

**QUEBEC
SUPERIOR COURT
(COMMERCIAL DIVISION)**

IN THE MATTER OF THE *CANADA BUSINESS CORPORATIONS ACT*

**AND IN THE LIQUIDATION OF
ACE AVIATION HOLDINGS INC.**

**FOURTH REPORT OF THE LIQUIDATOR
DATED APRIL 29, 2015**

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 “**Fourth 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, 2014 ("**Shareholders Meeting Order**"); and
- d. the Liquidator's request for an order approving an interim distribution of approximately \$115 million to the shareholders of ACE.

TERMS OF REFERENCE

- 3. In preparing this Fourth 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 Fourth Report.
- 4. Capitalized terms not defined in this Fourth 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 and May 20, 2014, this Court issued orders exempting ACE from the requirement to hold a shareholder meeting with respect to the financial years ended December 31, 2012 and December 31, 2013 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. The Liquidator has made various materials relating to the liquidation available on its website at www.ey.com/ca/aceaviation.

LIQUIDATION ACTIVITIES

14. The activities of the Liquidator from June 28, 2012 to May 9, 2014 are set out in the First Report, Second Report and Third Report of the Liquidator. The First Report, Second Report and Third Report have been filed with the Court and are posted on the Liquidator's website at www.ey.com/ca/aceaviation.
15. As at March 31, 2015, ACE's cash holdings were approximately \$133.8 million. During the aggregate period of time from the appointment of the Liquidator to March 31, 2015, the Liquidator has generated a total of approximately \$62.1 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 \$3.7 million in interest revenue and approximately \$0.4 million in QST and HST refunds. During the same period, the Liquidator made disbursements totalling approximately \$2.3 million including approximately \$0.5 million in respect of liabilities arising prior to the date of the Liquidator's appointment, approximately \$1.6 million in costs incurred during the liquidation period and approximately \$0.2 million in respect of QST, HST and PST. A summary of ACE's receipts and disbursements is attached as Appendix "A".

ACE AND ITS SUBSIDIARIES CLAIMS PROCESS UPDATE

16. 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.
17. A summary of the claims filed with the Liquidator further to the Claims Process Order is attached at Appendix "B".

18. 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 relate 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.
19. 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.
20. A summary of the claims filed with the Liquidator further to the Subsidiary Claims Process Order is attached at Appendix “C”;

21. 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 has been accepted as Valid Contingent Claim pursuant to the Subsidiary Claims Process Order. The two contingent claims are 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.
22. The two contingent claims filed by Air Canada are duplicative of the contingent claims filed by Air Canada against ACE pursuant to the Claims Process Order.

ANNUAL MEETING OF SHAREHOLDERS

23. As described in the Third 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.
24. As noted above, on April 19, 2013, Justice Lalonde issued an order exempting ACE from the requirement to call and hold an annual meeting of shareholders for the year ended December 31, 2012 and on May 20, 2014, Justice Chantal Corriveau issued

an order exempting ACE from the requirement to call and hold an annual meeting of shareholders for the year ended December 31, 2013.

25. The Liquidator is seeking a further order from this Court that no shareholder meeting shall be called or held by ACE in 2015 with respect to the financial year ended on December 31, 2014.
26. As in prior years, the Liquidator has issued a press release in conjunction with the release of the 2014 financial statements and posted it at the Liquidator's website providing notice that ACE does not plan to hold an annual shareholder meeting in 2015 with respect to the financial year ended on December 31, 2014. Shareholders who have questions or require additional information with respect to ACE and the liquidation process are directed to contact the Liquidator by telephone or fax.
27. 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.
28. 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, 2014.
29. 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, 2014 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 28, 2015. A copy of these Annual Financial Statements and MD&A are attached at Appendix "D".

INTERIM DISTRIBUTION

30. 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.
31. As described in ACE's 2014 financial statements, further distributions of ACE's remaining net cash to its shareholders are subject to the approval of this Court.
32. 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 have been accepted as Valid Contingent Claims, but are otherwise duplicative of the similar claim contingent claim filed by Air Canada against ACE.
33. 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 reassessment periods for the input tax credits covered by the indemnity, as of March 31, 2015, \$40,750,924.75 of the potential contingent liability has expired with the remaining reassessment periods relating to the balance of \$9,410,396.50 gradually expiring in 2015 and 2016. 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".
34. 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 will have expired by the time the equivalent remaining contingent liability of ACE to Air Canada will have expired as set forth in appendix "E".

35. The full amount of the potential contingent liability of ACE under the indemnity agreement in favour of Aveos has expired based upon the expiration of the reassessment period for the input tax credits covered by the indemnity.
36. ACE previously received tax clearance certificates from Canada Revenue Agency and Revenue Quebec for the taxation years up to and including December 31, 2010. The Liquidator has made applications to the Canada Revenue Agency and Revenue Quebec for certificates of discharge with respect to all tax matters for the years ended December 31, 2011, 2012 and 2013. Currently, the Liquidator does not expect there to be any significant income tax liability for the years 2011 and beyond.
37. As a result of the above, the Liquidator is of the view that an interim distribution in the amount of \$115 million would be appropriate. This would leave the Liquidator with a remaining reserve of approximately \$18.8 million which the Liquidator considers to be sufficient to cover: (i) the unexpired portion of the Air Canada Tax Indemnity Claim, which currently amounts to \$9,410,396.50; (ii) 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; (iii) 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 29th day of April 2015.

ERNST & YOUNG INC.

In its capacity as Liquidator of ACE Aviation Holdings Inc.

Per:



Sharon S. Hamilton
Senior Vice-President

APPENDIX A
ACE's receipts and disbursements

	June 28, 2012 to December 31,	January 1, 2013 to December 31,	January 1, 2014 to December 31,	January 1, 2015 to March 31, 2015	Total
<u>Receipts</u>					
QST / HST / PST refund	193	126	27	45	390
Interest Earned	152	1,682	1,478	372	3,684
Sale of shares and warrants	58,036	-	-	-	58,036
Other	-	-	-	-	-
Total Receipts	58,381	1,807	1,505	417	62,111
<u>Disbursements</u>					
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 disbursements	(480)	(3)	-	-	(483)
Post-liquidation period					
QST / HST / PST paid	-	(80)	(68)	(16)	(164)
Corporate Tax	-	-	-	-	-
Professional fees	(305)	(426)	(363)	(94)	(1,188)
Transfer Agent Fees	(13)	(58)	(45)	(9)	(124)
Air Canada services	(41)	(48)	(30)	(4)	(123)
Audit and filing Fees	-	(73)	(76)	(1)	(151)
Other	(17)	(9)	(12)	(0)	(38)
Subtotal Post-liquidation disbursements	(375)	(694)	(594)	(124)	(1,787)
Total Disbursements	(855)	(696)	(594)	(124)	(2,270)
Opening Cash Balance	-	131,504	132,614	133,526	-
Cash balance transferred from ACE	73,978	-	-	-	73,978
Net inflow / (outflow)	57,526	1,111	911	293	59,841
Closing cash position	131,504	132,614	133,526	133,819	133,819

APPENDIX B
Summary of Claims Process Claims

ACE Aviation Holdings Inc.**Claims Summary***As at March 30, 2015*

<u>Proofs of Claim Filed</u> ⁽¹⁾		<u>Under Review</u>		<u>Claims Accepted</u> ⁽²⁾		<u>Claims Disallowed/ Withdrawn</u>		<u>Claims Disputed</u>	
#	\$	#	\$	#	\$	#	\$	#	\$
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.

APPENDIX C
Summary of Subsidiary Claims Process Claims

Subsidiary Claims Process

Claims Summary

As At March 30, 2015

<u>Proofs of Claim Filed⁽¹⁾</u>		<u>Under Review</u>		<u>Claims Accepted⁽²⁾</u>		<u>Claims Disallowed / Withdrawn</u>		<u>Claims Disputed</u>	
#	\$	#	\$	#	\$	#	\$	#	\$
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.

APPENDIX D

2014 Annual Financial Statements and MD&A

ACE AVIATION

Consolidated Financial Statements and Notes 2014

April 28, 2015



April 28, 2015

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, 2014 and December 31, 2013 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, 2014 and December 31, 2013 and its financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

**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 Accountants

Consolidated Statement of Net Assets in Liquidation

(Canadian dollars in thousands except per share figures)		As at December 31 2014	As at December 31 2013
ASSETS			
Cash and cash equivalents	Note 4	\$ 10,738	\$ 11,210
Short-term investments	Note 4	123,019	121,638
Commodity taxes receivable		166	125
		\$ 133,923	\$ 132,973
LIABILITIES			
Accounts payable and accrued liabilities		238	229
		\$ 238	\$ 229
Contingencies	Note 5	-	-
NET ASSETS IN LIQUIDATION		\$ 133,685	\$ 132,744
NET ASSETS IN LIQUIDATION PER SHARE			
Basic and Diluted	Note 7	\$ 4.12	\$ 4.09

Contingencies, guarantees and indemnities [Notes 5 and 11]

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	
	2014	2013
Net assets in liquidation, beginning of period	\$ 132,744	\$ 131,599
Interest income	1,488	1,846
Administrative and other expenses	(547)	(701)
Income before taxes	941	1,145
Provision for income taxes Note 5	-	-
Income for the period	941	1,145
Net assets in liquidation, end of period	\$ 133,685	\$ 132,744
Income per share		
Basic and Diluted Note 8	\$ 0.03	\$ 0.04

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

Consolidated Statement of Cash Flows

(Canadian dollars in thousands)		Year Ended December 31	
		2014	2013
Cash flows from (used for)			
Income for the period		\$ 941	\$ 1,145
Changes in non-cash working capital balances		(32)	236
		909	1,381
Investing			
Increase in short-term investments	Note 4	(1,381)	(46,638)
		(1,381)	(46,638)
Decrease in cash and cash equivalents		(472)	(45,257)
Cash and cash equivalents, beginning of period		11,210	56,467
Cash and cash equivalents, end of period	Note 4	\$ 10,738	\$ 11,210

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

For the years ended December 31, 2014 and 2013
(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. Refer to Note 2 for a description of ACE's investments.

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 represents 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 covers any eventual reassessment of Air Canada's input tax credit refund claims plus any related interest and ancillary legal costs. The reassessment periods for the large majority of the input tax credit claims covered by the indemnity in favour of Air Canada expired at the end of 2014, with the remaining reassessment periods gradually expiring by 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. ACE maintains a reserve for claims and other contingencies, which includes an amount for the indemnity in favour of Air Canada with respect to reassessment periods which have not yet expired. Such reserve will not be available for distribution to the shareholders pending the expiration of the related reassessment periods or settlement of such contingencies.

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 has not filed a claim in the Liquidation. ACE was of the view that any claim is barred and that this potential claim against ACE 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. As a result of the tax indemnity arrangements entered into with Air Canada, which are referred to above, ACTS LP will be dissolved only after the expiration of the indemnity arrangements with Air Canada. The Liquidator is not aware of any liabilities or contingent liabilities of ACTS LP other than contingent liabilities in respect of the tax indemnity agreements referred to above. 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 has 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 proofs of claim, 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.

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 have expired, the Liquidator announced on April 28, 2015 that it intends to seek Court approval for a distribution to shareholders of ACE in the aggregate amount of \$115,000. The Court hearing is scheduled for May 8, 2015. 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.

Future distributions of ACE's remaining net cash to its shareholders are subject to the expiration or settlement of any contingencies and there is no certainty as to the timing or amount of such distributions. The final distribution to shareholders and the cancellation of the shares of ACE will not occur until all remaining contingent liabilities are settled or otherwise provided for. The distributions will generally be treated as deemed dividends from a Canadian tax standpoint. Such deemed dividends will be designated as eligible dividends for the purposes of the Income Tax Act (Canada).

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 Accountants – Part 1 ("CICA Handbook") which incorporates International Financial Reporting Standards ("IFRS") as issued by the

International Accounting Standards Board ("IASB").

B) CHANGE IN BASIS OF PRESENTATION

The Corporation changed the basis of preparing its financial statements from going concern to liquidation, effective January 1, 2011. As a result, the financial statements have been prepared using a liquidation basis of accounting. The adoption of a liquidation basis of presentation on January 1, 2011 did not result in a change to net assets.

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 28, 2015.

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. As the Corporation's assets and liabilities consist primarily of financial instruments, the change in basis of accounting did not result in different measurements from those under the going concern basis of accounting.

A) BASIS OF MEASUREMENT

These financial statements have been prepared primarily using amortized cost.

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. The Corporation did not hold any cash equivalents as at December 31, 2014 (December 31, 2013 – nil).

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. The average interest rate on short-term investments as at December 31, 2014 is 1.13% per annum (December 31, 2013 – 1.13%).

E) FINANCIAL INSTRUMENTS

The Corporation accounts for its financial instruments using IFRS 9 "Financial Instruments" and IAS 39 "Financial Instrument, Recognition and Measurement".

The investments in equity instruments of Air Canada were classified and measured at fair value through profit or loss ("FVTPL"). All gains and losses were recognized in profit or loss.

The Corporation's investment in Air Canada warrants were classified as derivatives and were initially recognized at fair value at the date the derivative contracts were entered into and were subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss was recognized in the profit or loss immediately.

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 (loss) 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
 - o 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 LIQUIDATIONCash and cash equivalents

As at December 31, 2014, ACE's cash and cash equivalents amounted to \$10,738 (December 31, 2013 – \$11,210). The Corporation did not hold any cash equivalents as at December 31, 2014 (December 31, 2013 – nil).

Short-term investments

As at December 31, 2014, ACE's short-term investments amounted to \$123,019 (December 31, 2013 – \$121,638). 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 is 1.13% per annum (December 31, 2013 – 1.13%).

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:

	2014	2013
Income (loss) before income taxes	\$ 941	\$ 1,146
Statutory income tax rate based on combined federal and provincial rates	26.90%	26.90%
Tax provision (recovery) based on statutory tax rates	253	308
Effects of:		
Tax rate changes on deferred income taxes	-	(6,523)
Unrecognized (recognized) deferred income tax assets	(253)	6,215
Provision for income taxes	\$ -	\$ -

The applicable statutory tax rates are 26.90% in 2014 and 26.90% in 2013. 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 \$10,168 (2013 - \$10,861) and deductible temporary differences of \$13,248 (2013 - \$13,496) 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	\$ 2,864
2031	4,573
2032	2,731
	\$ 10,168

As at December 31, 2014 ACE also has estimated net capital losses (after 50 per cent capital loss adjustment) of \$576,857 (2013 - \$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.

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. The reassessment periods for the large majority of the input tax credit claims covered by the indemnity in favour of Air Canada expired at the end of 2014, with the remaining reassessment periods gradually expiring by 2016. 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 \$1,096 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.

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, 2014 and December 31, 2013 include net provisions for other taxes of nil.

6. STOCK-BASED COMPENSATION**ACE Stock Option Plan**

Certain of the Corporation's employees participated in the ACE stock option plan. Plan participation was limited to employees holding positions that, in the ACE Board's view (or a committee selected by the Board), had a significant impact on ACE's long term results. The stock option plan provided that the options had an exercise price of not less than 100% of the market price of the underlying shares at the time of grant. Under the terms of the stock option plan, fifty percent of all options vested over four years. The remaining options vested upon performance conditions that were based on net income targets established by the ACE Board over the same time period. All options expired after seven years. The terms of ACE's stock option plan specified that upon the retirement of the employee, options granted to that employee may be exercised as the options vested within three years of such retirement.

In compliance with the terms of the ACE stock option plan, in November 2007, the Board of ACE resolved to immediately vest all remaining unvested ACE stock options. This resulted in the immediate expense recognition of all deferred stock based compensation on outstanding ACE options granted, less amounts previously recognized as compensation expense. As a result of this immediate vesting of all ACE options granted, no further stock based compensation expense has been recorded related to the ACE stock option plan. All outstanding options under the ACE stock option plan expired in accordance with their terms on February 9, 2013.

A summary of the activity related to the Corporation's employees participating in the ACE stock option plan is as follows. Options are stated in whole numbers.

	2014		2013	
	Options	Weighted Average Exercise Price/Share	Options	Weighted Average Exercise Price/Share
Beginning of year	-	\$ -	65,281	\$ 4.69
Exercised	-	-	-	-
Forfeited	-	-	(65,281)	4.69
Outstanding options	-	\$ -	-	\$ -
Forfeited	-	-	-	-
Outstanding options, end of year	-	\$ n/a	-	\$ n/a
Options exercisable, end of year	-	\$ n/a	-	\$ n/a

7. SHARE CAPITAL

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

	As at December 31 2014	As at December 31 2013
Outstanding shares ('000s)		
Issued and Outstanding Common Shares	32,475	32,475
Total issued and outstanding ^{(1) (2)}	32,475	32,475

⁽¹⁾ This also represents the weighted average number of shares outstanding as at December 31, 2014 and December 31, 2013.

⁽²⁾ All outstanding stock options expired in accordance with their terms on February 9, 2013.

Share Conversion

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 Share Conversion formed part of the steps implemented by ACE in order to complete its liquidation described in Note 1 in a tax-efficient manner for ACE and its shareholders. At the time of incorporation of ACE in 2004, when ACE controlled Air Canada, the articles of ACE provided for ownership restrictions through a dual-class share structure to ensure that ACE, as the controlling shareholder of Air Canada, remained Canadian under the Canada Transportation Act ("CTA"). ACE no longer holds an interest in any holder of a license under the CTA and accordingly, ACE's dual class structure was no longer necessary.

Terms of the New 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.

8. EARNINGS PER SHARE

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

(in thousands, except per share amounts)	2014	2013
Numerator:		
Numerator for basic and diluted income per share:		
Net income for the year	\$ 941	\$ 1,145
Adjusted numerator for diluted income per share	\$ 941	\$ 1,145
Denominator:		
Denominator for basic income per share:		
Weighted-average shares	32,475	32,475
Basic income per share	\$ 0.03	\$ 0.04

*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.*

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Summary of Financial Instruments

	Carrying Amounts				
	December 31, 2014				December 31, 2013
	Financial instruments classification				
	Financial assets at amortized cost	Financial assets at FVTPL	Financial liabilities at amortized cost	Total	
Financial Assets					
Cash and cash equivalents	\$ 10,738	\$ -	\$ -	\$ 10,738	\$ 11,210
Short-term investments	123,019	-	-	123,019	121,638
	\$ 133,757	\$ -	\$ -	\$ 133,757	\$ 132,848
Financial Liabilities					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 238	\$ 238	\$ 229
	\$ -	\$ -	\$ 238	\$ 238	\$ 229

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

Risk Management

As at December 31, 2014, ACE's financial instruments include cash in the amount of \$10,738 (\$11,210 as at December 31, 2013), short-term investments in the amount of \$123,019 (\$121,638 as at December 31, 2013) and accounts payable and accrued liabilities of \$238 (\$229 as at December 31, 2013). 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, 2014, the Corporation had cash and cash equivalents of \$10,738 and accounts payable and accrued liabilities of \$238.

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 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 and cash equivalents are 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 and cash equivalents of \$10,738. The weighted average interest rate on ACE's cash and cash equivalents at December 31, 2014, is approximately 1.13%, which results in limited downside risk.

10. CAPITAL DISCLOSURES

ACE is an investment holding company.

Capital managed by ACE is as follows:

	2014	2013
Net assets in liquidation	\$ 133,685	\$ 132,744
Capital	\$ 133,685	\$ 132,744

As at December 31, 2014, ACE's capital amounted to \$133,685, an increase of \$941 during 2014.

11. CONTINGENCIES, GUARANTEES AND INDEMNITIESIndemnification 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.

ACE AVIATION

2014

Management's Discussion and Analysis

April 28, 2015

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1. Preface

General

ACE Aviation Holdings Inc. ("ACE"), was incorporated on June 29, 2004. As at December 31, 2014, 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, 2014, ACE's assets are cash and short-term investments of approximately \$134 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, covers any eventual reassessment of Air Canada's input tax credit refund claims plus any related interest and ancillary legal costs. The reassessment periods for the large majority of the input tax credit claims covered by the indemnity in favour of Air Canada expired at the end of 2014, with the remaining reassessment periods gradually expiring by 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 maintains a reserve for claims and other potential contingencies, which includes an amount for the indemnity in favour of Air Canada with respect to reassessment periods which have not yet expired. Such reserve will not be available for distribution to the shareholders pending the expiration of the related reassessment periods or settlement of such contingencies.

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 has not filed a claim in the Liquidation. ACE was of the view that this 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. As a result of the tax indemnity arrangements entered into with Air Canada, which are referred to above, ACTS LP will be dissolved only after the expiration of the indemnity arrangements with Air Canada. The Liquidator is not aware of any liabilities or contingent liabilities of ACTS LP other than contingent liabilities in respect of the tax indemnity agreements referred to above. 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 has 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.

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 have expired, the Liquidator announced on April 28, 2015 that it intends to seek Court approval for a distribution to shareholders of ACE in the aggregate amount of \$115 million. The Court hearing is scheduled for May 8, 2015. 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. See "Caution Regarding Forward-Looking Information".

Future distributions of ACE's remaining net cash to its shareholders are subject to the expiration or settlement of any contingencies and there is no certainty as to the timing or amount of such distributions. The final distribution to shareholders and the cancellation of the shares of ACE will not occur until all remaining contingent liabilities are settled or otherwise provided for. The distributions will generally be treated as deemed dividends from a Canadian tax standpoint. Such deemed dividends 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 Handbook of the Canadian Institute of Chartered Accountants – 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 2014, 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 28, 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 2014 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, planned operations, future actions, the timing of the liquidation, the timing and amount of any distribution to shareholders, the potential amount of ACE's contingencies and liability under claims filed, the final distribution to shareholders and the cancellation of the shares 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, 2014 and December 31, 2013.

(Canadian dollars in thousands, except per share amounts)	December 31 2014	December 31 2013
Cash and Cash Equivalents	\$ 10,738	\$ 11,210
Short-term investments	123,019	121,638
Commodity taxes receivable	166	125
	133,923	132,973
Accounts payable and accrued liabilities	238	229
Net assets in liquidation	\$ 133,685	\$ 132,744
Net assets in liquidation per share – Basic and diluted	\$ 4.12	\$ 4.09

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 \$11 million as at December 31, 2014 and December 31, 2013.

Short-term investments

Short-term investments of \$123 million comprise investments in GICs with a maturity date of more than three months. The average interest rate on these GICs as of December 31, 2014 is 1.13% per annum (December 31, 2013: 1.13%).

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, or to incur any tax liabilities for other taxes over and above amounts incurred in the ordinary course of business.

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 are described above under "Section 1. Preface – Liquidation Claims Process". The reassessment periods for the large majority of the input tax credit claims expired at the end of 2014, with the remaining reassessment periods gradually expiring by 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 which may be reimbursable to Air Canada under the indemnity agreements in connection with any reassessment covered by the indemnity agreements.

Any required payment by ACE pursuant to such indemnities would reduce the amount available for distribution to shareholders of ACE in connection with the liquidation of ACE. For additional information, see "Section 1. Preface – Liquidation Claims Process".

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".

Administrative and other expenses for the year ended December 31, 2014 and the year ended December 31, 2013 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 \$11 million at December 31, 2014 and December 31, 2013.

3.3 Share Information

At December 31, 2014, the issued and outstanding common shares of ACE were as follows:

Number of shares (000)	December 31, 2014	December 31, 2013
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 2014 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 2014.

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). The adoption of a liquidation basis of presentation did not result in a change to the Corporation's accounting policies that were applied on a going concern basis of presentation.

For additional information on ACE's significant accounting policies and methods used in preparation of ACE's 2014 audited consolidated financial statements and notes, please refer to Note 2 to ACE's 2014 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 2014	Year Ended December 31 2014	Three Months Ended December 31 2013	Year Ended December 31 2013
Net assets in liquidation, beginning of period	\$ 133,400	\$ 132,744	\$ 132,454	\$ 131,599
Interest income	376	1,488	388	1,846
Administrative and other expenses	(91)	(547)	(98)	(701)
Income for the period	285	941	290	1,145
Provision for income taxes	-	-	-	-
Income for the period	285	941	290	1,145
Net assets in liquidation, end of period	\$ 133,685	\$ 133,685	\$ 132,744	\$ 132,744
Income per share – Basic and diluted	\$ 0.01	\$ 0.03	\$ 0.01	\$ 0.04

ACE recorded administrative and other expenses of \$0.5 million in the year ended December 31, 2014 (\$0.1 million in the three months ended December 31, 2014). In the same period in 2013, ACE recorded administrative and other expenses of \$0.7 million (\$0.1 million in the three months ended December 31, 2013).

The income for the year and the three months ended December 31, 2014 amounted to \$0.9 million or \$0.03 per diluted share and \$0.3 million or \$0.01 per diluted share, respectively. The income for the year and the three months ended December 31, 2013 amounted to \$1.1 million or \$0.04 per diluted share and \$0.3 million or \$0.01 per diluted share, respectively.

6. Quarterly Financial Information

(\$ thousands, except per share amounts)	Q1 ⁽¹⁾ 2013 (Liquidation Basis)	Q2 ⁽¹⁾ 2013 (Liquidation Basis)	Q3 ⁽¹⁾ 2013 (Liquidation Basis)	Q4 ⁽¹⁾ 2013 (Liquidation Basis)	Q1 ⁽¹⁾ 2014 (Liquidation Basis)	Q2 ⁽¹⁾ 2014 (Liquidation Basis)	Q3 ⁽¹⁾ 2014 (Liquidation Basis)	Q4 ⁽¹⁾ 2014 (Liquidation Basis)
Interest income	\$ 622	\$ 383	\$ 453	\$ 388	\$ 366	\$ 368	\$ 378	\$ 376
Administrative and other expenses	(202)	(245)	(156)	(98)	(197)	(156)	(103)	(91)
Provision for income taxes	-	-	-	-	-	-	-	-
Income	\$ 420	\$ 138	\$ 297	\$ 290	\$ 169	\$ 212	\$ 275	\$ 285
Earnings per share – basic and diluted	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ -	\$ 0.01	\$ 0.01	\$ 0.01

(1) ACE transitioned to IFRS as of January 1, 2011.

7. Selected Annual Information

The following table provides selected annual information for ACE for the years 2014, 2013 and 2012.

(\$ thousands, except per share figures)	2014	2013	2012
Operating revenues	\$ -	\$ -	\$ -
Administrative and other expenses	(547)	(701)	(4,807)
Operating loss	(547)	(701)	(4,807)
Total non-operating income	1,488	1,846	29,288
Net income	\$ 941	\$ 1,145	\$ 24,481
Earning per share - Basic and Diluted	\$0.03	\$0.04	\$0.75
Cash and cash equivalents	\$ 10,738	\$ 11,210	\$ 56,467
Total assets	\$ 133,923	\$ 132,973	\$ 131,642

8. Financial Instruments and Risk Management

As at December 31, 2014, ACE's financial instruments include cash and cash equivalents in the amount of \$11 million (\$11 million as at December 31, 2013), short-term investments in the amount of \$123 million (\$122 million as at December 31, 2013) and accounts payable and accrued liabilities of \$0.2 million (\$0.2 million as at December 31, 2013). 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, 2014, the Corporation had cash and cash equivalents of \$11 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 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 and cash equivalents are 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 and cash equivalents of \$11 million. The weighted average interest rate on ACE's cash and cash equivalents and short-term investments at December 31, 2014, is approximately 1.13%, which results in limited downside risk.

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. 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 will be resolved. Refer to section 1 (Preface – Liquidation Claims Process) for a description of the proofs of claim filed in response to ACE's claims process. The contingent liabilities described in sections 1 and 3.1 of this MD&A relating to GST indemnity agreements may impact the amount and timing of distributions to shareholders. In addition, there could be other contingent liabilities that ACE is not currently aware of, 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 will be 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 is Invested in Cash Equivalents and Short-Term Investments

A substantial portion of ACE's cash is invested 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.