015 Annual Financial Statements and MD&A

ACE AVIATION

Consolidated Financial Statements and Notes
2015

April 29, 2016

April 29, 2016

Independent Auditor's Report

To the Shareholders of ACE Aviation Holdings Inc.

We have audited the accompanying consolidated financial statements of ACE Aviation Holdings Inc. which comprise the consolidated statement of net assets in liquidation as at December 31, 2015 and December 31, 2014 and the consolidated statements of changes in net assets in liquidation and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of ACE Aviation Holdings Inc. as at December 31, 2015 and December 31, 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

PricewaterhouseCoopers LLP
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Matter of emphasis

We draw attention to note 1 to the consolidated financial statements which describes the liquidation basis of accounting and certain uncertainties as a result of the Corporation's intent to liquidate. Our opinion is not qualified in respect to this matter.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Consolidated Statement of Net Assets in Liquidation

(Canadian dollars in thousands except per share figures)		As at December 31 2015	As at December 31 2014
ASSETS			
Cash and cash equivalents	Note 4	$ 18,998	$ 10,738
Short-term investments	Note 4	-	123,019
Commodity taxes receivable		152	166
		$ 19,150	**$** 133,923
LIABILITIES			
Accounts payable and accrued liabilities		193	238
		$ 193	**$** 238
NET ASSETS IN LIQUIDATION		**$ 18,957**	**$ 133,685**
NET ASSETS IN LIQUIDATION PER SHARE			
Basic and Diluted	Note 6	$ 0.58	$ 4.12

Contingencies, guarantees and indemnities [Notes 5 and 10]

The accompanying notes are an integral part of these financial statements.

Ernst & Young Inc.,
In its capacity as Court-appointed Liquidator of ACE Aviation Holdings Inc.
and not in its personal capacity

Per: (signed) Sharon Hamilton

Consolidated Statement of Changes in Net Assets in Liquidation

(Canadian dollars in thousands except per share figures)		Year Ended December 31 2015	2014
Net assets in liquidation, beginning of year		**$ 133,685**	**$ 132,744**
Interest income		587	1,488
Administrative and other expenses		(315)	(547)
Income before taxes		**272**	**941**
Provision for income taxes	Note 5	-	-
Income for the year		**272**	**941**
Distribution to common shareholders	Note 1	**(115,000)**	**-**
Net assets in liquidation, end of year		**$ 18,957**	**$ 133,685**
Income per share			
Basic and Diluted	Note 7	$ 0.01	$ 0.03

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Cash Flows

(Canadian dollars in thousands)		Year Ended December 31 2015	2014
Cash flows from (used for)			
Income for the year		$ 272	$ 941
Changes in non-cash working capital balances		(31)	(32)
		241	**909**
Financing			
Distribution to common shareholders	Note 1	(115,000)	-
		(115,000)	**-**
Investing			
Decrease (increase) in short-term investments	Note 4	123,019	(1,381)
		123,019	**(1,381)**
Increase (decrease) in cash and cash equivalents		**8,260**	**(472)**
Cash and cash equivalents, beginning of year		10,738	11,210
Cash and cash equivalents, end of year	Note 4	**$ 18,998**	**$ 10,738**

The accompanying notes are an integral part of these financial statements.

For the years ended December 31, 2015 and 2014
(Canadian dollars in thousands except share amounts)

1. GENERAL INFORMATION, BASIS OF PRESENTATION

A) GENERAL INFORMATION

The accompanying consolidated financial statements (the "financial statements") are of ACE Aviation Holdings Inc. ("ACE"). ACE is incorporated and domiciled in Canada. The address of its registered office is 1155 René-Lévesque West, 40th Floor, Montreal, Québec, H3B 3V2, Canada.

ACE, which was incorporated on June 29, 2004, is an investment company that held aviation interests. Reference to the "Corporation" in the following notes to the financial statements refers to ACE and its wholly owned subsidiaries. On April 25, 2012, at ACE's annual and special meeting, ACE's shareholders approved a special resolution providing for an amendment to the articles of ACE pursuant to which all Class A variable voting shares and Class B voting shares of ACE were converted into a new class of common shares of ACE on a one-for-one basis.

The shareholders of ACE also approved a special resolution providing for the voluntary liquidation of ACE pursuant to Section 211 of the *Canada Business Corporations Act*, through distribution of its remaining assets to shareholders, after providing for outstanding liabilities, contingencies and costs of the liquidation, the appointment of a liquidator at a time to be determined by the board of directors of ACE and the ultimate dissolution of ACE in the future, once all the liquidation steps have been completed.

On May 9, 2012, ACE declared a distribution in the aggregate amount of $275,000 (or approximately $8.46 per common share) to common shareholders of record as of June 1, 2012, which was paid on June 8, 2012. This distribution represented the initial distribution to shareholders of amounts to be paid in the course of the voluntary liquidation of ACE pursuant to Section 211 of the *Canada Business Corporations Act*.

On June 28, 2012, the Superior Court of Québec (Commercial Division) (the "Court") issued an order appointing Ernst & Young Inc. as liquidator of ACE (the "Liquidator"). Effective June 28, 2012, all of the directors and officers of ACE resigned from their positions and the Liquidator was vested with the powers of the directors of ACE.

On July 16, 2012, ACE announced that the TSX advised ACE that it no longer met the continued listing requirements of the TSX as a result of the previously announced appointment of the Liquidator of ACE and the resignation of all of the directors and officers of ACE. The TSX advised ACE that if it did not voluntarily delist by September 14, 2012, the TSX would delist its common shares. As a result, ACE delisted its common shares from the TSX effective at the close of business on September 14, 2012.

ACE transferred the listing of its common shares from the TSX to the NEX board of the TSX Venture Exchange on September 17, 2012, the trading day immediately following the delisting from the TSX.

Pursuant to an order issued by the Court on February 25, 2013, the Liquidator established a process for the identification, resolution and barring of claims and other contingent liabilities against ACE. Creditors had until May 13, 2013 to file their proofs of claim, failing which their claims would be barred and extinguished.

In response to ACE's claims process, Air Canada filed a contingent claim related to the previously disclosed tax indemnities which are described herein under Note 5 – Taxes. The contingent claim, in the amount of $50,161 covered any eventual reassessment of Air Canada's input tax credit refund claims plus any related interest and ancillary legal costs. The reassessment periods for substantially all of the input tax credit claims covered by the indemnity in favour of Air Canada expired in 2014 and 2015, and the remaining reassessment period expired at the beginning of 2016. Aveos filed a similar contingent claim in the amount of $1,600 with respect to any eventual reassessment of input tax credit refund claims and any related interest and ancillary costs referred to under Note 5 – Taxes (Certificate of Discharge and Tax Audits). The reassessment periods for the input tax credit claims covered by the indemnity in favour of Aveos expired at the end of 2014.

In 2013, ACE also received a claim from a plaintiff relating to a proposed class action initiated in the Ontario Superior Court of Justice by the plaintiff against Air Canada and ACE Aviation Holdings Inc., which alleged that Air Canada improperly charged the plaintiff and other class members for certain United States taxes in connection with the sale of airfare. The plaintiff alleged that as the former parent or shareholder of Air Canada, ACE was liable for the acts of Air Canada. The plaintiff therefore filed a proof of claim against ACE in the liquidation claims process in the amount of $200,000, pending determination of the allegedly overcharged amounts. No breakdown or calculation was provided in relation to the amount claimed. ACE was of the view that this claim against ACE had no merit given that ACE is a separate entity from Air Canada and that ACE never sold airfare. Accordingly, the Liquidator delivered a notice of disallowance to the plaintiff and the plaintiff did not contest the notice of disallowance prior to the expiry date for such contestation. The plaintiff subsequently agreed to formally discontinue the action against ACE in the Ontario Superior Court of Justice.

In addition, the Liquidator received a letter from a group acting on behalf of certain air cargo customers (the "Stichting Compensation Foundation") claiming an unspecified amount of compensation from ACE in connection with surcharges for fuel and security for the period from January 1, 2000 to December 31, 2006, which are alleged to have been implemented by certain air cargo carriers in violation of European Union competition law. The Stichting Compensation Foundation relied on a decision of the European Commission issued on November 9, 2010 pursuant to which the European Commission imposed fines on eleven air cargo carriers, including Air Canada the former subsidiary of ACE, for such alleged actions. The decision of the European Commission is being appealed by the air cargo carriers. The Stichting Compensation Foundation did not file a claim in the Liquidation. ACE was of the view that the Stichting Compensation Foundation's claim was barred and had no merit in any event given that ACE is a separate entity from Air Canada, ACE has never operated an air cargo business or sold cargo fares and no penalties, fines or other measures were imposed or taken by the European Commission against ACE. On May 20, 2014, the Court issued an order confirming that the Stichting Compensation Foundation and the air cargo customers that it purports to represent are barred from advancing a claim against ACE in its liquidation process and shall not be entitled to receive any amount from the Liquidator in connection with ACE's liquidation process.

The only remaining subsidiaries of ACE are ACTS LP and its general partner, 4378555 Canada Inc. ACTS LP previously operated a business of aircraft maintenance, repair and overhaul prior to the sale of its business to a consortium of private equity firms in October 2007. ACTS LP does not have any assets, and has not carried on any business since October 2007. The Liquidator is not aware of any liabilities or contingent liabilities of ACTS LP. In order to ensure that there are no such liabilities or contingent liabilities against ACTS LP and in anticipation of its eventual dissolution, the Liquidator established a process for the identification, resolution and barring of any claims or other contingent liabilities against ACTS LP and its general partner. Pursuant to an order issued by the Court on May 20, 2014, any potential creditors of ACTS LP and its general partner had until July 18, 2014 to file their proof of claims, failing which their claims against ACTS LP and its general partner would be barred and extinguished. The only proof of claim filed in response to such claims process was filed by Air Canada with respect to certain of the indemnity arrangements referred to above which were entered into by ACTS LP in addition to ACE. As a result of such tax indemnity arrangements entered into with Air Canada, ACTS LP could only be dissolved after the expiration of the indemnity arrangements. Since the last remaining reassessment period covered by such tax indemnity arrangements expired at the beginning of 2016, ACE will now proceed with the dissolution of ACTS LP and its general partner.

Given the results of the claims process referred to above and taking into account that the reassessment periods for the large majority of the input tax credit claims covered by the indemnity in favour of Air Canada had then expired, the Liquidator announced on April 28, 2015 that it intended to seek Court approval for a distribution to shareholders of ACE in the aggregate amount of $115,000, or approximately $3.54 per common share of ACE. The Court approved such distribution at a hearing held on May 8, 2015. The record date to determine shareholders entitled to receive the distribution was May 26, 2015 and the payment date for the distribution was June 2, 2015. Further to such distribution, ACE's only remaining assets at December 31, 2015 consist of cash in an aggregate amount of approximately $18,998.

Given that the last reassessment period for the input tax credit claims covered by the indemnity in favour of Air Canada expired at the beginning of 2016, the Liquidator announced on April 29, 2016 that it intends to seek Court approval for a distribution to shareholders of ACE in the aggregate amount of $12,000. The Court hearing is scheduled for June 1, 2016. Any distribution to shareholders is subject to Court approval and there is no certainty as to the amount or timing of such distribution. The record date and payment date for such a distribution would be announced upon receipt of approval from the Court and such dates are expected to be in June 2016.

Following the interim distribution to shareholders of $12,000 expected to occur in June 2016, ACE's only remaining assets are expected to consist of cash in an aggregate amount of approximately $7,000.

During the remainder of 2016, ACE will complete the remaining corporate, administrative and tax processes to facilitate its dissolution and the final distribution of the remaining cash of ACE prior to its dissolution. ACE currently expects that such final distribution and dissolution will occur within the next twelve months.

The final distribution to shareholders, the cancellation of the shares of ACE and the dissolution of ACE will not occur until all necessary corporate, administrative and tax measures to dissolve ACE are completed and until the settlement of any remaining contingencies that may arise in connection with the remaining liquidation and dissolution steps of ACE. There is no certainty as to the timing or amount of such final distribution, cancellation of shares and dissolution.

The Corporation prepares its financial statements in accordance with generally accepted accounting principles in Canada ("GAAP") as set out in the Handbook of the Canadian Institute of Chartered Professional Accountants – Part 1 ("CICA Handbook") which incorporates International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

B) BASIS OF PRESENTATION

The basis of preparing its financial statements is the liquidation basis of accounting.

The financial statements do not include costs to liquidate the assets of the Corporation, settle any contingent liabilities or future administrative costs and professional fees to wind-up the activities of the Corporation. These costs may be material and the amounts disclosed as net assets in liquidation in total or on a per share basis will change. The actual amounts available for distribution to shareholders will change and such changes may be material.

These financial statements were approved by the Liquidator for issue on April 29, 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are based on the accounting policies as described below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Under the liquidation basis of accounting, the Corporation measures its assets based on their net realizable value and its liabilities based on settlement amounts..

A) BASIS OF MEASUREMENT

These financial statements have been prepared primarily using amortized cost for the accounting for financial instruments assets and liabilities.

B) PRINCIPLES OF CONSOLIDATION

These financial statements include the accounts of the Corporation and certain inactive subsidiaries.

C) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include investments in bankers' acceptances and bankers' discount notes that are readily convertible to known amounts of cash and are subject to insignificant changes in fair value and have original maturities of three months or less.

D) SHORT-TERM INVESTMENTS

Short-term investments comprise bankers' acceptances and bankers' discount notes that have original maturities over three months, but not more than one year.

E) FINANCIAL INSTRUMENTS

The Corporation accounts for its financial instruments using IFRS 9 "Financial Instruments". Financial assets and liabilities are recognized when the Corporation becomes party to the contract and are initially measured at fair value. Measurement in subsequent periods is dependent upon the classification of the financial instrument. Cash and cash equivalents are classified as loans and receivables and measured at amortized cost. Short term investments are classified at fair value through profit or loss and measured at fair value at each period end with changes in fair value recorded in the Changes in Net Assets in Liquidation.

Financial liabilities are initially recognized at fair value and subsequently measured at amortized cost.

F) PROVISIONS

Provisions are recognized when there is a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the obligation. If the effect of the time value of money is significant, the expected cash flows are discounted using a rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized in profit or loss. Provisions do not include future costs to be incurred unless such costs represent onerous contracts. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

G) INCOME TAXES

The tax expense for the period comprises current and deferred income tax. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the jurisdictions where the Corporation and its subsidiaries operate and generate taxable income. ACE periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. ACE establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Interest and penalties related to income taxes are recognized in current income tax expense.

H) EARNINGS PER SHARE

Basic earnings per share ("EPS") is calculated by dividing the income for the period attributable to the shareholders of ACE by the weighted average number of common shares outstanding during the period.

Diluted EPS and net assets in liquidation per share are calculated by adjusting the weighted average number of common shares outstanding for dilutive potential common shares.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. Actual results could differ from those estimates.

Significant estimates made in the preparation of these financial statements include, but are not limited to, the following areas, with further information contained in the applicable accounting policy or note:

- Income taxes
    - Judgment and estimates are used in determining the appropriate rates and amounts in recording deferred income taxes, giving consideration to timing and probability of realization. Actual taxes could significantly vary from these estimates as a result of a variety of factors including future events, changes in income tax laws or the outcome of reviews by tax authorities and related appeals. The resolution of these uncertainties and the associated final taxes may result in adjustments to the Corporation's deferred and current tax assets and tax liabilities.

4. NET ASSETS IN LIQUIDATION

Cash and cash equivalents

As at December 31, 2015, ACE's cash and cash equivalents amounted to $18,998 (December 31, 2014 – $10,738). The Corporation did not hold any cash equivalents as at December 31, 2015 (December 31, 2014 – nil).

Short-term investments

As at December 31, 2015, ACE's short-term investments amounted to nil (December 31, 2014 – $123,019). Short-term investments comprise bankers' acceptances and bankers' discount notes that have original maturities over three months, but not more than one year. The average interest rate on short-term investments as at December 31, 2014 was 1.13% per annum.

5. TAXES

Income Tax Expense

The provision for income taxes differs from the amount that would have resulted from applying the statutory income tax rate to income before income tax expense as follows:

	2015	2014
Income (loss) before income taxes	$ 272	$ 941
Statutory income tax rate based on combined federal and provincial rates	26.90%	26.90%
Tax provision (recovery) based on statutory tax rates	73	253
Effects of:		
Tax rate changes on deferred income taxes	-	-
Recognition of deferred income tax assets	(73)	(253)
Provision for income taxes	**$ -**	**$ -**

The applicable statutory tax rates are 26.90% in 2015 and 26.90% in 2014. The Corporation's applicable tax rate is the Canadian combined rates applicable in the jurisdictions in which the Corporation operates.

Deferred Income Tax

Deferred income tax assets are recognized to the extent that the realization of the related tax benefit is probable. The Corporation has unrecognized benefits from loss carry forwards of $10,127 (2014 - $10,168) and deductible temporary differences of $13,018 (2014 - $13,248) for which no deferred tax assets are recognized. However, the future tax deductions underlying these deferred tax assets remain available for use in the future to reduce taxable income.

The balances of loss carry forwards vary amongst different taxing jurisdictions. The following are the Federal tax loss expiry dates:

	Tax Losses
2029	$ 2,823
2031	4.573
2032	2,731
	$ 10,127

As at December 31, 2015 ACE also has estimated net capital losses (after 50 per cent capital loss adjustment) of $576,857 (2014 - $576,857) that have no expiry date. These estimates are subject to revision.

Certificates of Discharge and tax audits

In March 2010, ACE applied for Certificates of Discharge from the Canada Revenue Agency ("CRA") and Revenu Québec.

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

On March 7, 2012, a tax clearance certificate was issued by the CRA in connection with all taxation years ended on or prior to December 31, 2010. On March 12, 2012, Revenu Québec issued an equivalent certificate authorizing the distribution of property up to $500,000. On August 21, 2015, ACE received a tax clearance certificate from the CRA in connection with all taxation years ended on or prior to December 31, 2013.

In connection with the process leading to the issuance of tax clearance certificates in favour of ACE for all taxation years ended on or prior to December 31, 2010, Revenu Québec conducted a sales tax audit of ACE and its subsidiaries in 2010 and 2011. Revenu Québec issued notices of reassessment in the amount of $37,700 primarily with respect to certain importations of aircraft parts on the basis that it was Air Canada, and not ACE's subsidiary ACTS LP, which should have paid GST and should have been allowed to claim the related refund. Revenu Québec also issued additional notices of reassessment in the amount of $7,400 relating, inter alia, to certain intercompany transactions on which Revenu Québec considers that ACE or ACTS LP should have charged Air Canada sales tax in the amount of $6,800. All such reassessments were paid by ACE and ACTS LP, and Air Canada paid an aggregate amount of approximately $40,140 to ACE and ACTS LP and then claimed additional GST/QST refunds for the same amount. ACE agreed to indemnify and hold harmless Air Canada should such refund claims be reassessed in the future. The reassessment periods for substantially all of the input tax credit claims covered by the indemnity in favour of Air Canada expired in 2014 and 2015, and the remaining reassessment period expired at the beginning of 2016.

A substantially similar process occurred with respect to GST payable on importation of aircraft parts on behalf of Aveos and Aveos agreed to claim additional GST refunds in the amount of $1,096 and to pay such amount to ACE to reimburse it for GST paid in connection with the importations. ACE agreed to indemnify and hold harmless Aveos should such refund claims be reassessed in the future. The reassessment periods for the input tax credit claims covered by the indemnity in favour of Aveos expired in 2014.

ACE has claimed an aggregate refund of $400 from the Canada Revenue Agency and Revenu Québec further to the expiration of a statute of limitation for reassessment of the income of an operating partnership in which ACE previously had an interest. ACE has applied to the tax authorities to obtain such refund. ACE does not currently intend to dissolve until it has collected or otherwise settled such refund.

See "Note 1 – General Information" for additional information relating to the proofs of claim filed by Air Canada and Aveos in connection with ACE's liquidation claims process and the claims process of ACTS LP and its general partner.

Administrative and other expenses for the year ended December 31, 2015 and December 31, 2014 include net provisions for other taxes of nil.

6. SHARE CAPITAL

The issued and outstanding common shares of ACE, are set out below.

Outstanding shares ('000s)	As at December 31 2015	As at December 31 2014
Issued and Outstanding		
Common Shares	32,475	32,475
Total issued and outstanding (1)	**32,475**	**32,475**

(1) This also represents the weighted average number of shares outstanding as at December 31, 2015 and December 31, 2014.

Terms of the Common Shares

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

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

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

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

7. EARNINGS PER SHARE

The following table outlines the calculation of basic and diluted income per share:

(in thousands, except per share amounts)	2015	2014
Numerator:		
Numerator for basic and diluted income per share:		
Net income for the year	$ 272	$ 941
Adjusted numerator for diluted income per share	**$ 272**	**$ 941**
Denominator:		
Denominator for basic income per share:		
Weighted-average shares	32,475	32,475
Basic income per share	**$ 0.01**	**$ 0.03**

The calculation of earnings per share is based on whole dollars and not on rounded thousands.
As a result, the above amounts may not be recalculated to the per share amount disclosed above.

8. FINANCIAL INSTRUMENTS AND FINANCIAL INSTRUMENT RISK MANAGEMENT

Summary of Financial Instruments

	Carrying Amounts				
	December 31, 2015				December 31, 2014
	Financial instruments classification				
	Financial assets at amortized cost	Financial assets at FVTPL	Financial liabilities at amortized cost	Total	
Financial Assets					
Cash and cash equivalents	$ 18,998	$ -	$ -	$ 18,998	$ 10,738
Short-term investments	-	-	-	-	123,019
	$ 18,998	$ -	$ -	$ 18,998	$ 133,757
Financial Liabilities					
Accounts payable and accrued liabilities	$ -	$ -	$ 193	$ 193	$ 238
	$ -	$ -	$ 193	$ 193	$ 238

There have been no changes in classification of financial instruments in the current year.

Risk Management

As at December 31, 2015, ACE's financial instruments include cash in the amount of $18,998 ($10,738 as at December 31, 2014), short-term investments in the amount of nil ($123,019 as at December 31, 2014) and accounts payable and accrued liabilities of $193 ($238 as at December 31, 2014). The risk exposure related to these holdings is described below.

<u>Liquidity risk</u>

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with its financial liabilities and contingencies. This risk is mitigated by the fact that as at December 31, 2015, the Corporation had cash of $18,998 and accounts payable and accrued liabilities of $193.

<u>Credit Risk</u>

Credit risk is the risk of loss due to a counterparty's inability to meet its obligations. The Corporation is exposed to credit risk from its cash and cash equivalents, the maximum exposure of which is represented by the carrying amounts reported on the balance sheet. This risk is mitigated by the fact that cash is held by major Canadian Banks.

<u>Market Risk</u>

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market factors. Market factors include three types of risks: currency risk, interest rate risk and price risk. The Corporation is primarily exposed to interest rate risk.

<u>Interest Rate Risk</u>

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Corporation is exposed to interest rate risk from its holding in cash of $18,998. The weighted average interest rate on ACE's cash as at December 31, 2015, is approximately 0.70 %, which results in limited downside risk.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Corporation is exposed to foreign currency risk from its holding in cash denominated in USD of $216. A 10% change in foreign exchange rates would impact the fair value of cash by $22.

9. CAPITAL DISCLOSURES

ACE is an investment holding company.

Capital managed by ACE is as follows:

	2015	2014
Net assets in liquidation	$ 18,957	$ 133,685
Capital	**$ 18,957**	**$ 133,685**

As at December 31, 2015, ACE's capital amounted to $18,957, a decrease of $114,728 during 2015.

The Liquidator announced on April 28, 2015 that it intended to seek Court approval for a distribution to shareholders of ACE in the aggregate amount of $115,000, or approximately $3.54 per common share of ACE. The Court approved such distribution at a hearing held on May 8, 2015. The record date to determine shareholders entitled to receive the distribution was May 26, 2015 and the payment date for the distribution was June 2, 2015.

10. CONTINGENCIES, GUARANTEES AND INDEMNITIES

Indemnification agreements

Refer to Note 1 (General Information) and Note 5 (Taxes – Certificates of Discharge and Tax Audits) for a description of indemnification agreements between ACE and Air Canada related to certain commodity tax reassessments. Also refer to Note 1 (General Information) for a description of the proofs of claim filed in response to ACE's claims process.

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ACE AVIATION

2015

Management's Discussion and Analysis

April 29, 2016

Table of Contents

1. Preface

General

ACE Aviation Holdings Inc. (“ACE”), was incorporated on June 29, 2004. As at December 31, 2015, ACE is listed on the NEX board of the TSX Venture Exchange where its common shares are traded under the symbol ACE.H.

As at December 31, 2015, ACE’s assets consist of cash in the amount of approximately $19 million.

On April 25, 2012, at ACE's annual and special meeting, ACE's shareholders approved a special resolution providing for an amendment to the articles of ACE pursuant to which all Class A variable voting shares and Class B voting shares of ACE were converted into a new class of common shares of ACE on a one-for-one basis.

The shareholders of ACE also approved a special resolution providing for the voluntary liquidation of ACE pursuant to Section 211 of the Canada Business Corporations Act, through distribution of its remaining assets to shareholders, after providing for outstanding liabilities, contingencies and costs of the liquidation, the appointment of a liquidator at a time to be determined by the board of directors of ACE and the ultimate dissolution of ACE in the future, once all the liquidation steps have been completed.

On May 9, 2012, ACE announced that it had declared a distribution in the aggregate amount of $275 million (or approximately $8.46 per common share) to common shareholders of record as of June 1, 2012, which was paid as of June 8, 2012.

On June 28, 2012, the Superior Court of Québec (Commercial Division) (the “Court”) issued an order appointing Ernst & Young Inc. as liquidator of ACE (the “Liquidator”). Effective June 28, 2012, all of the directors and officers of ACE resigned from their positions and the Liquidator was vested with the powers of the directors of ACE.

On July 16, 2012, ACE announced that the TSX advised ACE that it no longer met the continued listing requirements of the TSX as a result of the previously announced appointment of the Liquidator and the resignation of all of the directors and officers of ACE. The TSX advised ACE that if it did not voluntarily delist by September 14, 2012, the TSX would delist its common shares. As a result, ACE delisted its common shares from the TSX effective at the close of business on September 14, 2012.

ACE transferred the listing of its common shares from the TSX to the NEX board of the TSX Venture Exchange on September 17, 2012, the trading day immediately following the delisting from the TSX.

On November 13, 2012, ACE sold a total of 31 million shares and 2.5 million warrants which represented its entire remaining investment in Air Canada. The net proceeds obtained as a result of the sale of ACE’s investment in Air Canada amounted to $58 million. Following the sale, ACE no longer holds any shares or warrants in Air Canada.

Liquidation Claims Process

Pursuant to an order issued by the Court on February 25, 2013, the Liquidator established a process for the identification, resolution and barring of claims and other contingent liabilities against ACE. Creditors had until May 13, 2013 to file their proof of claims, failing which their claims would be barred and extinguished.

In connection with the process leading to the issuance of tax clearance certificates in favour of ACE for all taxation years ended on or prior to December 31, 2010, Revenu Québec conducted a sales tax audit of ACE and its subsidiaries in 2010 and 2011. Revenu Québec issued notices of reassessment in the amount of $37.7 million primarily with respect to certain importations of aircraft parts on the basis that it was Air Canada, and not ACE’s subsidiary ACTS LP, which should have paid GST and should have been allowed to claim the related refund. Revenu Québec also issued additional notices of reassessment in the amount of $7.4 million relating, inter alia, to certain intercompany transactions on which Revenu Québec considers that ACE or ACTS LP should have charged Air Canada sales tax in the amount of $6.8 million. All such reassessments were paid by ACE and ACTS LP, and Air Canada paid an aggregate amount of approximately $40.1 million to ACE and ACTS LP and then claimed additional GST/QST refunds for the same amount. ACE agreed to indemnify and hold harmless Air Canada should such refund claims be reassessed in the future.

A substantially similar process occurred with respect to GST payable on importation on behalf of Aveos and Aveos agreed to claim additional GST refunds in the amount of $1.1 million and to pay such amount to ACE to reimburse it for GST paid in connection with the importations. ACE agreed to indemnify and hold harmless Aveos should such refund claims be reassessed in the future.

In response to ACE's claims process, Air Canada filed a contingent claim related to the tax indemnities referred to above. The contingent claim, in the amount of $50.1 million, covered any eventual reassessment of Air Canada's input tax credit refund claims plus any related interest and ancillary legal costs. The reassessment periods for substantially all of the input tax credit claims covered by the indemnity in favour of Air Canada expired in 2014 and 2015, and the remaining reassessment period expired at the beginning of 2016. See "Section 3.1 – Analysis of Net Assets in Liquidation – Income and other taxes payable" for additional information. Aveos filed a similar contingent claim in the amount of $1.6 million with respect to any eventual reassessment of input tax credit refund claims and any related interest and ancillary costs. The reassessment periods for the input tax credit claims covered by the indemnity in favour of Aveos expired at the end of 2014.

ACE also received a claim from a plaintiff relating to a proposed class action initiated in the Ontario Superior Court of Justice by the plaintiff against Air Canada and ACE Aviation Holdings Inc., which alleged that Air Canada improperly charged the plaintiff and other class members for certain United States taxes in connection with the sale of airfare. The plaintiff alleged that as the former parent or shareholder of Air Canada, ACE was liable for the acts of Air Canada. The plaintiff therefore filed a proof of claim against ACE in the liquidation claims process in the amount of $200 million, pending determination of the allegedly overcharged amounts. No breakdown or calculation was provided in relation to the amount claimed. ACE was of the view that this claim against ACE had no merit given that ACE is a separate entity from Air Canada and that ACE never sold airfare. Accordingly, the Liquidator delivered a notice of disallowance to the plaintiff and the plaintiff did not contest the notice of disallowance prior to the expiry date for such contestation. The plaintiff subsequently agreed to formally discontinue the action against ACE in the Ontario Superior Court of Justice.

In addition, the Liquidator received a letter from a group acting on behalf of certain air cargo customers (the "Stichting Compensation Foundation") claiming an unspecified amount of compensation from ACE in connection with surcharges for fuel and security for the period from January 1, 2000 to December 31, 2006, which are alleged to have been implemented by certain air cargo carriers in violation of European Union competition law. The Stichting Compensation Foundation relied on a decision of the European Commission issued on November 9, 2010 pursuant to which the European Commission imposed fines on eleven air cargo carriers, including Air Canada the former subsidiary of ACE, for such alleged actions. The decision of the European Commission is being appealed by the air cargo carriers. The Stichting Compensation Foundation did not file a claim in the Liquidation. ACE was of the view that the Stichting Compensation Foundation's claim was barred and had no merit in any event given that ACE is a separate entity from Air Canada, ACE has never operated an air cargo business or sold cargo fares and no penalties, fines or other measures were imposed or taken by the European Commission against ACE. On May 20, 2014, the Court issued an order confirming that the Stichting Compensation Foundation and the air cargo customers that it purports to represent are barred from advancing a claim against ACE in its liquidation process and shall not be entitled to receive any amount from the Liquidator in connection with ACE's liquidation process.

The only remaining subsidiaries of ACE are ACTS LP and its general partner, 4378555 Canada Inc. ACTS LP previously operated a business of aircraft maintenance, repair and overhaul prior to the sale of its business to a consortium of private equity firms in October 2007. ACTS LP does not have any assets, and has not carried on any business since October 2007. The Liquidator is not aware of any liabilities or contingent liabilities of ACTS LP. In order to ensure that there are no such liabilities or contingent liabilities against ACTS LP and in anticipation of its eventual dissolution, the Liquidator established a process for the identification, resolution and barring of any claims or other contingent liabilities against ACTS LP and its general partner. Pursuant to an order issued by the Court on May 20, 2014, any potential creditors of ACTS LP and its general partner had until July 18, 2014 to file their proof of claims, failing which their claims against ACTS LP and its general partner would be barred and extinguished. The only proof of claim filed in response to such claims process was filed by Air Canada with respect to certain of the indemnity arrangements referred to above which were entered into by ACTS LP in addition to ACE. As a result of such tax indemnity arrangements entered into with Air Canada, ACTS LP could only be dissolved after the expiration of the indemnity arrangements. Since the last remaining reassessment period covered by such tax indemnity arrangements expired at the beginning of 2016, ACE will now proceed with the dissolution of ACTS LP and its general partner.

Given the results of the claims process referred to above and taking into account that the reassessment periods for the large majority of the input tax credit claims covered by the indemnity in favour of Air Canada had then expired, the Liquidator announced on April 28, 2015 that it intended to seek Court approval for a distribution to shareholders of ACE in the aggregate amount of $115 million, or approximately $3.54 per common share of ACE. The Court approved such distribution at a hearing held on May 8, 2015. The record date to determine shareholders entitled to receive the distribution was May 26, 2015 and the payment date for the distribution was June 2, 2015. Further to such distribution, ACE's only remaining assets as at December 31, 2015 consist of cash in the amount of approximately $19 million.

Given that the last reassessment period for the input tax credit claims covered by the indemnity in favour of Air Canada expired at the beginning of 2016, the Liquidator announced on April 29, 2016 that it intends to seek Court approval for a distribution to shareholders of ACE in the aggregate amount of $12 million. The Court hearing is scheduled for June 1, 2016. Any distribution to shareholders is subject to Court approval and there is no certainty as to the amount or timing of such distribution. The record date and payment date for such a distribution would be announced upon receipt of approval from the Court and such dates are expected to be in June 2016.

Following the interim distribution to shareholders of $12 million expected to occur in June 2016, ACE's only remaining assets are expected to consist of cash in an aggregate amount of approximately $7 million.

During the remainder of 2016, ACE will complete the remaining corporate, administrative and tax processes to facilitate its dissolution and the final distribution of the remaining cash of ACE prior to its dissolution. ACE currently expects that such final distribution and dissolution will occur within the next twelve months.

The final distribution to shareholders, the cancellation of the shares of ACE and the dissolution of ACE will not occur until all necessary corporate, administrative and tax measures to dissolve ACE are completed and until the settlement of any remaining contingencies that may arise in connection with the remaining liquidation and dissolution steps of ACE. There is no certainty as to the timing or amount of such final distribution, cancellation of shares and dissolution.

The distribution paid on June 2, 2015 was, and any additional distributions (including the distribution expected to occur in June 2016) will be, designated as eligible dividends for the purposes of the *Income Tax Act* (Canada).

Accounting Principles and Additional Information

The Corporation prepares its financial statements in accordance with generally accepted accounting principles in Canada ("GAAP") as set out in the Canadian CPA Handbook – Accounting – Part 1.

The Corporation changed the basis of preparing its financial statements from going concern to liquidation effective January 1, 2011.

The consolidated financial statements do not include costs to liquidate the assets of the Corporation, settle any contingent liabilities or future administrative costs and professional fees to wind-up the activities of the Corporation. These costs may be material and the amounts disclosed as net assets in liquidation in total or on a per share basis will change. The actual amounts available for distribution to shareholders will change and such changes may be material.

This MD&A should be read in conjunction with ACE's audited consolidated financial statements and notes for 2015, which can be found on SEDAR at www.sedar.com. Reference to the "Corporation" in this MD&A refers to ACE and its wholly-owned subsidiaries. Except as otherwise noted, all monetary amounts are stated in Canadian dollars. Except as otherwise noted, this MD&A is current as of April 29, 2015.

Forward-looking statements are included in this MD&A. See "Caution Regarding Forward-Looking Information" in section 2 of this MD&A for a discussion of risks, uncertainties and assumptions relating to these statements. See section 11 "Risk Factors" of this MD&A.

The Liquidator has reviewed and approved this MD&A and the audited consolidated financial statements and notes for 2015 prior to their release. For further information on ACE's public disclosure file, please consult SEDAR at www.sedar.com, or ACE's website at www.aceaviation.com.

2. Caution Regarding Forward-Looking Information

ACE's public communications may include written or oral forward-looking statements within the meaning of applicable securities laws. Such statements are included in this MD&A and may be included in other filings with regulatory authorities and securities regulators. Forward-looking statements may relate to analyses and other information that are based on forecasts of future results and estimates of amounts not yet determinable. These statements may involve, but are not limited to, comments relating to strategies, expectations, future actions, tax liabilities, the timing of the liquidation, the timing and amount of distributions to shareholders, contingencies and liability under claims filed, the timing of the final distribution to shareholders, the cancellation of the shares of ACE and the dissolution of ACE. These forward-looking statements are identified by the use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will", "would", and similar terms and phrases, including references to assumptions.

Forward-looking statements, by their nature, are based on assumptions and are subject to important risks and uncertainties. Any forecasts or forward-looking predictions or statements cannot be relied upon due to, amongst other things, changing external events and general uncertainties of the business. Actual results may differ materially from results indicated in forward-looking statements due to a number of factors, including without limitation, Court discretion in granting approvals to distributions to shareholders, market, regulatory developments or proceedings, and actions by third parties as well as the factors identified throughout this MD&A and, in particular, those referred to in section 11 "Risk Factors" of this MD&A. No assurance can be given as to the timeline of the liquidation and distributions. The forward-looking statements contained in this MD&A represent ACE's expectations as of the date of this MD&A, and are subject to change after such date. However, ACE disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required under applicable securities regulations.

3. Financial and Capital Management

The following table presents the net assets in liquidation of ACE as at December 31, 2015 and December 31, 2014.

(Canadian dollars in thousands, except per share amounts)	December 31 2015	December 31 2014
Cash and Cash Equivalents	$ 18,998	$ 10,738
Short-term investments	-	123,019
Commodity taxes receivable	152	166
	19,150	133,923
Accounts payable and accrued liabilities	193	238
Net assets in liquidation	$ 18,957	$ 133,685
Net assets in liquidation per share – Basic and diluted	$ 0.58	$ 4.12

ACE has no operations other than managing its net assets in liquidation and related activities.

3.1 Analysis of Net Assets in Liquidation

Cash and Cash Equivalents
Cash was $19 million as at December 31, 2015 and $11 million as at December 31, 2014.

Short-term investments
Short-term investments amounted to nil as at December 31, 2015. Short-term investments of $123 million as at December 31, 2014 were comprised of investments in GICs. The average interest rate on these GICs as of December 31, 2014 was 1.13% per annum.

Income and other taxes payable

In March 2010, ACE applied for Certificates of Discharge from the Canada Revenue Agency (“CRA”) and Revenu Québec.

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

On March 7, 2012, a tax clearance certificate was issued by the CRA in connection with all taxation years ended on or prior to December 31, 2010. On March 12, 2012, Revenu Québec issued an equivalent certificate authorizing the distribution of property up to $500 million. ACE does not expect to incur income tax liabilities for the taxation years ended December 31, 2011 and beyond. On August 21, 2015, ACE received a tax clearance certificate from the CRA in connection with all taxation years ended on or prior to December 31, 2013.

In connection with the process leading to the issuance of tax clearance certificates in favour of ACE for all taxation years ended on or prior to December 31, 2010, Revenu Québec conducted a sales tax audit of ACE and its subsidiaries in 2010 and 2011. Revenu Québec issued notices of reassessment in the amount of $37.7 million primarily with respect to certain importations of aircraft parts on the basis that it was Air Canada, and not ACE’s subsidiary ACTS LP, which should have paid GST and should have been allowed to claim the related refund. Revenu Québec also issued additional notices of reassessment in the amount of $7.4 million relating, inter alia, to certain intercompany transactions on which Revenu Québec considers that ACE or ACTS LP should have charged Air Canada sales tax in the amount of $6.8 million. All such reassessments were paid by ACE and ACTS LP, and Air Canada paid an aggregate amount of approximately $40.1 million to ACE and ACTS LP and then claimed additional GST/QST refunds for the same amount. ACE agreed to indemnify and hold harmless Air Canada should such refund claims be reassessed in the future.

The potential liability to Air Canada under the relevant indemnity agreements and proof of claims filed by Air Canada was described above under "Section 1. Preface – Liquidation Claims Process". The reassessment periods for substantially all of the input tax credit claims expired in 2014 and 2015, and the remaining reassessment period expired at the beginning of 2016. The actual expiration dates of the reassessment periods for the input tax credits and input tax refunds covered by Air Canada's aggregate proof of claim in the amount of $50.1 million are described below:

Amount of potential contingent liability under the indemnity arrangement in the event of reassessment	Expiration date of tax reassessment period	Additional period to provide for delivery and receipt of reassessment notice, if any
$34,305,115.31	November 1, 2014	One month, to December 1, 2014
$6,445,809.44	December 1, 2014	One month, to January 1, 2015
$5,435,437.41	June 1, 2015	One month, to July 1, 2015
$3,053,487.09	January 1, 2016	One month, to February 1, 2016
$921,472.00(*)	January 1, 2016(*)	One month, to February 1, 2016 (*)

(*) This amount relates to potential fees and expenses reimbursable to Air Canada under the indemnity agreements in connection with any reassessment covered by the indemnity agreements.

A substantially similar process occurred with respect to GST payable on importation on behalf of Aveos and Aveos agreed to claim additional GST refunds in the amount of $1.1 million and to pay such amount to ACE to reimburse it for GST paid in connection with the importations. ACE agreed to indemnify and hold harmless Aveos should such refund claims be reassessed in the future. The reassessment periods for the input tax credit claims covered by the indemnity in favour of Aveos expired at the end of 2014. For additional information, see "Section 1. Preface – Liquidation Claims Process".

ACE has claimed an aggregate refund of $0.4 million from the Canada Revenue Agency and Revenu Québec further to the expiration of a statute of limitation for reassessment of the income of an operating partnership in which ACE previously had an interest. ACE has applied to the tax authorities to obtain such refund. ACE does not currently intend to dissolve until it has collected or otherwise settled such refund.

Administrative and other expenses for the year ended December 31, 2015 and the year ended December 31, 2014 include net provisions for other taxes of nil.

Advance Tax Ruling

In 2012, ACE obtained an advance tax ruling from the CRA in order to confirm that neither the Share Conversion referenced in section 3.3 below nor the other liquidation steps will result in the Common

Shares of ACE being considered short-term preferred shares or taxable preferred shares for the purpose of the Income Tax Act (Canada) (the “Tax Act”) and the regulations thereunder, such that no tax under Part VI.1 of the Tax Act will be payable by ACE in connection with the liquidation steps.

Contingencies
As part of the wind-up process, a claims process was initiated in order to identify and resolve claims against the Corporation. See “Preface – Liquidation Claims Process” for a description of certain claims filed in response to the Corporation’s liquidation claims process. Refer to section 11 of this MD&A for a discussion of risk factors.

Future costs
Future costs will be incurred up to and during liquidation and have not been accrued. These costs include liquidator fees and other operating costs. In addition, future interest income is expected to be earned on cash and cash equivalents.

3.2 Cash Flows in Liquidation

As discussed in Section 3.1, cash was $19 million at December 31, 2015 and $11 million at December 31, 2014.

3.3 Share Information

At December 31, 2015, the issued and outstanding common shares of ACE were as follows:

Number of shares (000)	December 31, 2015	December 31, 2014
Issued and outstanding common shares		
Common shares	32,475	32,475
Total issued and outstanding common shares	32,475	32,475

(1) The Corporation’s stock option plan is described in Note 6 to the 2015 audited consolidated financial statements. All of the outstanding stock options of ACE expired in accordance with their terms on February 9, 2013.

On April 25, 2012, ACE’s shareholders approved a special resolution providing for an amendment to the articles of ACE pursuant to which all Class A variable voting shares and Class B voting shares were converted, on a one-for-one basis, into a new class of common shares (the "Common Shares"), each entitled to one vote per share (the "Share Conversion").

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

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

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

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

4. Accounting Policies

This MD&A should be read in conjunction with ACE's audited consolidated financial statements and notes for 2015.

Effective January 1, 2011, the Corporation changed the basis of presenting its financial statements from going concern to liquidation (Refer to section 1 of this MD&A for additional information relating to the Corporation's liquidation process).

For additional information on ACE's significant accounting policies and methods used in preparation of ACE's 2015 audited consolidated financial statements and notes, please refer to Note 2 to ACE's 2015 audited consolidated financial statements.

The preparation of ACE's financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. ACE evaluates these estimates and assumptions on a regular basis, based on historical experience and other relevant factors. Actual amounts could differ materially from those estimates and assumptions. Refer to section 10 of this MD&A for a discussion of ACE's critical accounting estimates.

5. Consolidated Statement of Changes in Net Assets in Liquidation

(Canadian dollars in thousands, except per share amounts)	Three Months Ended December 31 2015	Year Ended December 31 2015	Three Months Ended December 31 2014	Year Ended December 31 2014
Net assets in liquidation, beginning of period	$ 18,932	$ 133,685	$ 133,400	$ 132,744
Interest income	33	587	376	1,488
Administrative and other expenses	(8)	(315))	(91)	(547)
Income for the period	25	272	285	941
Provision for income taxes	-	-	-	-
Income for the period	25	272	285	941
Distribution to common shareholders	-	(115,000)	-	-
Net assets in liquidation, end of period	$ 18,957	$ 18,957	$ 133,685	$ 133,685
Income per share – Basic and diluted	$ -	$ 0.01	$ 0.01	$ 0.03

ACE recorded administrative and other expenses of $0.01 million in Quarter 4, 2015 ($0.3 million in the year ended December 31, 2015). In the same period in 2014, ACE recorded administrative and other expenses of $0.1 million ($0.5 million in the year ended December 31, 2014).

The income in Quarter 4, 2015 was nominal (income of $0.3 million or $0.01 per diluted share in the year ended December 31, 2015). In Quarter 4, 2014 ACE recorded income of $0.3 million or $0.01 per diluted share (income of $0.9 million or $0.03 per diluted share in the year ended December 31, 2014).

6. Quarterly Financial Information

($ thousands, except per share amounts)	Q1(1) 2014 (Liquidation Basis)	Q2(1) 2014 (Liquidation Basis)	Q3(1) 2014 (Liquidation Basis)	Q4(1) 2014 (Liquidation Basis)	Q1(1) 2015 (Liquidation Basis)	Q2(1) 2015 (Liquidation Basis)	Q3(1) 2015 (Liquidation Basis)	Q4(1) 2015 (Liquidation Basis)
Interest income	$ 366	$ 368	$ 378	$ 376	$ 317	$201	$37	$33
Administrative and other expenses	(197)	(156)	(103)	(91)	(55)	(177)	(76)	(8)
Provision for income taxes	-	-	-	-	-	-	-	-
Income	**$ 169**	**$ 212**	**$ 275**	**$ 285**	**$ 262**	**$ 24**	**$ (39)**	**$ 25**
Earnings per share – basic and diluted	**$ -**	**$ 0.01**	**$ 0.01**	**$ 0.01**	**$ 0.01**	**$ -**	**$ -**	**$ -**

7. Selected Annual Information

The following table provides selected annual information for ACE for the years 2015, 2014 and 2013.

($ thousands, except per share figures)	2015	2014	2013
Operating revenues	$ -	$ -	$ -
Administrative and other expenses	(315)	(547)	(701)
Operating loss	(315)	(547)	(701)
Total non-operating income	587	1,488	1,846
Net income	$ 272	$ 941	$ 1,145
Earning per share - Basic and Diluted	$0.01	$0.03	$0.04
Cash and cash equivalents	$ 18,998	$ 10,738	$ 11,210
Total assets	$ 19,150	$ 133,923	$ 132,973

8. Financial Instruments and Risk Management

As at December 31, 2015, ACE's financial instruments include cash in the amount of $19 million ($11 million as at December 31, 2014), short-term investments in the amount of nil ($123 million as at December 31, 2014) and accounts payable and accrued liabilities of $0.2 million ($0.2 million as at December 31, 2014). The risk exposure related to these holdings is described below.

Liquidity risk
Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with its financial liabilities. This risk is mitigated by the fact that as at December 31, 2015, the Corporation had cash of $19 million and accounts payable and accrued liabilities of $0.2 million.

Credit Risk
Credit risk is the risk of loss due to a counterparty's inability to meet its obligations. The Corporation is exposed to credit risk from its cash, the maximum exposure of which is represented by the carrying amounts reported on the balance sheet. This risk is mitigated by the fact that cash is held by major Canadian Banks.

Market Risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market factors. Market factors include three types of risks: currency risk, interest rate risk and price risk. The Corporation is exposed to interest rate risk.

Interest Rate Risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Corporation is exposed to interest rate risk from its holding in cash of $19 million. The weighted average interest rate on ACE's cash as at December 31, 2015, is approximately 0.70%, which results in limited downside risk.

Foreign Currency Risk
Foreign currency risk is the risk that the fair value of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Corporation is exposed to foreign currency risk from its holding in cash denominated in USD of $0.2 million. A 10% change in foreign exchange rates would impact the fair value of cash by $0.02 million.

9. Off-Balance Sheet Arrangements

Indemnification agreements

Refer to Section 1. (Preface – Liquidation Claims Process) and Section 3.1 of this MD&A for a description of indemnification agreements between ACE and Air Canada related to certain commodity tax reassessments and the expiration dates of the related tax reassessment periods. Refer to section 1 (Preface – Liquidation Claims Process) for a description of the proofs of claim filed in response to ACE's claims process.

10. Critical Accounting Estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. Actual results could differ from those estimates.

Significant estimates made in the preparation of these financial statements include, but are not limited to, the following areas, with further information contained in the applicable accounting policy or note:

Income Taxes
Judgment and estimates are used in determining the appropriate rates and amounts in recording deferred income taxes, giving consideration to timing and probability of realization. Actual taxes could

significantly vary from these estimates as a result of a variety of factors including future events, changes in income tax laws or the outcome of reviews by tax authorities and related appeals. The resolution of these uncertainties and the associated final taxes may result in adjustments to the Corporation's deferred and current tax assets and tax liabilities. No material provision for uncertain tax positions has been recognized by the Corporation.

11. Risk Factors

The risks described herein may not be the only risks faced by the Corporation. Other risks which the Corporation is not aware of or which the Corporation currently deems to be immaterial may surface and have a material adverse impact on the Corporation's business income and financial condition.

Contingent Liabilities
As part of the winding-up process, a claims process has been conducted pursuant to which any claims against the Corporation that are identified were resolved. Refer to section 1 (Preface – Liquidation Claims Process) for a description of the proofs of claim filed in response to ACE's claims processs. In addition, there could be other contingent liabilities that ACE is not currently aware of or that coud arise in connection with the remaining liquidation and dissolution steps of ACE, and any such contingent liabilities could impact the amount and timing of distributions to shareholders.

Timeline of distributions
The timing and amounts of distributions under the liquidation process is at the discretion of the Liquidator. Distributions may be delayed as a result of matters or events outside of the control of the Liquidator. No assurances can be given as to the timing and amount of any distribution, under the liquidation process.

A Substantial Portion of ACE's Cash May Be Invested in Cash Equivalents and Short-Term Investments
From time to time, ACE may invest a substantial portion of its cash in short-term investments which are subject to credit exposure and interest rate fluctuations which could change the value of these investments. These investments are made in accordance with an investment policy approved by the Liquidator. Although ACE's investment policy is designed to provide for short-term liquidity and low levels of risk, such investments are subject to credit exposure and interest rate fluctuations.

APPENDIX E
Summary of the expiration dates of the contingent indemnity

Amount of potential contingent liability under the indemnity arrangement in the event of reassessment	Expiration date of tax reassessment period	Additional period to provide for delivery and receipt of reassessment notice, if any
$34,305,115.31	November 1, 2014	One month, to December 1, 2014
$6,445,809.44	December 1, 2014	One month, to January 1, 2015
$5,435,437.41	June 1, 2015	One month, to July 1, 2015
$3,053,487.09	January 1, 2016	One month, to February 1, 2016
$921,472.00(*)	January 1, 2016(*)	One month, to February 1, 2016 (*)

(*) THIS AMOUNT RELATES TO POTENTIAL FEES AND EXPENSES WHICH MAY BE REIMBURSABLE TO AIR CANADA UNDER THE INDEMNITY AGREEMENTS IN CONNECTION WITH ANY REASSESSMENT COVERED BY THE INDEMNITY AGREEMENTS.