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.

FIRST REPORT OF THE LIQUIDATOR DATED FEBRUARY 22, 2013

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 first report of the Liquidator (the "First Report") is to provide this Court with an update in respect of the following:

   a) the liquidation activities to date including the sale of ACE's equity interest in Air Canada;

   b) the Liquidator's request for confirmation that no annual shareholder meeting shall be held in 2013; and

c) the Liquidator's request for an order approving a process whereby ACE will call for claims of their creditors and establishing a claims bar date by which such claims must be filed (the "Claims Process Order")

TERMS OF REFERENCE

3. In preparing this Report, the Liquidator has relied upon certain unaudited financial information and ACE's books and records. 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 First Report.

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

GENERAL BACKGROUND

5. ACE was incorporated on June 29, 2004, as an investment company.

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.

7. On or about June 27th, 2012, ACE filed an *"Application for an Order Appointing a Liquidator and for an Order that the Liquidation be Continued Under the Supervision of the Court"* (the **"Liquidation Motion"**);

8. The Application contemplated that the role of the Liquidator would amongst other things, include:

   a) the disposition of ACE's remaining shares and warrants of Air Canada with a view to distributing the cash proceeds as part of the liquidation; and

b) subject to further order of this Court, conducting the process of identifying, establishing, adjudicating and otherwise resolving any remaining claims against ACE, including taking appropriate measures to identify and quantify the amount of any remaining liabilities and contingent liabilities.

9. On June 28, 2012 Justice Manon Savard issued the Liquidation Order appointing Ernst & Young Inc. as Liquidator.

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

a) the Liquidator is empowered, authorized and directed to cause "the sale or transfer of the shares of Air Canada and the warrants for the purchase of Air Canada shares at a time and for a price in the sole discretion of the Liquidator"; and

b) the Liquidator shall report periodically to the Court as to the status of the Claims Process (as defined in the Motion), which shall be instituted by subsequent order.

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

LIQUIDATION ACTIVITITES

12. At December 31, 2012, ACE's cash holdings were approximately $131.5 million. In addition to the sale of its equity holdings in Air Canada described below, the Liquidator took possession of ACE's assets, opened trust accounts and as of December 31, 2012, earned interest and received sales tax refunds of approximately $345,000 and made disbursements in respect of liabilities arising prior to June 28, 2012 ("pre-liquidation") and liabilities arising after June 28, 2012 ("post-liquidation") of approximately $403,000 and $375,000 respectively. In addition, the Liquidator paid QST, HST and PST relating to these disbursements of

approximately $78,000. A copy of ACE's receipts and disbursements is attached as Appendix A.

13. On July 16, 2012, the Liquidator issued a press release on behalf of ACE announcing that the Toronto Stock Exchange ("TSX") had advised ACE that it no longer met the continued listing requirements of the TSX as a result of the 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, the Liquidator on behalf of ACE applied to voluntarily delist ACE's common shares from the TSX effective at the close of business on September 14, 2012 and applied for listing on the NEX board of the TSX Venture Exchange ("NEX"). NEX provides a trading forum for listed companies that have fallen below TSX or TSX Venture's ongoing listing requirements, including as a result of having low levels of business activity or having ceased to carry on an active business.

14. On August 13, 2012, the Liquidator filed on SEDAR ACE's second quarter 2012 condensed consolidated financial statements on behalf of ACE, which were posted on ACE's website and delivered to shareholders in accordance with the requirements of applicable securities laws.

15. On August 30, 2012, the Liquidator published a notice to all shareholders, claimants and creditors of ACE of ACE's liquidation and of the appointment of Ernst & Young Inc. as its court-appointed liquidator in the Globe and Mail (National Edition).

16. The transfer of the listing of ACE's common shares from the TSX to NEX occurred on September 17, 2012, the trading day immediately following the delisting from the TSX. ACE's common shares continue to trade on NEX.

17. On November 28, 2012, the Liquidator filed on SEDAR ACE's third quarter 2012 condensed consolidated financial statements on behalf of ACE, which were also

posted on ACE's website and delivered to shareholders in accordance with the requirements of applicable securities laws.

ANNUAL MEETING OF SHAREHOLDERS

18. 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.

19. Accordingly, the Liquidator is seeking directions from this Court under the Claims Process Order to confirm that no shareholder meeting shall be held by ACE in 2013 with respect to the financial year ended December 31, 2012.

SALE OF AIR CANADA EQUITY INTEREST

20. As at the date of the Liquidation Order, ACE held 31 million class B voting shares of Air Canada, 2,500,000 warrants for the purchase of Air Canada shares with an exercise price of $1.51 per share (1,250,000 warrants expiring on July 30, 2013) and $1.44 per share (1,250,000 warrants expiring on October 19, 2013) (collectively the "Air Canada Interest").

21. As described in the Notice of Annual and Special Meeting of Shareholders and Management Proxy Circular dated March 9, 2012 filed on SEDAR, ACE was to review alternatives to dispose of the Air Canada Interest as part of the Liquidation.

22. Subsequent to the appointment of the Liquidator, the Liquidator received expressions of interest from various parties relating to the Air Canada Interest.

23. The Liquidator had a number of discussions with those parties and sought other advice with respect to the options for disposing of the Air Canada Interest. As a result of these discussions, the Liquidator determined to proceed with a sale process

in accordance with customary market practice for the sale of a block of shares of a public company listed on a stock exchange.

24. On November 13, 2012, the Liquidator approached five prospective purchasers who were believed or known to be interested in ACE's Air Canada Interest and that in the opinion of the Liquidator had the financial capacity to complete such a transaction.

25. The five prospective purchasers were provided with information regarding the sales process including the deadline for the submission of bids. Each bidder was asked to include in its bid the following information: a closing date; whether the bid was for all or a portion of the Air Canada Interest; and the net amount to be paid to the Liquidator. Four prospective purchasers submitted valid bids to the Liquidator.

26. On November 13, 2012, Cormark Securities Inc. ("Cormark") submitted the highest overall bid for all of the Air Canada Interest. The Liquidator accepted the Cormark bid.

27. On November 14, 2012 ACE announced that it had sold the entire Air Canada Interest for total net proceeds to ACE of approximately fifty-eight million dollars (CAD $58,000,000).

28. ACE no longer holds any shares or warrants in the capital of Air Canada.

CLAIMS PROCESS

General

29. The Liquidator has prepared a draft order for the establishment and resolution of any claims against ACE (the "Claims Process Order"), which the Liquidator is seeking to have approved by this Honourable Court.

30. The purpose of the proposed claims process is to (a) establish a process to ensure that all parties with a claim or an alleged claim be called upon to advance their claim expeditiously; (b) to permit claims to be processed and adjudicated efficiently; and (c) to allow any creditors of ACE to obtain payment before remaining sums are distributed to shareholders.

31. The Claims Process Order sets a Claims Bar Date (as defined below), and sets out the procedure for the calling of proofs of claim and the establishment of a final determination of the Claims (as defined in the Claims Process Order) against ACE.

Claims Bar Date

32. The Liquidator proposes that any Creditor (as defined in the Claims Process Order) asserting a Claim be required to file a proof of claim with the Liquidator prior to 4:00 pm (prevailing Eastern time) on April 12, 2013 (the “Claims Bar Date”).

33. Any Creditor that fails to file a Proof of Claim (as defined in the Claims Process Order) with the Liquidator on or before the Claims Bar Date shall:

    a) be forever barred from making or enforcing any Claim against ACE; and

    b) not be entitled to any further notice in these proceedings, and shall not be entitled to participate as a Creditor in these proceedings.

34. The Liquidator submits that the Claims Bar Date is reasonable. It provides creditors with more than 45 calendar days from the date of the proposed Claims Process Order to evaluate their Claims against ACE and submit the necessary Proofs of Claim.

Notice to Creditors

35. The Liquidator will publish a Newspaper Notice (as defined in the Claims Process Order) setting out the Claims Bar Date, on or before March 8, 2013 in La Presse and the Globe and Mail (National Edition).

36. The Liquidator will send a copy of the Creditors' Instructions (as defined in the Claims Process Order and including a Proof of Claim form, a copy of the Newspaper Notice and an instruction letter) to each Known Creditor (as defined in the Claims Process Order) by regular mail no later than March 8, 2013. A copy of the Creditors' Instructions is attached hereto as Appendix B.

37. The Liquidator will post an electronic copy of the Creditors' Instructions on its website www.ey.com/ca/aceaviation no later than March 8, 2013.

38. In addition, provided that such request is received by the Liquidator prior to the Claims Bar Date, the Liquidator will send a copy of the Creditors' Instructions to any person claiming to be a Creditor as soon as reasonably possible after receipt of such a request from a potential creditor.

39. In the Liquidator's view, the identification of Known Creditors, the mailing of the Creditors' Instructions and publication of the Newspaper Notice described above will provide sufficient and timely notification to allow Creditors to submit their Proofs of Claim prior to the Claims Bar Date.

40. The Liquidator will review each Proof of Claim filed and at any time may:

   a) request additional information from a Creditor;
   b) attempt to consensually resolve the amount of the Proof of Claim with the creditor;
   c) accept (in whole or in part) the amount and/or status of the Claim; and/or
   d) by notice in writing, pursuant to the provisions of the Claims Process Order, revise or disallow (in whole or in part) the amount and/or status of any Claim

by delivering to the Creditor a notice of disallowance (the "Notice of Disallowance").

41. Any Creditor who intends to dispute the amount of its Claim as set out in the Notice of Disallowance must file a Dispute Notice with the Liquidator no later than 14 calendar days after the date of the Notice of Disallowance.

42. The Liquidator submits that the period of time to file a Dispute Notice is reasonable as most creditors will have performed an evaluation of their Claim prior to submitting a Proof of Claim and therefore should be in a position to respond within the time period established.

43. Upon receipt of a Dispute Notice, the Liquidator may attempt to consensually resolve the amount of the Claim with the Creditor and/or seek further instructions from this Honourable Court with respect to a process for the resolution of the Claim.

LIQUIDATOR'S ANALYSIS AND RECOMMENDATIONS

44. It is the Liquidator's view that the proposed Claims Process Order provides a reasonable opportunity for creditors to assert any Claims they may have against ACE and an efficient method of adjudicating and resolving such Claims.

All of which is respectfully submitted this 22nd day of February 2013.

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 Aviation Holdings Inc.
Statement of Receipts / (Disbursements)
in Canadian dollars (000's)

	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Total
Funds Transfered from ACE	-	73,978	-	-	-	-	-	73,978
Receipts								
QST / HST / PST refund	-	-	131	36	-	-	25	193
Interest Earned	-	-	0	4	54	46	47	152
Sale of shares and warrants	-	-	-	-	-	-	58,036	58,036
Other								-
Total Receipts	**-**	**-**	**131**	**40**	**54**	**46**	**58,109**	**132,359**
Disbursements								
Pre-liquidation period								
Corporate Tax	-	-	(69)	-	-	-	-	(69)
Professional Fees	-	(3)	(119)	-	-	-	-	(122)
Canadian Stock Transfer (CST) Fees	-	(3)	(16)	-	-	-	-	(18)
Air Canada Service Fees	-	-	(6)	(26)	-	-	-	(32)
Payroll	-	-	-	-	(154)	-	-	(154)
Other (1)	-	(1)	(6)	(0)	(0)	(0)	(0)	(7)
Subtotal Pre-liquidation disbursements	-	(6)	(216)	(26)	(154)	(0)	(0)	(403)
Post-liquidation period								
Professional fees		-	(27)	-	(76)	(32)	(169)	(305)
Canadian Stock Transfer (CST) Fees		-	(1)	(4)	0	(8)	-	(13)
Air Canada Service Fees		-	(1)	(32)	-	-	(8)	(41)
Other		(11)	(3)	(1)	(0)	-	(2)	(17)
Subtotal Post-liquidation disbursements	-	(11)	(32)	(37)	(77)	(40)	(179)	(375)
QST / HST / PST paid	-	(1)	(26)	(9)	(12)	(4)	(26)	(78)
Total Disbursements	**-**	**(18)**	**(274)**	**(72)**	**(243)**	**(44)**	**(204)**	**(855)**
Opening Cash Balance	-	73,978	73,960	73,818	73,785	73,597	73,599	-
Net Inflow / (Outflow)	-	(18)	(143)	(32)	(188)	2	57,904	131,504
Closing Cash Balance	**-**	**73,960**	**73,818**	**73,785**	**73,597**	**73,599**	**131,504**	**131,504**

APPENDIX B

CREDITORS’ INSTRUCTIONS

NOTICE TO CREDITORS OF ACE AVIATION HOLDINGS INC. (“ACE”)

RE: NOTICE OF CLAIMS PROCESS IN THE MATTER OF THE LIQUIDATION OF ACE PURSUANT TO THE *CANADA BUSINESS CORPORATIONS ACT* (the “CBCA”)

PLEASE TAKE NOTICE that this notice is being published pursuant to an Order by the Quebec Superior Court made on February 25, 2013 (the “Order”). Proof of Claim packages will be sent to creditors by mail, on or before March 8, 2013, in accordance with the requirements of the Order. Creditors may also obtain the Order and a Proof of Claim package from the website of Ernst & Young Inc., the Court appointed Liquidator of ACE (the “Liquidator”) at www.ey.com/ca/aceaviation or by contacting the Liquidator by telephone (1-855-279-8388 or 416-943-4444) or by fax (1-416-943-3300).

Proofs of Claim must be submitted to the Liquidator for any claim against ACE, whether unliquidated, contingent or otherwise. Please consult the Proof of Claim package for more details.

Completed Proofs of Claim must be received by the Liquidator by 4:00 p.m. (prevailing Eastern Time) on the Claims Bar Date, as set out in the Order. The Claims Bar Date is APRIL 12, 2013. It is your responsibility to ensure that the Liquidator receives your Proof of Claim by the Claims Bar Date.

CLAIMS WHICH ARE NOT RECEIVED BY THE APPLICABLE CLAIMS BAR DATE WILL BE BARRED AND EXTINGUISHED FOREVER.

ACE Aviation Holdings Inc. Proof of Claim

❶ Name of the Company

ACE Aviation Holdings Inc. ("ACE")

❷ Original Creditor Identification (the "Creditor")

Legal Name of Creditor			Name of Contact
Address			Phone #
			Fax #
City	Country	Postal/Zip code	e-mail

❸ Assignee, if claim has been assigned

Full Legal Name of Assignee			Name of Contact
Address			Phone #
			Fax #
City	Country	Postal/Zip code	e-mail

❹ Amount of Claim

ACE Aviation Holdings Inc. was and still is indebted to the Creditor as follows:

Claims will be recorded as "Unsecured" unless the "Secured" box is checked

Currency	Original Currency Amount	Secured
		☐
		☐
		☐
		☐
		☐
		☐

❺ Documentation

Provide all particulars of the Claim and supporting documentation, including amount, description of transaction(s) or agreement(s) giving rise to the Claim, name of any guarantor which has guaranteed the Claim, and amount of invoices, particulars of all credits, discounts, etc. claimed, the description of the security, if any, granted by ACE to the Creditor.

❻ Certification

I hereby certify that:

- I am the Creditor, or authorized Representative of the Creditor.
- I have knowledge of all the circumstances connected with this Claim.
- The Creditor asserts this claim against ACE as indicated above.
- Complete documentation in support of this claim is attached.

Signature	Name
	Title
Dated at	Signed at

This space reserved for use by the Liquidator

❼ Filing of Claim

This Proof of Claim must be received by the Liquidator by no later than 4:00 p.m. (prevailing time in Montreal, Quebec, Canada) on APRIL 12, 2013, by prepaid ordinary mail, courier, personal delivery or electronic or digital transmission at the following address:

Ernst & Young Inc.
222 Bay St., P.O. Box 251
Toronto-Dominion Centre
Toronto, ON M5K 1J7
CANADA
Attention: ACE Aviation Holdings Inc. claims

Fax: 416-943-3300
Tel: 1-855-279-8388
e-mail:
aceaviation.liquidator@ca.ey.com

An electronically fillable version of this form is available at www.ey.com/ca/aceaviation

ACE AVIATION HOLDINGS INC.
GUIDE TO COMPLETING THE PROOF OF CLAIM FORM

This Guide has been prepared to assist Creditors in filling out the Proof of Claim form with respect to ACE Aviation Holdings Inc. ("ACE"). If you have any additional questions regarding completion of the Proof of Claim form, please consult the Liquidator's website at www.ey.com/ca/aceaviation or contact the Liquidator, whose contact information is shown below.

Additional copies of the Proof of Claim form may be found at the Liquidator's website address noted above.

Please note that this is a guide only, and that in the event of any inconsistency between the terms of this guide and the terms of the Claims Process Order made on February 25, 2013, the terms of the Claims Process Order will govern.

Section 1 – Name of Company:

- This Proof of Claim form is to be used only for Claims being asserted against ACE Aviation Holdings Inc.

Section 2 – Original Creditor

- A separate Proof of Claim form must be filed by each legal entity or person asserting a claim against ACE.
- The full legal name of the Creditor must be provided.
- If the Creditor operates under a different name, or names, please indicate this in a separate schedule in the supporting documentation.
- If the Claim has been assigned or transferred to another party, Section 3 must also be completed.
- Unless the Claim is assigned or transferred and the Liquidator is notified in writing by the Transferor, all future correspondence, notices, etc. regarding the Claim will be directed to the address and contact indicated in this section.

Section 3 – Assignee

- If the Creditor has assigned or otherwise transferred its Claim, then Section 3 must be completed.
- The full legal name of the Assignee must be provided.
- If the Assignee operates under a different name, or names, please indicate this in a separate schedule in the supporting documentation.
- If the Liquidator is satisfied an assignment or transfer has occurred, all future correspondence, notices, etc. regarding the Claim will be directed to the Assignee at the address and contact indicated in this section.

Section 4 – Amount of Claim of Creditor against ACE

- Indicate the amount ACE was, and still is indebted to the Creditor

Currency, Original Currency Amount

- The amount of the Claim must be provided in the currency in which it arose.
- Indicate the appropriate currency in the Currency column.
- If the Claim is denominated in multiple currencies, use a separate line to indicate the Claim amount in each such currency. If there are insufficient lines to record these amounts, attach a separate schedule indicating the required information.
- Claims denominated in a currency other than Canadian dollars will be converted into Canadian dollars by the Liquidator.

Secured

- Check the Secured box ONLY if the Claim recorded on that line is secured. Do not check this box if the Claim is unsecured.
- If the value of the collateral securing your Claim is less than the amount of your Claim, enter the shortfall portion on a separate line as an unsecured claim
- Evidence supporting the security you hold must be submitted with the Proof of Claim form. Provide full particulars of the nature of the security, including the date on which the security was given and the value you attribute to the collateral securing your Claim. Attach a copy of all related security documents.

Section 5 – Documentation

- Attach to the claim form all particulars of the Claim and supporting documentation, including amount, description of transaction(s) or agreement(s) giving rise to the Claim, name of any guarantor which has guaranteed the Claim, copies of invoices, particulars of all credits, discounts, etc. claimed, description of the security, if any, granted by ACE to the Creditor and estimated value of such security.

Section 6 – Certification

- The person signing the Proof of Claim form should:
    - Be the Creditor, or authorized Representative of the Creditor.
    - Have knowledge of all the circumstances connected with this Claim.
- By signing and submitting the Proof of Claim, the Creditor is asserting the claim against ACE.

Section 7 – Filing of Claim

- This Proof of Claim **must be received** by the Liquidator by no later than 4:00 p.m. (prevailing time in Montreal, Quebec, Canada) on April 12, 2013. Proofs of Claim should be send by prepaid ordinary mail, courier, personal delivery or electronic or digital transmission to the following address:

  Ernst & Young Inc.
  Court-appointed Liquidator of ACE Aviation Holdings Inc.
  222 Bay Street, P.O. Box 251
  Toronto Dominion-Centre
  Toronto, Ontario
  Canada M5K 1J7
  Attention: ACE Aviation Holdings Inc. Claims

  Telephone: 1-855-279-8388
  E-mail: aceaviation.liquidator@ca.ey.com
  Fax: 416-943-3300

  Failure to file your Proof of Claim so that it is received by the Liquidator by 4:00 p.m., on the Claims Bar Date of April 12, 2013 will result in your Claim being barred and you will be prevented from making or enforcing a Claim against ACE. In addition, you shall not be entitled to further notice in and shall not be entitled to participate as a Creditor in these proceedings.