CANADA

SUPERIOR COURT
(Commercial Division)
The *Canada Business Corporations Act*

PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL
No.: 500-11-042912-127

IN THE MATTER OF THE LIQUIDATION OF:

ACE AVIATION HOLDINGS INC.

Applicant

-and-

ERNST & YOUNG INC.

Liquidator

APPLICATION FOR AN ORDER EXEMPTING ACE AVIATION HOLDINGS INC. FROM THE REQUIREMENT TO CALL AND HOLD AN ANNUAL MEETING OF SHAREHOLDERS AND FOR AN ORDER RELATING TO THE REMAINING SUBSIDIARIES OF ACE AVIATION HOLDINGS INC.

TO ONE OF THE HONOURABLE JUDGES OF THE SUPERIOR COURT, SITTING IN COMMERCIAL DIVISION FOR THE JUDICIAL DISTRICT OF MONTREAL, THE APPLICANT, THROUGH THE LIQUIDATOR, RESPECTFULLY SUBMITS THE FOLLOWING:

INTRODUCTION

1. On April 25th, 2012, at the annual and special meeting of shareholders of ACE Aviation Holdings Inc. ("**ACE**"), the shareholders of ACE (the "**Shareholders**") approved a special resolution providing for the voluntary liquidation of ACE pursuant to Section 211 of the *Canada Business Corporations Act* ("**CBCA**");

2. On May 9th, 2012, ACE filed a statement of its intent to dissolve pursuant to Subsection 211(4) of the CBCA with the Director appointed under the CBCA, and the Director issued a certificate of intent to dissolve;

3. 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"* with this Honourable Court (the "**Liquidation Motion**");

4. On or about June 28th, 2012, Justice Manon Savard issued an order granting the Liquidation Motion and appointing Ernst & Young Inc. as liquidator of ACE

(the "**Liquidation Order**"). Effective June 28, 2012, all of the directors and officers of ACE and its subsidiaries resigned from their positions, and the Liquidator was vested with the powers of the directors of ACE in accordance with the provisions of the CBCA and the Liquidation Order;

THE ACE CLAIMS PROCESS

5. On February 22nd, 2013, ACE filed an *"Application for an Order Establishing a Claims Process"* with this Honourable Court;

6. On February 25th, 2013, the Honourable Justice Mark Schrager issued an order establishing 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;

7. A summary of the claims filed in response to ACE's claim process will be included in the Third Report of the Liquidator to be filed forthwith;

REQUIREMENTS TO CALL AN ANNUAL MEETING OF SHAREHOLDERS AND PREPARE RELATED MEETING MATERIALS

8. Pursuant to Section 133(1) of the CBCA, directors of a corporation are required to call an annual meeting of Shareholders (the "**Meeting**") no later than fifteen (15) months after holding the last preceding annual meeting and, in any event, no later than six (6) months after the end of the corporation's preceding financial year;

9. As such, upon a strict application of the above-mentioned provision, the Liquidator (which is vested with the powers of the directors of ACE) would be required to call, by no later than June 30th, 2014, a Meeting with respect to the financial year ended December 31st, 2013;

10. An annual general meeting of shareholders is generally held in order (i) for Shareholders to vote to elect the directors of ACE; (ii) for the annual financial statements (the "**Annual Financial Statements**") to be placed before the Shareholders and (iii) for Shareholders to appoint the auditors of ACE;

11. Given that ACE is a reporting issuer, the Liquidator would be required to prepare and file with securities regulatory authorities and send to the shareholders of ACE a notice of Meeting and management information circular in connection with the Meeting;

12. A management information circular typically includes a statement of executive compensation discussion ("**CD&A**") in accordance with National Instrument 51-102F6 – *Statement of Executive Compensation*;

13. However, according to Section 11.6 of National Instrument 51-102 – *Continuous Disclosure Obligations* ("**NI 51-102**") in the event that ACE does not hold a Meeting and no management information circular is issued, the Liquidator is required to prepare and file a stand-alone CD&A with securities regulatory authorities;

THE REQUEST FOR RELIEF REGARDING THE SHAREHOLDERS' MEETING

14. Pursuant to the Liquidation Resolution and the Liquidation Order, the Liquidator is vested with all of the powers of the directors of ACE and of the Shareholders, including the power to appoint directors, should the Liquidator deem it appropriate;

15. Being in liquidation and having appointed the Liquidator, ACE no longer has any directors and the Liquidator would not propose any nominee directors for election at a Meeting, given that the Liquidator shall continue to assume the powers and duties of the directors of ACE;

16. The powers of the Shareholders to appoint the auditors of ACE have also been vested in the Liquidator;

17. As such, the Liquidator submits to this Honourable Court that there is no longer any reason to hold a Meeting, and indeed, that doing so would prejudice the shareholders as it would give rise to unnecessary costs;

18. The Annual Financial Statements for the year ended December 31st, 2013 and accompanying Management Discussion and Analysis (**"MD&A"**) were filed with Canadian securities regulatory agencies and made available to Shareholders on the Liquidator's website at www.ey.com/ca/aceaviation, on ACE's website at www.aceaviation.com and on ACE's SEDAR profile at www.sedar.com and will be delivered to Shareholders to the extent required by the CBCA and applicable securities laws.

19. Assuming that this Honourable Court grants the present Motion, the Liquidator will prepare and file with securities regulatory authorities a CD&A on a stand-alone basis in accordance with Section 11.6 of NI 51-102 and will make it available to Shareholders on the Liquidator's website at www.ey.com/ca/aceaviation and on ACE's SEDAR profile at www.sedar.com, along with the Annual Financial Statements and related MD&A;

20. In addition, the Liquidator has issued a press release (i) to the effect that the Liquidator does not plan to hold a Meeting for the financial year ended December 31st, 2013 and has applied to this Honourable Court for confirmation that no Meeting shall be held; (ii) directing the Shareholders to the Liquidator's website to access a copy of the relevant documentation, including a copy of this application and (iii) inviting Shareholders to communicate with the Liquidator at its toll-free telephone number for any question in respect of the decision not to hold a Meeting or any other matter in connection with the Liquidation, the whole as appears from a copy of the press release issued on April 28th, 2014 attached herewith as **Exhibit P-1.**

21. The Liquidator will post a copy of this application to the Court and notice of the hearing for the Motion on its website forthwith upon filing it;

22. As of the date of this Motion, the Liquidator has not received any calls relating to the decision not to hold a Meeting;

23. Requiring the Liquidator to hold the Meeting would require the Liquidator to prepare and mail to Shareholders a management information circular and related meeting materials in accordance with securities regulations, and to incur significant other costs such as meeting room costs, transfer agent, scrutineers and legal costs;

24. The costs associated with the preparation, printing and mailing of the management information circular and the holding of a Meeting could amount to eighty thousand to one hundred thousand dollars ($80,000 to $100,000), including fees of ACE's transfer agent, Canadian Stock Transfer Company Inc.;

25. Given that there would be no resolution or matter to be considered by Shareholders at such Meeting, the relevant powers of the Shareholders to appoint directors and auditors having been vested in the Liquidator, the incurrence of the required costs for the Meeting would not be an appropriate use of ACE's assets in liquidation;

26. Given that the Meeting would have no purpose and that Shareholders will be in a position to easily access the Annual Financial Statements, related MD&A and the CD&A, the Liquidator submits that holding a Meeting would impose an unreasonable and unjustified administrative and economic burden on ACE;

27. As such, holding a Meeting would not be justified and would not be in the best interests of the Shareholders and the creditors of ACE;

28. Pursuant to Section 217 of the CBCA, this Honourable Court may, in connection with the liquidation of a corporation, if it is satisfied that the corporation is able to pay or adequately provide for the discharge of its obligations, make any order that it thinks fit in connection with the Liquidation;

29. Indeed, pursuant to a similar application, on April 19th, 2013, Justice Jean-Yves Lalonde issued an order exempting ACE from the requirement to hold a shareholder meeting with respect to the financial year ended December 31st, 2012, in a form similar to the order sought herein with respect to the financial year ended December 31st, 2013.

30. The proposed order with respect to relief regarding the shareholders' meeting is attached herewith at Annex A;

<u>THE REQUEST FOR RELIEF REGARDING ACTS LP AND ITS GENERAL PARTNER</u>

31. The only remaining subsidiaries of ACE are ACTS LP and its general partner, 4378555 Canada Inc. (the **"General Partner"**);

32. ACTS LP is a limited partnership established pursuant to the *Civil Code of Quebec*, as appears from the attached excerpt from the Registraire des entreprises du Québec, filed herewith as **Exhibit P-2**;

33. As further appears from Exhibit P-1, the general partner of ACTS LP is the General Partner and the sole limited partner of ACTS LP is ACE;

34. The General Partner is a wholly-owned subsidiary of ACE, the whole as appears from the attached excerpt from the Registraire des entreprises du Québec, filed herewith as **Exhibit P-3**.

35. The General Partner does not have any assets other than its 0.01% interest in ACTS LP and does not have any operations other than acting as general partner of ACTS LP;

36. The General Partner does not currently have any directors or officers. Effective June 28, 2012 concurrently with the appointment of the Liquidator as liquidator of ACE and the resignation of all of the directors and officers of ACE, all of the directors and officers of the General Partner resigned from their positions with the General Partner;

37. ACTS LP operated a business of aircraft maintenance, repair and overhaul prior to the sale of all of its assets to Aveos Fleet Performance Inc. (formerly Ksage MRO Holdings Inc.) ("**Aveos**"), an entity formed by a consortium of private equity firms in October 2007. ACTS LP has not carried on any business since October 2007;

38. Pursuant to an asset purchase agreement entered into in connection with such transaction, Aveos assumed the liabilities of ACTS LP, other than certain excluded liabilities, the whole as set forth in the Asset Purchase Agreement dated as of June 22, 2007, entered into by ACE, ACTS LP, Aveos and other entities forming part of the consortium of purchasers, filed herewith as **Exhibit P-4**;

39. 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;

40. 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 and ACTS LP agreed to indemnify and hold harmless Air Canada should such refund claims be reassessed in the future;

41. In response to ACE's claims process, Air Canada filed a contingent claim related to the tax indemnity 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 will expire by the end of 2014, with the remaining reassessment periods gradually expiring by 2016. ACE plans to maintain a reserve in the amount of such contingent claim which will not be available for distribution to the shareholders of ACE pending the expiration of the related reassessment periods or settlement of such contingencies;

42. Pursuant to such tax indemnity agreements, ACE and ACTS LP agreed in favour of Air Canada that they would not dissolve themselves until their contingent liabilities under the tax indemnity arrangements are adequately discharged or provided for;

43. In addition, ACTS LP must remain in existence so that it be able to file with the relevant tax authorities any claim for tax refunds and other documents that ACTS LP may have to file pursuant to the tax indemnity arrangements;

44. Therefore, ACTS LP may not be dissolved until the expiration of such indemnity arrangements;

45. ACTS LP does not have any assets, other than the right to potentially claim certain tax refunds in connection with the matters covered by the tax indemnity arrangements referred to above;

46. To the knowledge of the Liquidator, ACTS LP and its General Partner do not have any liabilities or contingent liabilities other than contingent liabilities of ACTS LP in respect of the tax indemnity agreements referred to above;

47. Pursuant to paragraph 7 of the Liquidation Order, the Court ordered that the Liquidator may take such steps as, in the opinion of the Liquidator, are necessary or appropriate to receive, preserve, protect, maintain control over, liquidate and realize upon the assets of ACE. The interest of ACE in ACTS LP and its General Partner represent assets of ACE for such purposes;

48. By virtue of the terms of the Liquidation Order, the Liquidator is also charged with the settlement, payment and/or establishment of reserves with respect to liabilities and contingent liabilities of ACE;

49. Further to the claims process conducted with respect to liabilities and contingent liabilities of ACE, the Liquidator will be taking reserves with respect to valid claims filed against ACE and is taking measures to cause the other claims to be disallowed, with a view to eventually distributing the remaining assets of ACE to its shareholders once the contingent liabilities of ACE are settled, adjudicated or otherwise provided for;

50. In connection with its duties as liquidator of ACE in the context of the liquidation of ACE and distribution by ACE of its remaining assets to the shareholders of ACE, the Liquidator wishes to establish a claims process for the identification, resolution and barring of any claims and other contingent liabilities of ACTS LP and its General Partner, the sole remaining subsidiaries of ACE;

51. It is submitted that proceeding with such claims process shall permit the Liquidator of ACE to ensure that there are no valid claims with respect to liabilities of ACE's sole remaining subsidiaries. If there are any such claims, the claims process will allow the Liquidator to identify any party that may have an alleged claim against such subsidiaries and analyze and consider the effect of such alleged claim prior to the distribution of the remaining assets of ACE to the shareholders of ACE;

52. Further to the proposed ACTS LP claims process, the Liquidator shall be in a position to ascertain whether additional steps are required in order to respond to any valid claims and/or valid contingent claims that may arise, and may notably petition this Honourable Court for a further order(s) with respect thereto;

53. In addition, in order to maintain the existence of ACTS LP and its General Partner and administer such entities to the extent necessary pending their eventual dissolution, the Liquidator must be authorized to sign and file on behalf of the General Partner (for itself and in its capacity as general partner of ACTS LP) annual corporate returns, tax returns and other agreements and documents;

54. The proposed order with respect to ACTS LP and its General Partner is attached herewith at Annex B;

55. In view of the above, it is submitted that the relief sought herein is well founded in fact and in law;

WHEREFORE MAY IT PLEASE THE COURT TO:

GRANT the present *"Application for an Order Exempting ACE Aviation Holdings Inc. from the Requirement to Call and Hold an Annual Meeting of Shareholders and for an Order Relating to the Remaining Subsidiaries of ACE Aviation Holdings Inc."*;

ISSUE orders as set forth at Annexes A and B hereto;

THE WHOLE WITHOUT COSTS, save in case of contestation.

MONTREAL, this 8th day of May, 2014

Lenczner Slaght

LENCZNER SLAGHT
Attorneys for the Liquidator of ACE Aviation Holdings Inc.
Ernst & Young Inc.

Stikeman Elliott LLP

STIKEMAN ELLIOTT LLP
Attorneys for the Applicant
ACE Aviation Holdings Inc.

NOTICE OF PRESENTATION

TO: **ERNST & YOUNG INC.**
Attention: Ms. Sharon Hamilton
Ernst & Young Tower
222 Bay Street
P.O. Box 251
Toronto, Ontario
M5K 1J7

Liquidator

TAKE NOTICE of the foregoing *"Application for an Order Exempting ACE Aviation Holdings Inc. from the Requirement to Call and Hold an Annual Meeting of Shareholders and for an Order Relating to the Remaining Subsidiaries of ACE Aviation Holdings Inc."* and that same will be presented for adjudication before this Honourable Court, at **9:15 A.M.** on **May 20th, 2014**, at the **Montreal Courthouse**, located at **1 Notre-Dame Street East, Montreal, Quebec, H2Y 1B6**, in **room 16.12**.

DO GOVERN YOURSELVES ACCORDINGLY.

MONTREAL, this 8th day of May, 2014

Lenczner Slaght / [signature]

LENCZNER SLAGHT
Attorneys for the Liquidator of ACE Aviation Holdings Inc.
Ernst & Young Inc.

Stikeman Elliott LLP

STIKEMAN ELLIOTT LLP
Attorneys for the Applicant
ACE Aviation Holdings Inc.

AFFIDAVIT

I, the undersigned, SHARON S. HAMILTON, Senior Vice-President of Ernst & Young Inc., in its capacity as Liquidator of the Applicant, doing business at 222 Bay Street, P.O. Box 251, in the City of Toronto, Province of Ontario, M5K 1J7, do solemnly declare as follows:

1. I am a duly authorized representative of Ernst & Young Inc., Liquidator of the Applicant;

2. To the best of my knowledge, all the facts alleged in the present motion are true.

AND I HAVE SIGNED:

SHARON S. HAMILTON

SOLEMNLY DECLARED before me on this 8th day of May, 2014

Notary public

MONIQUE SILESON

ATTESTATION OF AUTHENTICITY

I, the undersigned, MATTHEW LIBEN, attorney, practicing my profession at Stikeman Elliott LLP, located at 1155 René-Lévesque Boulevard West, Suite 4000, in the City and District of Montreal, Province of Quebec, H3B 3V2, do hereby solemnly affirm as follows:

1. I am an attorney at the law firm of Stikeman Elliott LLP;

2. On May 8th, 2014, at 1:18 pm. Eastern time (EDT), I received the Affidavit of Sharon S. Hamilton, dated May 8th, 2014, by email received from Ms. Monique Jilesen of Lenczner Slaght Royce Smith Griffin LLP

3. The copy of the Affidavit attached hereto is a true copy of the said Affidavit of Sharon S. Hamilton received by email today;

4. The facts alleged in this Attestation of Authenticity are true.

Solemnly declared before me, at Montreal, Quebec, this 8th day of May, 2014	**AND I HAVE SIGNED**
Marie-Chantal Casey 172,390	
Commissioner of Oaths for the province of Quebec	**MATTHEW LIBEN**

ANNEX A

CANADA

PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL
No.: 500-11-042912-127

SUPERIOR COURT
(Commercial Division)
The *Canada Business Corporations Act*

MONTREAL, this _____ day of May, 2014

IN THE PRESENCE OF:
THE HONOURABLE _________________________, J.S.C.

IN THE MATTER OF THE LIQUIDATION OF:

ACE AVIATION HOLDINGS INC.

Applicant

-and-

ERNST & YOUNG INC.

Liquidator

ORDER EXEMPTING ACE AVIATION HOLDINGS INC. FROM THE REQUIREMENT TO CALL AND HOLD AN ANNUAL MEETING OF SHAREHOLDERS

CONSIDERING the *"Application for an Order Exempting ACE Aviation Holdings Inc. from the Requirements to Call and Hold an Annual Meeting of Shareholders and for an Order Relating to the Remaining Subsidiaries of ACE Aviation Holdings Inc."* (the **"Motion"**) brought by Ernst & Young Inc. (the **"Liquidator"**), the Liquidator of ACE Aviation Holdings Inc. (**"ACE"**).

CONSIDERING the submissions of counsel for the Liquidator and the Applicant;

GIVEN the provisions of the *Canada Business Corporations Act*, (R.S.C., 1985, c. C-44) as amended (the **"CBCA"**);

WHEREFORE, THE COURT:

[1] **ORDERS** that the Liquidator shall publish on its website at www.ey.com/ca/aceaviation and under the profile of ACE at www.sedar.com the statement of executive compensation (**"CD&A"**) for the year ended December 31, 2013, by no later than the filing deadline under applicable securities laws for such CD&A, being May 20, 2014;

[2] **ORDERS** that ACE and the Liquidator are exempt from any requirement to call and hold an annual meeting of shareholders (the **"Meeting"**) in respect of the financial year ended December 31, 2013 and **DECLARES** that no Meeting shall be held;

THE WHOLE WITHOUT COSTS.

MONTREAL, this _____ day of May, 2014

THE HONOURABLE
__________________________, J.S.C.

ANNEX B

CANADA

PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL
No.: 500-11-042912-127

SUPERIOR COURT
(Commercial Division)
The *Canada Business Corporations Act*

MONTREAL, this _____ day of May, 2014

IN THE PRESENCE OF:
THE HONOURABLE __________________________, J.S.C.

IN THE MATTER OF THE LIQUIDATION OF:

ACE AVIATION HOLDINGS INC.

Applicant

-and-

ERNST & YOUNG INC.

Liquidator

ORDER WITH RESPECT TO THE REMAINING SUBSIDIARIES OF ACE AVIATION HOLDINGS INC.

CONSIDERING the *"Application for an Order Exempting ACE Aviation Holdings Inc. from the Requirement to Call and Hold an Annual Meeting of Shareholders and for an Order Relating to the Remaining Subsidiaries of ACE Aviation Holdings Inc."* (the **"Motion"**) and its supporting exhibits, including the Report of the Liquidator dated __________________________, 2014, brought by Ernst & Young Inc. (the **"Liquidator"**), the Liquidator of ACE Aviation Holdings Inc. (**"ACE"**).

CONSIDERING the submissions of counsel for the Liquidator;

GIVEN the provisions of the *Canada Business Corporations Act*, (R.S.C., 1985, c. C-44) as amended (the **"CBCA"**);

WHEREFORE, THE COURT:

[1] **ORDERS** that the following terms in the present section of this order (the **"Order"**) shall, unless otherwise indicated, have the following meanings ascribed thereto:

(a) "**Books and Records**" means the financial and accounting records, tax records and records and documents relating to litigation matters of ACTS LP and 4378555 Canada Inc.;

(b) **"Business Day"** means a day on which banks are generally open for business in Quebec and Ontario, other than a Saturday, a Sunday or a non-juridical day (as defined in article 6 of the Code of Civil Procedure, R.S.Q., c. C-25, as amended);

(c) **"Claim"** means any right of any Person against ACTS LP or 4378555 Canada Inc. in connection with any indebtedness, liability or obligation of any kind of ACTS LP or 4378555 Canada Inc. owed to such Person and any interest accrued thereon or costs payable in respect thereof, whether liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known or unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, including the right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future;

(d) **"Claims Bar Date"** means 5:00 p.m. Eastern time (EST) on July 18th, 2014, or such later date as may be ordered by the Court;

(e) **"Contingent Claim"** means a Claim that may or may not become a debt of ACTS LP or 4378555 Canada Inc. depending upon the result of a specified future event;

(f) **"Court"** means the Superior Court of Québec (Commercial Division);

(g) **"Creditor"** means any Person having a Claim, and may, where the context requires, include the assignee of a Claim or a trustee, interim receiver, receiver, receiver and manager, or other Person acting on behalf of such Person and includes a Known Creditor;

(h) **"Creditors' Instructions"** means the instructions for Creditors, including a Proof of Claim, a notice and an instruction letter (being substantially in the form set out at Annex A hereto) explaining how to complete same, and a copy of this Order;

(i) **"Creditors' List"** means a list of all Known Creditors;

(j) **"Designated Newspapers"** means La Presse and the Globe and Mail;

(k) "**General Partner**" means 4378555 Canada Inc., a corporation incorporated under the laws of Canada and the general partner of ACTS LP;

(l) **"Known Creditor"** means a Creditor whose Claim is included in the Books and Records;

(m) **"Liquidation Order"** means the order of this Court dated June 28th, 2012, granting ACE's "Application for an Order Appointing a Liquidator and for an Order that the Liquidation be Continued under the Supervision of the Court";

(n) **"Newspaper Notice"** means the notice of this Order to be published in the Designated Newspapers on the Publication Date, which shall set out the Claims Bar Date and the Creditors' Instructions;

(o) **"Notice of Revision or Disallowance"** means the notice referred to in subparagraph 7 (e) hereof, advising a Creditor that the Liquidator has revised or rejected all or part of such Creditor's Claim set out in its Proof of Claim and setting out the reasons for such revision or disallowance;

(p) **"Person"** means any individual, corporation, limited or unlimited liability company, general or limited partnership, association, trust, unincorporated organization, joint venture, governmental body or agency, or any other entity;

(q) **"Proof of Claim"** means the form of proof of claim for Creditors referred to in paragraphs 6 and following hereof, being substantially in the form set out at Annex A attached herewith;

(r) **"Proven Claim"** means the amount of any Claim of any Creditor determined in accordance with the provisions of this Order, and proven by delivering a Proof of Claim to the Liquidator, but only after and to the extent that such Proof of Claim has been accepted by the Liquidator;

(s) **"Publication Date"** means the date on which the publication of the Newspaper Notice in all of the Designated Newspapers has been completed;

(t) **"Valid Contingent Claim"** means a Contingent Claim set forth in a Proof of Claim, delivered to the Liquidator pursuant to the terms hereof, which is determined by the Liquidator to be valid, and which may therefore become a Proven Claim upon the occurrence of a specified future event;

General Procedure

[2] **ORDERS** that the Newspaper Notice shall be published by the Liquidator in the Designated Newspapers as soon as practicable following the issuance of this Order, but in any event no later than June 10th, 2014;

[3] **ORDERS** that, in addition to the publication referred to in paragraph 2, the Liquidator shall send a copy of the Creditors' Instructions, by regular mail, to each Known Creditor at the last known address for each Known Creditor on the Books and Records as soon as practicable and no later than May 30th, 2014;

[4] **ORDERS** that, in addition to the publication referred to hereinabove, the Liquidator shall publish on its website at www.ey.com/ca/aceaviation and/or the website of ACE at www.aceaviation.com a copy of the Creditors' Instructions, as soon as possible but no later than May 30th, 2014.

[5] **ORDERS** that the Liquidator shall have no further notice obligations with respect to this Order, aside from those set forth at paragraphs 2 to 4 hereof;

Claims Procedure

[6] **ORDERS** that a Creditor who does not file a Proof of Claim by the Claims Bar Date shall not be entitled to any further notice, shall be forever barred from advancing a Claim against ACTS LP or 4378555 Canada Inc., and shall not be entitled to receive any amount from ACTS LP, 4378555 Canada Inc. or the Liquidator in connection with the liquidation and eventual distribution of the remaining assets of ACE;

[7] **ORDERS** that the following procedure shall apply where a Creditor files a Proof of Claim on or before the Claims Bar Date:

(a) the Liquidator shall review all Proofs of Claim received on or prior to the Claims Bar Date;

(b) in connection with its review, the Liquidator may request that the Creditor submit additional information and / or may attempt to consensually resolve the amount of the Claim with the Creditor;

(c) the Liquidator may accept a Proof of Claim or may disallow it in whole or in part;

(d) as regards any Contingent Claim set forth in a Proof of Claim, the Liquidator may declare it a Valid Contingent Claim (in which case it shall notify the Creditor of the portion of its Claim declared to be a Valid Contingent Claim by mail, facsimile, courier or other means of electronic communication), or may disallow it in whole or in part;

(e) where the Liquidator may determine that a Proof of Claim or Contingent Claim should be disallowed in whole or in part, the Liquidator shall send the Creditor a Notice of Revision or Disallowance by mail, facsimile, courier or by means of electronic communication within sixty (60) days of the Claims Bar Date, failing which the Proof of Claim shall be deemed to have been accepted or in the case of a Contingent Claim, shall be deemed to have been declared a Valid Contingent Claim;

(f) a Creditor who receives a Notice of Revision or Disallowance and wishes to dispute it shall, within thirty (30) days of the date of the Notice of Revision or Disallowance, deliver a Dispute Notice to the Liquidator, and the Liquidator's counsel identified in the Liquidation Order;

(g) upon receipt of a Dispute Notice, the Liquidator may attempt to consensually resolve the treatment of the Claim or Contingent Claim with the Creditor and / or seek further instructions from this Honourable Court with respect to a process for the resolution of the Claim or the Contingent Claim;

(h) unless otherwise authorized by this Court, if the Creditor does not deliver a Dispute Notice to the Liquidator within the time period provided for above, such Creditor shall be deemed to have accepted the treatment of its Claim or Contingent Claim as set out in the Notice of Revision or Disallowance, and any recovery it may be entitled to receive shall be based solely upon the amount of its Claim or Contingent Claim that is accepted by the Liquidator, as set forth in the said Notice of Revision or Disallowance;

(i) notwithstanding paragraph 28 of the Liquidation Order, a creditor receiving a Notice of Revision or Disallowance and having duly delivered a Dispute Notice to the Liquidator in accordance with paragraph (f) above, may make application to this Honourable Court in order to seek adjudication by this Court of the dispute relating to its Claim or Contingent Claim;

EXECUTION OF DOCUMENTS

[8] The Liquidator be and it is hereby authorized to sign and deliver on behalf of 4378555 Canada Inc., both in relation to the affairs of 4378555 Canada Inc. and in the capacity of 4378555 Canada Inc. as general partner of ACTS LP, all such corporate and partnership annual returns and declarations, tax returns, tax refund claims, and all agreements, deeds and other documents as may be necessary in connection with the claims process referred to above, the administration and affairs of ACTS LP and 4378555 Canada Inc. until their dissolution, and as necessary to maintain ACTS LP and 4378555 Canada Inc. in existence for the purposes of

exercising their rights and complying with their covenants under the tax indemnity arrangements referred to in the "Application for an Order Exempting ACE Aviation Holdings Inc. from the Requirement to Call and Hold an Annual Meeting of Shareholders and for an Order Relating to the Remaining Subsidiaries of ACE Aviation Holdings Inc." and under applicable laws, and to eventually dissolve ACTS LP and 4378555 Canada Inc.

[9] Any actions taken by the Liquidator with respect to ACTS LP and 4378555 Canada Inc., including the execution of any documents referred to in paragraph 8 above, shall be subject to the provisions of paragraphs 26, 27 and 28 of the Order of this Court dated June 28, 2012 appointing the Liquidator as liquidator of ACE.

THE WHOLE WITHOUT COSTS.

MONTREAL, this _____ day of May**, 2014**

____

THE HONOURABLE
_________________________, J.S.C.

N°.: 500-11-042912-127

SUPERIOR COURT
(Commercial Division)
Companies Creditors Arrangement Act

PROVINCE OF QUEBEC
DISTRICT OF MONTREAL

IN THE MATTER OF THE LIQUIDATION OF:

ACE AVIATION HOLDINGS INC.

Applicant

and

ERNST & YOUNG INC.

Liquidator

BS0350 Our File: 120000-1071

APPLICATION FOR AN ORDER EXEMPTING ACE AVIATION HOLDINGS INC. FROM THE REQUIREMENT TO CALL AND HOLD AN ANNUAL MEETING OF SHAREHOLDERS AND FOR AN ORDER RELATING TO THE REMAINING SUBSIDIARIES OF ACE AVIATION HOLDINGS INC.

ORIGINAL

Me Matthew Liben (514) 397-3115
Fax: (514) 397-3636

STIKEMAN ELLIOTT LLP
1155 René-Lévesque Boulevard West, 40th floor
Montreal, Quebec, H3B 3V2

#10923854

CANADA	SUPERIOR COURT (Commercial Division) The *Canada Business Corporations Act*
PROVINCE OF QUÉBEC DISTRICT OF MONTRÉAL No.: 500-11-042912-127	IN THE MATTER OF THE LIQUIDATION OF: ACE AVIATION HOLDINGS INC. Applicant -and- ERNST & YOUNG INC. Liquidator

LIST OF EXHIBITS

EXHIBIT P-1:	Copy of press release issued by ACE Aviation Holdings Inc. on April 28th, 2014
EXHIBIT P-2:	The excerpt from the Registraire des entreprises du Québec for ACTS LP
EXHIBIT P-3:	The excerpt from the Registraire des entreprises du Québec for 4378555 Canada Inc.
EXHIBIT P-4:	The Asset Purchase Agreement dated as of June 22, 2007

MONTREAL, this 8th day of May, 2014

Lenczner Slaght

LENCZNER SLAGHT
Attorneys for the Liquidator of ACE Aviation Holdings Inc.
Ernst & Young Inc.

Stikeman Elliott LLP

STIKEMAN ELLIOTT LLP
Attorneys for the Applicant
ACE Aviation Holdings Inc.

#11014835 v6

N°.: 500-11-042912-127

SUPERIOR COURT
(Commercial Division)
Companies Creditors Arrangement Act

PROVINCE OF QUEBEC
DISTRICT OF MONTREAL

IN THE MATTER OF THE LIQUIDATION OF:

ACE AVIATION HOLDINGS INC.

Applicant

and

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ACE AVIATION

News Release

ACE AVIATION REPORTS FULL YEAR RESULTS AND PROVIDES AN UPDATE ON ITS LIQUIDATION PROCESS

MONTRÉAL, April 28, 2014 – ACE Aviation Holdings Inc. (ACE) today reported full year results for 2013, and provided an update with respect to its liquidation process.

2013 Annual Results

For 2013, ACE recorded an increase in net assets in liquidation of $1.1 million. This increase was primarily due to interest income earned during the year offset by administrative and other expenses.

As at April 25, 2014, ACE's only remaining assets consist of cash and short-term investments in an aggregate amount of approximately $133 million.

Liquidation Process

On June 28, 2012, further to the approval by ACE shareholders on April 25, 2012 of a special resolution providing for the voluntary liquidation of ACE, the Superior Court of Québec (Commercial Division) (the "**Court**") issued an order appointing Ernst & Young Inc. as liquidator of ACE (the "**Liquidator**").

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. The audited consolidated financial statements of ACE for the year ended December 31, 2013 and the related management's discussion and analysis include a description of the proof of claims which were filed. The Liquidator will not proceed with any further distributions to shareholders pending satisfactory resolution of these matters and any other contingencies that may arise during the course of the liquidation process.

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.

As previously announced, effective as of 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 and the shareholders of ACE in accordance with the Canada Business Corporations Act and the Court order issued on June 28, 2012. Accordingly, ACE does not plan to hold an annual shareholder meeting in 2014 with respect to the financial year ended December 31, 2013. ACE will seek confirmation from the Court that no such shareholder meeting shall be held and the Liquidator will post a copy of the relevant application to the Court and notice of the hearing date on its website at www.ey.com/ca/aceaviation at least 7 days in advance of the hearing date. ACE currently expects that the Court hearing will be held on or about May 20, 2014. Shareholders who have questions or require additional information with respect to ACE and the liquidation process may contact the Liquidator by telephone (1-855-279-8388 or 416-943-4444) or by fax (1-416-943-3300).

For additional information with respect to the liquidation of ACE, refer to the management proxy circular dated March 9, 2012, the audited consolidated financial statements and related management's discussion and analysis for the year ended December 31, 2013 and the other public filings of ACE which are available at www.sedar.com and www.aceaviation.com.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

Certain statements in this news release may contain forward-looking statements. 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 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, market, regulatory developments or proceedings, and actions by third parties as well as the factors identified throughout ACE's filings with securities regulators in Canada and, in particular, those identified in the Risk Factors section of ACE's 2013 Annual MD&A dated April 25, 2014. If ACE does not proceed with the winding-up in a timely manner, ACE will continue to incur operating costs and fees. The forward-looking statements contained in this news release represent ACE's expectations as of the date they are made, 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.

- 30 -

Contact: David Saldanha, Ernst & Young Inc. (416) 943-4444

Internet: www.aceaviation.com

N°.: 500-11-042912-127

SUPERIOR COURT
(Commercial Division)
Companies Creditors Arrangement Act

PROVINCE OF QUEBEC
DISTRICT OF MONTREAL

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BS0350 Our File: 120000-1071

P-1

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#10923854

Registraire des entreprises Québec

Rechercher une entreprise au registre

État de renseignements d'une société de personnes au registre des entreprises

Renseignements en date du 2014-05-08 15:25:34

État des informations

Identification de l'entreprise

Numéro d'entreprise du Québec (NEQ)	3364058050
Nom	A.C.T.S. S.E.C.
Version du nom dans une autre langue	ACTS LP

Adresse du domicile

Adresse	7E ÉTAGE 5100, BOULEVARD DE MAISONNEUVE OUEST MONTRÉAL (QUÉBEC) H4A3T2

Adresse du domicile élu

Nom de l'entreprise	LISA GALLY O/S GESTION ACE AVIATION
Adresse	7E ÉTAGE 5100, BOULEVARD DE MAISONNEUVE OUEST MONTRÉAL (QUÉBEC) H4A3T2

Immatriculation

Date d'immatriculation	2006-11-07
Statut	Immatriculée
Date de mise à jour du statut	2006-11-07
Date de fin de l'existence	Aucune date de fin d'existence n'est déclarée au registre.

Forme juridique

Forme juridique	Société en commandite

Date de la constitution	
Régime constitutif	QUÉBEC : Code civil du Québec

Dates des mises à jour

Date de mise à jour de l'état de renseignements	2012-02-14
Date de la dernière déclaration de mise à jour annuelle	2012-02-14 2012
Date de fin de la période de production de la déclaration de mise à jour annuelle de 2014	2014-06-15
Date de fin de la période de production de la déclaration de mise à jour annuelle de 2013	2013-06-15

Faillite

Aucune information n'a été déclarée concernant l'existence d'une faillite.

Liquidation ou dissolution

Aucune intention de liquidation ou de dissolution n'a été déclarée.

Activités économiques et nombre de salariés

1er secteur d'activité

Aucune activité

2e secteur d'activité

Aucune activité

Nombre de salariés

Nombre de salariés au Québec

Aucun

Objet poursuivi par la société de personnes

Objet de la société	Offrir des services d'entretien d'avions

Associés, administrateurs, dirigeants et fondé de pouvoir

Administrateurs

Aucun administrateur n'a été déclaré.

Dirigeants non membres du conseil d'administration

Aucun dirigeant non membre du conseil d'administration n'a été déclaré.

Associés

Nom	ACE Aviation Holdings Inc.
Type d'associé	Commanditaire
Adresse	5100 boul. De Maisonneuve O Montréal (Québec) H4A3T2 Canada

Nom	4378555 Canada Inc.
Type d'associé	Commandité
Adresse	5100 boul. De Maisonneuve O Montréal (Québec) H4A3T2 Canada

Fondé de pouvoir

Aucun fondé de pouvoir n'a été déclaré.

Administrateurs du bien d'autrui

Aucun administrateur du bien d'autrui n'a été déclaré.

Établissements

Aucun établissement n'a été déclaré.

Documents en traitement

Aucun document n'est actuellement traité par le Registraire des entreprises.

Index des documents

Documents conservés

Type de document	Date de dépôt au registre
DÉCLARATION DE MISE À JOUR ANNUELLE 2012	2012-02-14
Déclaration de mise à jour courante	2011-05-11
DÉCLARATION DE MISE À JOUR ANNUELLE 2011	2011-03-04
Déclaration modificative	2010-06-09
Déclaration annuelle 2010	2010-04-21
Déclaration modificative	2009-10-13
Déclaration annuelle 2009	2009-05-15
Déclaration annuelle 2008	2008-04-25
Déclaration modificative	2007-10-31
Déclaration modificative	2007-09-25

Type de document	Date de dépôt au registre
Déclaration annuelle 2007	2007-05-15
Déclaration modificative	2007-02-22
Déclaration modificative	2006-11-30
Déclaration modificative	2006-11-30
Déclaration modificative	2006-11-30
Avis de correction	2006-11-09
Déclaration d'immatriculation	2006-11-07

Index des noms

Date de mise à jour de l'index des noms 2006-11-07

Nom

Nom	Versions du nom dans une autre langue	Date de déclaration du nom	Date de déclaration du retrait du nom	Situation
A.C.T.S. S.E.C.	ACTS LP	2006-11-07		En vigueur

Autres noms utilisés au Québec

Autre nom	Versions du nom dans une autre langue	Date de déclaration du nom	Date de déclaration du retrait du nom	Situation
ACTS		2007-09-25		En vigueur
AIR CANADA TECHNICAL SERVICES		2007-09-25		En vigueur
SERVICES TECHNIQUES AIR CANADA		2007-09-25		En vigueur
STAC		2007-09-25		En vigueur

N°.: 500-11-042912-127

SUPERIOR COURT
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Liquidator

BS0350 Our File: 120000-1071

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Registraire
des entreprises
Québec

Rechercher une entreprise au registre

État de renseignements d'une personne morale au registre des entreprises

Renseignements en date du 2014-05-08 15:27:27

État des informations

Identification de l'entreprise

Numéro d'entreprise du Québec (NEQ)	1164058373
Nom	4378555 CANADA INC.

Adresse du domicile

Adresse	5100 boul. De Maisonneuve O Montréal (Québec) H4A3T2 Canada

Adresse du domicile élu

Nom de l'entreprise	Air Canada, O/S Secretaire general, ZIP 1273
Adresse	7373 boul. de la Côte-Vertu Montréal (Québec) H4S1Z3 Canada

Immatriculation

Date d'immatriculation	2006-11-07
Statut	Immatriculée
Date de mise à jour du statut	2006-11-07
Date de fin de l'existence	Aucune date de fin d'existence n'est déclarée au registre.

Forme juridique

Forme juridique	Société par actions ou compagnie
Date de la constitution	2006-11-03 Constitution
Régime constitutif	CANADA : Loi canadienne sur les sociétés par actions, L.R.C. (1985) c. C-44

Régime courant	CANADA : Loi canadienne sur les sociétés par actions, L.R.C. (1985) c. C-44

Dates des mises à jour

Date de mise à jour de l'état de renseignements	2012-04-09
Date de la dernière déclaration de mise à jour annuelle	2012-04-09 2011
Date de fin de la période de production de la déclaration de mise à jour annuelle de 2014	2015-07-01
Date de fin de la période de production de la déclaration de mise à jour annuelle de 2013	2014-07-01

Faillite

Aucune information n'a été déclarée concernant l'existence d'une faillite.

Fusion et scission

Aucune fusion ou scission n'a été déclarée.

Continuation et autre transformation

Aucune continuation ou autre transformation n'a été déclarée.

Liquidation ou dissolution

Aucune intention de liquidation ou de dissolution n'a été déclarée.

Activités économiques et nombre de salariés

1er secteur d'activité

Code d'activité économique (CAE)	9799
Activité	Autres services personnels et domestiques
Précisions (facultatives)	LIMITED PARTNER OF A LIMITED PARTNERSHIP

2e secteur d'activité

Aucun renseignement n'a été déclaré.

Nombre de salariés

Nombre de salariés au Québec

Aucun

Convention unanime, actionnaires, administrateurs, dirigeants et fondé de pouvoir

Actionnaires

Premier actionnaire

Le premier actionnaire est majoritaire.

Nom	ACE AVIATION HOLDINGS INC.
Adresse	5100 boul. De Maisonneuve O Montréal (Québec) H4A3T2 Canada

Convention unanime des actionnaires

Il n'existe pas de convention unanime des actionnaires.

Liste des administrateurs

Nom	MILTON, ROBERT A.
Date du début de la charge	
Date de fin de la charge	
Fonctions actuelles	Président
Adresse	5100 boul. De Maisonneuve O Montréal (Québec) H4A3T2 Canada

Nom	HADROVIC, CAROLYN M.
Date du début de la charge	
Date de fin de la charge	
Fonctions actuelles	Secrétaire
Adresse	5100 boul. De Maisonneuve O Montréal (Québec) H4A3T2 Canada

Dirigeants non membres du conseil d'administration

Nom	DUNNE, BRIAN
Fonctions actuelles	Principal dirigeant
Adresse	5100 boul. De Maisonneuve O Montréal (Québec) H4A3T2 Canada

Fondé de pouvoir

Aucun fondé de pouvoir n'a été déclaré.

Administrateurs du bien d'autrui

Aucun administrateur du bien d'autrui n'a été déclaré.

Établissements

Aucun établissement n'a été déclaré.

Documents en traitement

Aucun document n'est actuellement traité par le Registraire des entreprises.

Index des documents

Documents conservés

Type de document	Date de dépôt au registre
DÉCLARATION DE MISE À JOUR ANNUELLE 2011	2012-04-09
Déclaration annuelle 2010	2011-03-25
État et déclaration de renseignements 2009	2010-04-28
État et déclaration de renseignements 2008	2009-05-06
Déclaration modificative	2009-02-26
État et déclaration de renseignements 2007	2008-07-09
Déclaration modificative	2007-10-22
Déclaration modificative	2007-10-22
Déclaration modificative	2006-11-30
Déclaration d'immatriculation	2006-11-07

Index des noms

Date de mise à jour de l'index des noms 2006-11-07

Nom

Nom	Versions du nom dans une autre langue	Date de déclaration du nom	Date de déclaration du retrait du nom	Situation
4378555 CANADA INC.		2006-11-03		En vigueur

Autres noms utilisés au Québec

Aucun autre nom utilisé au Québec n'a été déclaré.

Québec

N°.: 500-11-042912-127

SUPERIOR COURT
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#10923854

ACTS LP

as Vendor,

SILVERBOW (INTERNATIONAL) LIMITED

and

KSAGE MRO HOLDINGS INC.

collectively as Purchaser,

AIR SUPPORT JV

as Parent,

and

ACE AVIATION HOLDINGS INC.
(solely for purposes of Section 8.5, Article 12, Article 13 and Article 15),

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ASSET PURCHASE AGREEMENT

June 22, 2007

CONFIDENTIAL

TABLE OF CONTENTS

CONFIDENTIAL

ASSET PURCHASE AGREEMENT

MEMORANDUM OF AGREEMENT dated the 22nd day of June, 2007.

BY AND AMONG:

ACTS LP, a limited partnership formed under the Laws of the Province of Québec with its head office at 2341 boulevard Alfred-Nobel, Montreal, Québec, H4S 2A9, herein acting through and represented by its general partner, ACTS Technical Services Inc., a corporation incorporated under the Laws of Canada.

("**Vendor**")

AND:

SILVERBOW (INTERNATIONAL) LIMITED, a limited company incorporated under the Laws of Gibraltar with its registered office at 57/63 Line Wall Road, Gibraltar.

("**Gibco**")

AND:

KSAGE MRO HOLDINGS INC., a corporation formed under the Laws of Canada with its head office at 1000 de la Gauchetière Street West, suite 2100, Montreal, Quebec, Canada, M3B 4W5.

("**Canco**")

(Gibco and Canco are collectively referred to herein as "**Purchaser**")

AND:

AIR SUPPORT JV, a société à responsabilité limitée governed by the laws of the Grand Duchy of Luxembourg, having its registered office at 59 Rue de Rollingergrund, L-2440 Luxembourg, Grand Duchy of Luxembourg, having a share capital of CAD 25,000.- and pending registration with the Luxembourg Register of Commerce.

("Parent")

AND: **ACE AVIATION HOLDINGS INC.**, a corporation formed under the Laws of Canada with its head office at 5100 de Maisonneuve Boulevard West, Montreal, Quebec, H3A 3T2.

("ACE Aviation")

(solely for purposes of Section 8.5, Article 12, Article 13 and Article 15)

WHEREAS Vendor wishes to transfer to Purchaser, and Purchaser wishes to purchase and assume from Vendor, substantially all of Vendor's assets and liabilities, the whole upon and subject to the terms and conditions set forth herein;

WHEREAS to effect such transfer of Vendor's assets and liabilities to Purchaser, subject to the terms and conditions set forth herein, Gibco shall acquire the entire outstanding share capital of ACTS Bahamas Ltd and Canco shall acquire the remaining assets and liabilities of Vendor.

WHEREAS Gibco is a wholly-owned subsidiary of Parent and, as of the Closing, Canco will be a wholly owned subsidiary of Gibco;

WHEREAS in connection with the transactions contemplated hereby, Parent, Purchaser, Vendor and, in certain circumstances, Grupo TACA Holdings Limited (or a permitted transferee thereof, "**Grupo TACA**") will enter into the Shareholders Agreement (as defined below);

THIS AGREEMENT WITNESSETH THAT, in consideration of the mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, it is agreed by and between the Parties as follows:

ARTICLE 1
INTERPRETATION

Section 1.1 Defined Terms.

As used in this Agreement, the following terms have the following meanings:

"**AC Non-Unionized Employees**" means all non-unionized employees of Air Canada assigned and made available to Vendor pursuant to the terms and conditions of the General Services Agreement (non-unionized), including, for greater certainty, Chahram Boulouri.

"**AC Unionized Employees**" means all unionized employees of Air Canada assigned and made available to Vendor pursuant to the terms and conditions of the General Services Agreement (unionized).

"**ACE Aviation**" has the meaning specified in the recitals.

"**Accounts Payable**" means all accounts payable, trade payables and other expenses incurred by Vendor prior to the Closing Date.

"**Accounts Receivable**" means all accounts receivable, trade accounts, notes receivable, book debts, insurance claims, refunds or rebates and other debts due, or accruing due to Vendor prior to the Closing Date, including the Prepayment Loan Receivable and the benefit of all security (including cash deposits), guarantees and other collateral in connection therewith.

"**Action**" means any action, petition, suit or other proceeding, whether administrative, civil or criminal, in law or in equity, or before any arbitrator or Governmental Entity or any decree, injunction, judgment, order, ruling, assessment, determination, award or writ.

"**ACTS Employees**" means all of the employees employed directly by Vendor in connection with the Business.

"**Aeroman SPA**" means that certain stock purchase agreement entered into as of December 3, 2006 by and among Grupo TACA, ACTS Bahamas Ltd. and ACTS LP.

"**Affiliate**" shall mean, with respect to any Person, any other Person that, alone or together with any other Person, directly or indirectly through one or more intermediaries Controls, is Controlled by or is under common Control with, such Person.

"**Agreement**" means this asset purchase agreement and all instruments that amend or confirm this asset purchase agreement.

"**Ancillary Agreements**" means, collectively, (i) the Shareholders Agreement, (ii) the Pension Agreement and (iii) the Transfer and Non-Competition Agreement.

"**Assumed Liabilities**" has the meaning specified in Section 5.1.

"**Assumed Obligations**" means the Assumed Liabilities of Vendor, but not Subsidiaries, that are included in either the calculation of Net Indebtedness, excluding, for greater certainty, any contingent liabilities, if any.

"**Authorization**" means, with respect to any Person, any order, permit, approval, consent, waiver, licence or similar authorization of any Governmental Entity having jurisdiction over the Person or, where any reference to Authorization herein refers to the Authorization of a third party or a party to a contract, the approval, license, permit, consent (including consent to assignment), waiver or similar authorization of such third party or such party to a contract.

"**Bahamas Shares**" means all of the shares in the capital of ACTS Bahamas Ltd.

"**Benefit Plans**" means plans, arrangements, agreements, programs, policies, practices or undertakings, whether written or unwritten, formal or informal, funded or unfunded, insured or uninsured, registered or unregistered to which Vendor is a party or bound or in which the Transferred Employees or AC Unionized Employees participate or under which Vendor has any actual or contingent liability, or pursuant to which payments are made, or benefits are provided to, or an entitlement to payments or benefits may arise with respect to, any of the Transferred Employees, former employees of the

Business (or any spouses, dependants, survivors or beneficiaries of any such persons), excluding Statutory Plans.

"**Books and Records**" means all books, records, files and documentation (in whatever medium and wherever situated) of Vendor (or appropriate extracts therefrom), other than those required by Law to be retained by Vendor, which include the minute books and corporate records of Vendor, copies of which retained books, records, files and documentation will be provided to Purchaser.

"**Business**" means the business conducted by Vendor and the Subsidiaries being the delivery of commercial maintenance, repair and overhaul ("**MRO**") services to the airline industry, including, heavy maintenance, engine maintenance, component maintenance, and ancillary services.

"**Business Day**" means any day of the year, other than a Saturday, Sunday or any day on which major banks are closed for business in Montreal, Québec or New York, New York.

"**Canco**" has the meaning specified in the recitals.

"**CRA**" means the Canada Revenue Agency.

"**Cash Portion**" has the meaning specified in Section 3.3.

"**Closing**" means the completion of the transaction of purchase and sale contemplated in this Agreement.

"**Closing Date**" has the meaning specified in Section 10.1.

"**Collective Agreements**" means any collective agreements and related documents, including all benefit agreements, letters of understanding, letters of intent and other written communications with bargaining agents representing the AC Unionized Employees or the ACTS Employees, by which Vendor is bound or which impose any obligations upon Vendor or set out the understanding of the parties with respect to the meaning of any provisions of such collective agreements.

"**Competing Activities**" means the delivery of commercial maintenance, repair and overhaul services to the airline industry, including heavy maintenance, engine maintenance, component maintenance and ancillary services;

"**Competition Act**" means the *Competition Act* (Canada), as amended.

"**Competition Act Approval**" means (a) the Commissioner of Competition appointed under the Competition Act shall have issued an advance ruling certificate under section 102 of the Competition Act; or (b) the expiry, termination or waiver of the waiting period under section 123 of the Competition Act pursuant to section 113(c) of the Competition Act.

"**Confidentiality Agreement**" has the meaning specified in Section 8.2.

"**Control**" or "**Controlled**" means, with respect to a first Person, that a second Person, directly or indirectly, beneficially owns or exercises control or direction over securities of the first Person carrying votes which, if exercised, entitle the second Person to elect a majority of the directors of the first Person, provided that (a) where the first Person is a partnership, other than a limited partnership, the Person holding more than 50% of the interests of the partnership Controls it, and (b) where the first Person is a limited partnership, the general partner of the limited partnership Controls it.

"**Damages**" means any losses, liabilities, damages or out-of-pocket expenses (including reasonable legal fees and expenses) whether resulting from an action, suit, proceeding or arbitration that is instituted or asserted by a third party, including a Governmental Entity, or a cause, matter, thing, act, omission or state of facts not involving a third party.

"**Debt Financing**" has the meaning specified in Section 7.1(l).

"**Debt Obligation**" means, with respect to any Person as of any date, an amount equal to the sum, without duplication, of the following borrowings and indebtedness: (i) all obligations of such Person for borrowed money (including obligations consisting of any overdraft) other than trade payables to the extent included in the definition of Working Capital; (ii) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments;

(iii) all obligations of such Person in respect of any receivable sold or discounted by such Person to the extent any program exists on the Closing Date; (iv) all obligations of such Person under conditional sale or other title retention agreements relating to real or immoveable property or tangible personal or moveable property purchased by such Person; (v) all net obligations of such Person pursuant to any agreement in respect of interest rate protection, foreign currency exchange agreements or other interest or exchange rate hedging arrangements, whether by way of forward, exchange, cap, collar, swap, forward-rate or other similar agreement; (vi) all Debt Obligations of others secured by (or for which the holder of such Debt Obligation has an existing right, contingent or otherwise, to be secured by) any claim on property owned or acquired by such Person, whether or not the obligations secured thereby have been assumed; and (vii) all guarantees by such Person of Debt Obligations of others, including, in the case of each of the above items, any accrued interest on such amounts, excluding, for greater certainty, the Deferred Revenue.

"**Deferred Revenue**" means all deferred or unearned revenues in respect of services that remain to be provided to customers of Vendor as of the Closing Date, including without limitation Vendor's liabilities arising as a result of that certain prepayment and acknowledgement agreement between Old ACTS and Air Canada dated October 26, 2006, whereby Air Canada prepaid for services that are being rendered by Vendor to Air Canada since November 1, 2006.

"**Direct Claim**" means any cause, matter, thing, act, omission or state of facts not involving a Third Party Claim which entitles an Indemnified Party to make a claim for indemnification under this Agreement.

"**Disclosure Letter**" means the disclosure letter dated the date of this Agreement and delivered by Vendor to Purchaser and Parent concurrently with this Agreement.

"**Draft Final Closing Statement**" has the meaning specified in Section 3.5(1).

"**EMC Purchase Agreement**" means the purchase and sale agreement dated October 31, 2006 entered into between the Vendor and Air Canada with respect to the Improvements.

"**Employment Contracts**" means (i) each employment contract, whether oral or written, including retention agreements, between Vendor and an ACTS Employee and (ii) the General Services Agreement (unionized).

"**Environmental Laws**" means all applicable Laws and statutory requirements relating to hazardous substances, contaminants, public health or the environment and all Authorizations issued pursuant to such Laws or statutory requirements.

"**Equipment**" means (i) the equipment, rolling stock, tooling, furniture, fixtures, furnishings and office equipment owned by Vendor, and (ii) the assignable warranties of any Person covering all or any part of the aforesaid items.

"**Equity Financing**" has the meaning specified in Section 7.1(l).

"**Equity Financing Commitments**" has the meaning specified in Section 7.1(l).

"**Estimated Closing Date Net Indebtedness**" has the meaning specified in Section 3.4(1).

"**Estimated Closing Statement**" has the meaning specified in Section 3.4(1).

"**ETA**" means the Excise Tax Act (Canada), as amended.

"**Exchangeable Share**" means the one class A non-voting redeemable share in ACTS Bahamas Ltd. issued and outstanding in the name of Grupo TACA, which shall be redeemed by ACTS Bahamas Ltd. on or prior to the Closing Date pursuant to the terms of Section 8.9 hereof.

"**Excluded Assets**" has the meaning specified in Section 2.2.

"**Excluded Liabilities**" has the meaning specified in Section 5.2.

"**Final Closing Statement**" means the statement setting forth the determination of the Closing Date Net Indebtedness that is final and binding on the Parties, in the manner set forth in Section 3.5(4) or Section 3.5(5), as the case may be.

"**Final Net Indebtedness**" has the meaning specified in Section 3.5(1).

"**Financial Statements**" means the audited financial statements of Vendor for the fiscal years ended December 31, 2005 and December 31, 2006 consisting of a balance sheet for the fiscal year ended December 31, 2005 and a balance sheet and the accompanying statements of loss, partners' equity and cash flows for the year ended December 31, 2006 and all notes to them, prepared in accordance with GAAP consistently applied, together with a report of the auditors thereon, a copy of which is attached at Section 6.1(u) of the Disclosure Letter.

"**Financing**" has the meaning specified in Section 7.1(l).

"**Financing Commitments**" has the meaning specified in Section 7.1(l).

"**GAAP**" means accounting principles generally accepted in Canada as recommended in the Handbook of the Canadian Institute of Chartered Accountants, at the relevant time applied on a consistent basis.

"**General Partner**" means ACTS Technical Services Inc., the general partner of ACTS LP.

"**General Services Agreement (non-unionized)**" means the agreement entered into between Vendor and Air Canada on September 24, 2004 with respect to the temporary assignments from Air Canada to Vendor of the AC Non-Unionized Employees.

"**General Services Agreement (unionized)**" means the agreement entered into between Vendor and Air Canada on September 24, 2004 with respect to the temporary assignments from Air Canada to Vendor of the AC Unionized Employees, as amended on the date hereof.

"**Gibco**" has the meaning specified in the recitals.

"**Governmental Entity**" means (i) any international, supranational, multinational, national, federal, provincial, state, municipal, local or other government, (ii) any subdivision, department, court, commission, board, bureau, agency or authority of any government, or (iii) any quasi-governmental or private body exercising any regulatory, rule-making, expropriation, taxing or other governmental or quasi-governmental authority, including any stock exchange.

"**Grupo TACA**" means Grupo TACA Holdings Limited or a permitted transferee thereof.

"**Indemnified Party**" means a Party with indemnification rights or benefits under Section 12.2 or Section 12.3, or otherwise under this Agreement.

"**Indemnifying Party**" means a Party against which a claim may be made for indemnification under this Agreement, including pursuant to Article 12.

"**Improvements**" means plants, buildings, structures, fixtures, erections and improvements (and all mechanical, electrical, plumbing, heating and air-conditioning systems relating thereto) located on, over, under or upon any lands at 7171 Côte Vertu West, St. Laurent, Quebec, which will be purchased pursuant to the EMC Purchase Agreement, as amended from time to time.

"**Improvements Consideration**" means the purchase price to be paid to Air Canada as consideration for the transfer of the Improvements.

"**Intellectual Property**" means (i) the trade marks, trade names, business names, brand names, service marks, domain names, URL addresses, computer software, computer programs, patents, copyrights (including any author or moral rights), designs, inventions, patents, franchises, formulas, processes, know-how, technology and related goodwill, and (ii) the applications and registrations therefor, in each case, owned by or licensed to Vendor.

"**Interim Balance Sheet Date**" means March 31, 2007.

"**Interim Financial Statements**" means the unaudited financial statements of Vendor as at the Interim Balance Sheet Date consisting of a balance sheet, the accompanying unaudited statement of loss, partners' equity and cash flows for the three month period then ended.

"**Interim Period**" means the period between the close of business on the date of this Agreement and the Closing Date.

"**Investment Canada Act Approval**" means the Minister responsible for the Investment Canada Act has confirmed to Purchaser that he has determined, or been deemed to have determined, that the transaction contemplated by this Agreement is of "net benefit" to Canada pursuant to that Act.

"**Issued Interests**" has the meaning specified in Section 3.3(b).

"**Issued Shares**" has the meaning specified in Section 7.1(g).

"**Laws**" means any and all applicable (i) laws, constitutions, treaties, statutes, codes, ordinances, orders, decrees, rules, regulations, by-laws, and (ii) judgments, orders, writs, injunctions, decisions, awards and directives of any Governmental Entity.

"**Leases**" means all accepted promises or offers to lease or sublease, agreements to lease or sublease, leases, subleases, renewals of leases or of subleases, permits, operating agreements and other rights or licenses to possess or to occupy any premises wherever located, including the leases and licenses set forth in Section 6.1(q) of the Disclosure Letter.

"**Lien**" means any mortgage, charge, pledge, hypothec, security interest, assignment, lien (statutory or otherwise), easement, title retention agreement or arrangement, conditional sale, deemed or statutory trust or other encumbrance of any nature which, in substance or in form, secures payment or performance of an obligation.

"**Marketing Period**" has the meaning specified in Section 8.8(1).

"**Material Adverse Effect**" means any fact, event, change, circumstance or effect that, individually or in the aggregate, is or could reasonably be expected to be material and adverse to the financial condition, assets (which for purposes of this definition shall include the Transferred Repair Schemes), business or operations of the Business taken as a whole; except to the extent that the material adverse effect results from or is caused by (i) any general changes (other than such general changes resulting from war, armed hostilities or acts of terrorism) in worldwide or national conditions or circumstances, whether they are economic, political or regulatory and including such changes resulting from natural disasters (other than natural disasters that render any of the properties or facilities of the Business unusable or inaccessible), (ii) changes in the markets or industry in which the

Business is operated or (iii) any act or omission of Vendor or its Subsidiaries prior to the Closing Date taken with the prior express consent or at the written request of Purchaser; provided in the case of clauses (i) and (ii), such events do not have a disproportionate effect on the financial condition, assets, business or operations of the Business compared to other Persons engaged in the same industry as the Business.

"**Material Contract**" has the meaning specified in Section 6.1(r).

"**MRQ**" means the *Ministère du revenu du Québec.*

"**Net Indebtedness**" means as of a particular date of determination, (x) the aggregate of (i) the amount of all Debt Obligations of Vendor that are not included in the definition of Working Capital (ii) a pro rata portion of all Debt Obligations of any partially owned Subsidiaries proportionate to Vendor's equity interest in any such partially owned Subsidiary less (y) the amount of all cash or cash equivalents (net of any costs or taxes associated with, or losses incurred in connection with, repatriating such cash or cash equivalents to Luxembourg) held by Vendor and transferred or to be transferred to Canco on the Closing Date, and a pro rata portion of all cash or cash equivalents held by any partially owned Subsidiaries proportionate to the Vendor's equity interest in any such partially owned Subsidiary as of such date of determination.

"**New Debt Financing Commitments**" has the meaning specified in Section 7.1(l).

"**Non-Assigned Contracts**" has the meaning specified in Section 10.2.

"**Notes Payable**" means (i) that certain $200,000,000 promissory note dated as of September 30, 2004 owing by Vendor to ACE Aviation and (ii) that certain $16,960,540.60 promissory note dated October 16, 2006 with effect as of October 1, 2004 owing by Vendor to Air Canada.

"**Notice**" has the meaning specified in Section 15.1.

"**Old ACTS**" means ACTS Limited Partnership and its general partner, ACTS General Partner Inc., as predecessors in interest to Vendor.

"**Operating Assets**" has the meaning specified in Section 2.1.

"**Parent**" has the meaning specified in the recitals.

"**Parties**" means Vendor, Purchaser, Parent, ACE Aviation, (solely with respect to Section 8.5, Article 12, Article 13 and Article 15,) and any other Person who becomes a party to this Agreement.

"**Pension Agreement**" means the pension and benefits agreement to be entered into at Closing among Vendor, Purchaser and Air Canada.

"**Pension Plans**" means Benefit Plans providing pensions, superannuation benefits or retirement savings including top up pensions or supplemental pensions, "registered retirement savings plans" (as defined in the Tax Act), "registered pension plans" (as defined in the Tax Act) and "retirement compensation arrangements" (as defined in the Tax Act).

"**Permitted Liens**" means (i) Liens for Taxes not yet due, and (ii) Liens listed and described in Section 6.1(m) of the Disclosure Letter.

"**Person**" means a natural person, partnership, limited partnership, limited liability partnership, corporation, limited liability corporation, unlimited liability company, joint stock company, trust, unincorporated association, joint venture or other entity or Governmental Entity, and pronouns have a similarly extended meaning.

"**Prepaid Expenses**" means expenses of Vendor which have been paid in advance of the date on which the related goods or services are to be delivered or performed.

"**Prepayment Loan**" means that certain non interest-bearing loan made by Old ACTS to Air Canada pursuant to a loan agreement dated October 26, 2006.

"**Prepayment Loan Receivable**" means the amount owing to Vendor by Air Canada as a result of the Prepayment Loan and outstanding as of the Closing Date.

"**Purchase Price**" has the meaning specified in Section 3.1.

"**Purchased Contracts**" means all contracts, agreements, indentures, instruments, commitments and orders made by or in favour of or on behalf of Vendor, whether written or oral, in each case as amended at or prior to the Closing Date, whether by memorandum of understanding, term sheet, amending agreement or otherwise, including the Material Contracts, the Employment Contracts, the Leases, the EMC Purchase Agreement, the Transfer and Non-Competition Agreement and the other contracts described in Section 2.1(d) of the Disclosure Letter.

"**Purchaser**" has the meaning specified in the recitals.

"**QSTA**" means the *Act Respecting the Quebec Sales Tax* (Quebec), as amended.

"**QTA**" means the *Taxation Act* (Quebec), as amended.

"**Repair Schemes**" means all schemes, processes, methods, designs and plans which may be used in the maintenance and repair of aircraft, aircraft engines, aircraft components, aircraft parts and other aircraft equipment and materials, including as they may be developed and registered pursuant to applicable law and regulatory requirements, and shall include all documentation, manuals, methods, formula, models, drawings, data (including engineering data, and, repair data including approved data, specified data, and acceptable data), techniques, specifications, ideas, and a copy of the TIMS programs and software related thereto, know-how relating thereto.

"**Required Financial Information**" has the meaning specified in Section 8.8(2).

"**Shareholders Agreement**" means the shareholders agreement to be entered into at Closing with respect to Gibco by and among (i) Parent, (ii) ACTS LP and, (iii) Grupo TACA if it exercises its right to acquire an interest in the entity that is the object of the Monetization (as defined in the Aeroman SPA).

"**Statutory Plans**" means statutory benefit plans which Vendor is required to participate in or comply with, including the Canada and Quebec Pension Plans and plans administered pursuant to applicable health tax, workplace safety insurance and employment insurance legislation.

"**Subsidiaries**" means (i) ACTS Bahamas Ltd., a corporation incorporated under the Laws of the Commonwealth of the Bahamas, (ii) Technical Holdings Limited, a corporation incorporated under the Laws of the Commonwealth of the Bahamas and (iii) Aeromantenimiento, S.A., a Salvadoran *sociedad anónima.*

"**Tax Act**" means the Income Tax Act (Canada), as amended.

"**Tax Returns**" means any and all returns, reports, declarations and elections, filed or required to be filed in respect of Taxes.

"**Taxes**" means (i) any and all taxes, duties, fees, excises, premiums, assessments, imposts, levies and other charges or assessments of any kind whatsoever imposed by any Governmental Entity, and (ii) all interest, penalties, fines, additions to tax or other additional amounts imposed by any Governmental Entity on or in respect of amounts of the type described in clause (i) above or this clause (ii).

"**Third Party Claim**" means any action, suit, proceeding, arbitration, claim or demand that is instituted or asserted by a third party, including a Governmental Entity, against an Indemnified Party which entitles the Indemnified Party to make a claim for indemnification under this Agreement.

"**Transfer and Non-Competition Agreement**" means the agreement entered into between Air Canada and Vendor on the date hereof, a copy of which is attached hereto as Schedule A.

"**Transferred Employees**" means the ACTS Employees and the AC Non-Unionized Employees who accept Canco's offer of employment and begin employment with Canco effective on the Closing Date.

"**Transferred Repair Schemes**" means the Transferred Repair Schemes to be transferred to Vendor pursuant to the terms of the Transfer and Non-Competition Agreement.

"**US Benefit Plans**" means plans, arrangements, agreements, programs, policies, practices or undertakings, whether written or unwritten, formal or informal, funded or unfunded, insured or uninsured, registered or unregistered or pursuant to which payments are made, or benefits are provided to, or an entitlement to payments or benefits may arise with respect to, any employee of the Business, former employees of the Business (or any spouses, dependants, survivors or beneficiaries of any such persons) which is subject to the jurisdiction of Governmental Entities in the United States of America.

"**Vendor**" has the meaning specified in the recitals, and includes, as applicable, the General Partner.

"**Working Capital**" means Current Assets less Current Liabilities, where: (A) "**Current Assets**" means (a) accounts receivable, net of the applicable reserve for doubtful accounts (including unbilled receivables), (b) inventory, net of reserves, (c) receivables from related parties and intercompany loans (as explained in the notes to the Financial Statements for the fiscal year ended December 31, 2006), and (d) all other current assets; excluding (i) the amount of any cash and cash equivalents and (ii) any receivable relating to Taxes; and (B) "**Current Liabilities**" means (a) trade payables and accrued liabilities, (b) payables to related parties (as explained in the notes to the Financial Statements for the fiscal year ended December 31, 2006), (c) Deferred Revenue, and (d) all other current liabilities; excluding (i) the principal amount of any debt for borrowed money, plus any accrued and unpaid interest thereon, inter-company or otherwise, (ii) the amount of any bank overdraft and outstanding checks, (iii) any amount accrued for litigation, (iv) any amount accrued for potential customer claims, (v) the liability in respect of that certain class A non-voting redeemable preference share in the capital of ACTS Bahamas Ltd., (vi) any payable relating to Taxes and (vii) any severance liabilities described at Section 5.2(f).

Section 1.2 Gender and Number.

Any reference in this Agreement to gender includes all genders. Words importing the singular number only include the plural and vice versa.

Section 1.3 Headings, etc.

The provision of a Table of Contents, the division of this Agreement into Articles and Sections and the insertion of headings are for convenient reference only and do not affect the interpretation of this Agreement.

Section 1.4 Currency.

All references in this Agreement to "**dollars**", or to "**$**" are expressed in Canadian currency unless otherwise specifically indicated.

Section 1.5 Certain Phrases, etc.

In this Agreement (i) the words "**including**", "**includes**" and "**include**" mean "**including (or includes or include) without limitation**", and (ii) the phrase "**the aggregate of**", "**the total of**", "**the sum of**", or a phrase of similar meaning means "**the aggregate (or total or sum), without duplication, of**".

Section 1.6 Knowledge.

Where any representation or warranty contained in this Agreement is qualified by reference to the knowledge of Vendor it refers to the actual knowledge (after due inquiry) of the Chief Financial Officer and Chief Executive Officer of the General Partner and the Chief Executive Officer of Aeromantenimiento, S.A. (after due inquiry), without personal liability on the part of such Persons.

Section 1.7 Accounting Terms.

All accounting terms not specifically defined in this Agreement are to be interpreted in accordance with GAAP.

Section 1.8 Schedules and Disclosure Letter.

(1) The schedules attached to this Agreement and the Disclosure Letter form an integral part of this Agreement for all purposes of it.

(2) The purpose of the Disclosure Letter is to set out the qualifications, exceptions and other information called for in this Agreement. The Parties acknowledge and agree that the Disclosure Letter and the information and disclosures contained in it do not constitute or imply, and will not be construed as:

(a) any representation, warranty, covenant or agreement which is not expressly set out in this Agreement;

(b) an admission of any liability or obligation of Vendor;

(c) an admission that the information is material;

(d) a standard of materiality, or a standard for what is or is not in the ordinary course of business; or

(e) an expansion of the scope of effect of any of the representations, warranties and covenants set out in the Agreement.

(3) Disclosure of any information in the Disclosure Letter that is not required under this Agreement is made for informational purposes only and does not imply disclosure of all matters of a similar nature. Inclusion of an item in any section of the Disclosure Letter is deemed to be disclosed against any other section of the Disclosure Letter to which the relevance of such item is reasonably apparent; provided that, no such disclosure shall be deemed to be disclosed against or to qualify Section 6.1(j)(1) unless expressly set forth on Section 6.1(j)(1) of the Disclosure Letter, without cross-reference.

(4) The Disclosure Letter itself is confidential information and may not be disclosed unless (i) it is required to be disclosed pursuant to applicable Law, unless such Law permits the Parties to refrain from disclosing the information for confidentiality or other purposes, (ii) a Party needs to disclose it in order to enforce or exercise its rights under this Agreement or (iii) Purchaser discloses it to potential financing sources, pursuant to a customary confidentiality agreement, to facilitate the obtaining or syndication of debt or equity financing in connection with the transactions contemplated hereby provided that Purchaser shall have received prior consent from Vendor for disclosure to facilitate equity financing from equity financing sources that are not Affiliates of Purchaser, Parent, or their respective affiliates (other than disclosure to the entity set forth in Schedule 1.8).

Section 1.9 References to Persons and Agreements.

Any reference in this Agreement to a Person includes its successors and permitted assigns. Except as otherwise provided in this Agreement, the term "Agreement" and any reference to this Agreement or any other agreement or document includes, and is a reference to, this Agreement or such other agreement or document as it may have been, or may from time to time be amended, restated, replaced, supplemented or novated and includes all schedules to it.

Section 1.10 Statutes.

Except as otherwise provided in this Agreement, any reference in this Agreement to a statute refers to such statute and all rules and regulations made under it, as it or they may have been or may from time to time be amended or re-enacted.

ARTICLE 2
PURCHASED ASSETS

Section 2.1 Purchased Assets.

Subject to the terms and conditions of this Agreement, (i) Vendor agrees to sell, assign and transfer to Gibco and Gibco agrees to purchase from Vendor on the Closing Date, all of the shares in the capital of ACTS Bahamas Ltd. held by Vendor (the "**Bahamas Shares**"), and (ii) Vendor agrees to sell, assign and transfer to Canco and Canco agrees to purchase from Vendor on the Closing Date, all of Vendor's rights, title and interest in and to all of Vendors' other property and assets of every kind and description, whether owned or leased, and wheresoever situated, other than the Excluded Assets (collectively, the "**Operating Assets**"), including:

(a) the Accounts Receivable;

(b) the Prepaid Expenses;

(c) the Books and Records;

(d) the Purchased Contracts;

(e) the Equipment and inventory;

(f) the Intellectual Property;

(g) the Authorizations of Vendor, to the extent that they are transferable;

(h) the goodwill of the Business of Vendor (excluding the business of the Subsidiaries, which shall be transferred pursuant to the transfer of the Bahamas Shares); and

(i) the assignable warranties of any Person covering all or any part of the foregoing.

The Operating Assets and the Bahamas Shares are referred to herein collectively as the "**Purchased Assets**".

Section 2.2 Excluded Assets.

The Purchased Assets do not include any of the following assets (collectively, the "**Excluded Assets**"):

(a) the minute books and corporate records of Vendor, copies of which shall be provided to Purchaser;

(b) any Authorizations of Vendor for the Business which are not transferable by Law; and

(c) Tax refunds and credits receivable by Vendor with respect to goods and services taxes, Quebec sales taxes, retail sales taxes, provincial sales taxes, social services taxes, payroll taxes and employer contributions for any period prior to the Closing Date.

ARTICLE 3
PURCHASE PRICE

Section 3.1 Purchase Price.

The consideration (the "**Purchase Price**") payable by Purchaser to Vendor for the Purchased Assets is $975,000,000 (nine hundred and seventy five million dollars) and the assumption of the Assumed Obligations, subject to adjustment in accordance with Section 3.4 and Section 3.6.

Section 3.2 Allocation of Purchase Price.

Vendor and Purchaser agree to allocate the Purchase Price in accordance with the provisions of Schedule 3.2 and subject to Section 4.1(4). The Parties agree to execute and file all of their own Tax Returns and prepare all of their own financial statements and other instruments on the basis of this allocation.

Section 3.3 Payment of the Purchase Price.

At Closing, the Purchase Price will be paid and satisfied, subject to adjustment in accordance with Section 3.4 and Section 3.6(1), as follows:

(a) by Canco assuming the Assumed Obligations;

(b) by Gibco paying to Vendor the amount of $108,000,000 (one hundred and eight million dollars), payable by the issuance to Vendor of 857 shares in the capital of Gibco (the "**Issued Interests**"), representing 30% of the issued and outstanding shares of Gibco; and

(c) by Canco paying to Vendor the amount of $867,000,000 (eight hundred and sixty seven million dollars) (the "**Cash Portion**"), by wire transfer of immediately available funds to accounts designated by Vendor to Canco at least two Business Days prior to Closing as follows: (i) $28,200,000 (twenty eight million and two hundred thousand dollars) to Air Canada in satisfaction of the Improvements Consideration payable pursuant to the EMC Purchase Agreement; (ii) $10,000,000 (ten million dollars) to Air Canada on account of the consideration payable pursuant to the Transfer and Non-Competition Agreement; and (iii) $828,800,000 (eight hundred and twenty eight million and eight hundred thousand dollars) to Vendor on account of the balance of the Cash Portion.

(d) The consideration provided by Purchaser in satisfaction of the Purchase Price shall be allocable to the Purchased Assets in accordance with Schedule 3.2.

Section 3.4 Closing Date Purchase Price Adjustment

(1) No less than five Business Days nor more than seven Business Days prior to the Closing Date, Vendor shall deliver to Purchaser a certificate duly executed by an executive officer of Vendor setting forth the Net Indebtedness (the "**Estimated Closing Date Net Indebtedness**"), which Vendor estimates will exist as of the close of business on the Closing Date (the "**Estimated Closing Statement**"). Vendor will provide Purchaser and Purchaser's independent accountant with all supporting work papers used by Vendor in connection with such calculations at the time it delivers the Estimated Closing Statement. In the event that, not less than three Business Days prior to the Closing Date, Purchaser notifies Vendor of any errors contained in the Estimated Closing Statement, Vendor shall in good faith consider Purchaser's comments relating to such errors and make any amendments to the Estimated Closing Statement as Vendor, acting in good faith, deems

necessary or appropriate. An adjustment to the Purchase Price shall be made as follows:

(a) in the event that the Estimated Closing Date Net Indebtedness is greater than zero, the Purchase Price shall be decreased by the amount of the Estimated Closing Date Net Indebtedness;

(b) in the event that the Estimated Closing Date Net Indebtedness is less than zero, the Purchase Price shall be increased by the amount of the Estimated Closing Date Net Indebtedness;

(2) All adjustments set forth in Section 3.4(1) shall be netted against each other adjustment in such sub-section, to produce a net adjustment to the Purchase Price paid on the Closing Date. All such adjustments shall be applied to the Cash Portion of the Purchase Price.

(3) In the event of an adjustment to the Purchase Price pursuant to this Section 3.4, such adjustment (i) shall be allocated among the Operating Assets to which such payment by the Vendor or Purchaser, respectively, can reasonably be considered to relate provided that if such amount cannot be reasonably allocated to a particular asset, it shall be allocated on a pro rata basis among the Operating Assets listed in Schedule 3.2, and (ii) shall be applied to the Cash Portion of the Purchase Price.

Section 3.5 Preparation of Final Closing Statement

(1) **Draft Final Closing Statement**. Within 60 days following the Closing Date (or such other date as is mutually agreed to by Vendor and Purchaser in writing), Purchaser will prepare and deliver to Vendor a draft statement of Net Indebtedness ("**Final Net Indebtedness**") which existed as of the close of business on the Closing Date (the "**Draft Final Closing Statement**"). The Draft Final Closing Statement will be prepared in accordance with GAAP applied on a basis consistent with the preparation of the Financial Statements. Vendor will, and will cause its auditors to (i) provide access to Purchaser, upon every reasonable request, to the accounts, books and records of Vendor to the extent not delivered to Purchaser at Closing, and (ii) cooperate with Purchaser for purposes of preparing the Draft Final Closing Statement. The 60 day period for Purchaser to prepare and deliver the Draft Final Closing

Statement will be extended for a reasonable period of time in the event that the preparation or delivery of the Draft Final Closing Statement is delayed as a result of circumstances beyond the reasonable control of Purchaser.

(2) **Objection Period.** Vendor will have 15 Business Days to review the Draft Final Closing Statement following receipt of it and Vendor must notify Purchaser in writing if it has any objections to the Draft Final Closing Statement within such 15 Business Day period. Purchaser will provide access to Vendor, upon every reasonable request, to the accounts, books and records of the Business and to management and will be reasonably available to discuss the Draft Final Closing Statement with Vendor. The notice of objection must contain a statement of the basis of each of Vendor's objections and each amount in dispute.

(3) **Settlement of Dispute.** If Vendor sends a notice of objection to the Draft Final Closing Statement in accordance with Section 3.5(2), the Parties will work expeditiously and in good faith in an attempt to resolve such objections within 20 Business Days following the date of notification by Vendor to Purchaser of such objections. Failing resolution of any objection to the Draft Final Closing Statement raised by Vendor, the dispute will be submitted for determination to an independent firm of chartered accountants mutually agreed to by Purchaser and Vendor (and, failing such agreement between Purchaser and Vendor within a further period of 5 Business Days, such independent firm of chartered accountants shall be KPMG LLP, or if such firm is unable to act, Ernst & Young LLP; provided that, in any event such firms shall be independent of Vendor and Purchaser). The determination of such firm of chartered accountants will be final and binding upon the Parties and will not be subject to appeal, absent manifest error. Such firm of chartered accountants are deemed to be acting as experts and not as arbitrators.

(4) **Final Determination of Net Indebtedness.** If Vendor does not notify Purchaser of any objection within the 15 Business Day period referred to in Section 3.5(2), Vendor is deemed to have accepted and approved the Draft Final Closing Statement and such Draft Final Closing Statement will be final, conclusive and binding upon the Parties, and will not be subject to appeal, absent manifest error. The Draft Final Closing Statement will become the

"**Final Closing Statement**" on the next Business Day following the end of such 10 Business Day period.

(5) If Vendor sends a notice of objection in accordance with Section 3.5(2), the Parties will revise the Draft Final Closing Statement to reflect the final resolution or final determination of such objections under Section 3.3(3) within two Business Days following such final resolution or determination. Such revised Draft Final Closing Statement will be final, conclusive and binding upon the Parties, and will not be subject to appeal, absent manifest error. The Draft Final Closing Statement will become the "**Final Closing Statement**" on the next Business Day following revision of the Draft Final Closing Statement under this Section 3.4(5).

(6) **Fees and Expenses.** Purchaser and Vendor will each bear their own fees and expenses, including the fees and expenses of their respective auditors, in preparing or reviewing, as the case may be, the Draft Final Closing Statement. In the case of a dispute and the retention of a firm of chartered accountants to determine such dispute in accordance with Section 3.5(3), the costs and expenses of such firm of chartered accountants shall be borne equally by Purchaser and Vendor. However, Purchaser and Vendor will each bear their own costs in presenting their respective cases to such firm of chartered accountants.

(7) The Parties agree that the procedure set forth in this Section 3.5 for resolving disputes with respect to the Draft Final Closing Statement is the sole and exclusive method of resolving such disputes, absent manifest error.

Section 3.6 Final Purchase Price Adjustment.

(1) The Purchase Price, as adjusted pursuant to Section 3.4, will be further increased or decreased, as the case may be, dollar-for-dollar, as follows:

(a) in the event that the Final Net Indebtedness exceeds the Estimated Closing Date Net Indebtedness, the Purchase Price shall be decreased by the amount of such excess; and

(b) in the event that the Final Net Indebtedness is less than the Estimated Closing Date Net Indebtedness, the Purchase Price shall be increased by the amount of such deficit.

(2) All adjustments set forth in Section 3.6(1) shall be netted against each other adjustment in such sub-section, to produce a net post-closing adjustment to the Purchase Price. All such adjustments (i) shall be allocated among the Operating Assets to which such payment by the Vendor or Purchaser, respectively, can reasonably be considered to relate provided that if such amount cannot be reasonably allocated to a particular asset, it shall be allocated on a pro rata basis among the Operating Assets listed in Schedule 3.2, and (ii) shall be applied to the Cash Portion of the Purchase Price.

(3) Any amounts to be paid by Vendor or Purchaser under this Section will be paid by wire transfer of immediately available funds within 2 Business Days after the Draft Final Closing Statement becomes the Final Closing Statement in accordance with Section 3.5(4) or Section 3.5(5), as the case may be.

(4) Any payment required to be made by Vendor or Purchaser pursuant to this Section 3.6 shall bear interest from the Closing Date through the date of payment at a rate of interest equal to the prime rate per annum publicly announced from time to time by Royal Bank of Canada at its principal office in Toronto, Canada and shall be payable in accordance this Section 3.6 to the Party entitled to receive such funds.

ARTICLE 4
TAX ELECTIONS, TRANSFER TAXES

Section 4.1 Tax Elections

(1) Canco and Vendor will on or before the Closing Date jointly execute an election, in the prescribed form and containing the prescribed information, to have subsection 167(1) of the ETA and section 75 of the QSTA apply to the sale and purchase of the Operating Assets so that no Tax is payable in respect of such sale and purchase under Part IX of the ETA and Chapter II, Title I of the QSTA. Canco will file such elections with the CRA and the MRQ, as applicable, within the time prescribed by, respectively, the ETA and the QSTA. Notwithstanding such election, in the event it is determined by the CRA or the MRQ that there is a liability of Canco to pay, or of Vendor to collect and remit, the GST and/or the QST on all or part of the Operating Assets, such GST and/or QST shall be forthwith paid by Canco to the CRA or the MRQ, as applicable, or to Vendor for remittance to the appropriate

Governmental Entity, as the case may be, and Canco shall indemnify and save Vendor harmless with respect to any such GST and/or QST as well as any interest and penalties relating thereto. The obligation of Indemnification set forth in this Section 4.1(1) shall survive the completion of the transactions contemplated in this Agreement and, notwithstanding any other provision of this Agreement, shall survive and continue in full force and effect until 90 days after the expiration of the period during which any tax assessment may be issued by a Governmental Entity.

(2) Canco and Vendor agree to elect jointly in the prescribed form under section 22 of the Tax Act and section 184 of the QTA as to the sale of the Accounts Receivable of Vendor and to designate in such election an amount equal to the portion of the Purchase Price allocated to Accounts Receivable pursuant to Section 3.2.

(3) Canco and Vendor will in a timely fashion jointly make an election under subsection 20(24) of the Tax Act and section 157.10 of the QTA in the manner described in subsection 20(25) of the Tax Act and section 157.11 of the QTA, respectively, in respect of the Deferred Revenue, and will file such election with the CRA and the MRQ with their respective Tax Returns for their respective taxation years that include the date hereof. Vendor and Canco acknowledge that an undivided interest in the Operating Assets, including without limitation the principal amount of the Prepayment Loan Receivable and the Prepaid Expenses, having a fair market value equal to the amount of the Deferred Revenue was transferred to Canco as a payment by Vendor to Canco for the assumption by Canco of the Deferred Revenue.

(4) Purchaser, Vendor and ACE Aviation agree that no portion of the Purchase Price is allocated to the restrictive covenants (as that term is defined in any applicable tax legislation) agreed pursuant to the terms of Section 13.4 of this Agreement. Purchaser, Vendor and ACE Aviation agree to jointly elect under proposed paragraph 56.4(7)(h) of the Tax Act, or any successor provision, and any corresponding provision under applicable provincial Tax legislation. The election shall be made using the applicable prescribed form, if any, or otherwise filed in a manner acceptable to the CRA or the applicable provincial Tax authorities, as the case may be. ACE Aviation shall be

responsible for preparing the election (for execution by the Purchaser) and filing the election.

Section 4.2 Transfer Taxes

Subject to Section 4.1, Purchaser shall be liable for, and shall pay directly to the appropriate Governmental Entity, or shall reimburse Vendor if Vendor has already paid to the appropriate Governmental Entity, as applicable, all land transfer Taxes, federal and provincial sales Taxes and all other Taxes, registration charges or other like charges properly payable by a buyer upon and in connection with the conveyance and transfer of the Purchased Assets by Vendor to Purchaser and, including, without duplication, all land transfer Taxes, federal and provincial sales Taxes and all other Taxes, registration charges and other like charges incurred in connection with the transfer of the Improvements, and upon reasonable request of Vendor, Purchaser shall furnish proof of such payment, if payable directly to the appropriate Governmental Entity.

ARTICLE 5
ASSUMED LIABILITIES

Section 5.1 Assumed Liabilities.

Subject to Closing, Canco agrees to discharge, perform and fulfill all obligations and liabilities of Vendor (including, for greater certainty, contingent liabilities and warranty obligations), other than the Excluded Liabilities, (collectively, the "**Assumed Liabilities**").

Section 5.2 Excluded Liabilities

Purchaser shall not assume and shall have no obligation to discharge, perform or fulfill the following liabilities (collectively the "**Excluded Liabilities**"):

(a) any liability resulting from a breach by Vendor of its obligations under this Agreement or the Ancillary Agreements;

(b) all obligations and liabilities of Vendor under the Notes Payable;

(c) any liability arising in respect of any Benefit Plan (including any Pension Plan) applicable to any Transferred Employees or former employees of the Business, except as assumed by Purchaser in the Pension Agreement;

(d) any liability to satisfy the obligations of ACTS Bahamas Ltd. pursuant to the terms of the Exchangeable Share, which shall be redeemed by ACTS Bahamas Ltd. on or prior to the Closing Date pursuant to the terms of Section 8.9 hereof;

(e) any liabilities with respect to Taxes for any period prior to Closing;

(f) any severance liabilities with respect to employees located at premises located at Buildings 080, 086, 087 and 089, each at 6001 Grant McConachie Way, Richmond, British Columbia currently leased to Vendor by Air Canada pursuant to a Master Lease between Air Canada and ACTS dated as of October 1, 2006 whose employment is terminated, or notice with respect to termination of such employee is given by Vendor, prior to Closing, and ongoing rent obligations with respect to such premises; and

(g) any liabilities relating to US Benefit Plans.

ARTICLE 6
REPRESENTATIONS AND WARRANTIES OF VENDOR

Section 6.1 Representations and Warranties of Vendor.

Vendor represents and warrants as follows to Purchaser and Parent and acknowledges that Purchaser and Parent are relying upon the representations and warranties in connection with Purchaser's purchase of the Purchased Assets:

Corporate Matters

(a) **Incorporation and Qualification.** Vendor is a limited partnership that is duly formed, existing and in good standing under the Laws of Québec. Each of the General Partner and the Subsidiaries is a corporation incorporated, existing and in good standing under the Laws of its jurisdiction of incorporation. Each of Vendor and its Subsidiaries has the necessary power to own or lease its properties, carry on the Business as presently conducted and Vendor has the necessary power to enter into and perform its obligations under this Agreement.

(b) **Corporate Authorization.** The execution and delivery of, and performance by Vendor of its obligations under, this Agreement have been authorized by all necessary corporate or partnership action on the part of Vendor.

(c) **No Conflict.** Except as disclosed in Section 6.1(c) of the Disclosure Letter, the execution and delivery of, and performance by Vendor of this Agreement:

(i) do not constitute or result in a violation or breach of, or conflict with any of the terms or provisions of Vendor's limited partnership agreement or the General Partner's or Subsidiaries' constating documents or by-laws, as applicable;

(ii) do not constitute or result in a breach of, or allow any Person to exercise any rights under any contract, other than any such breach that would not have a Material Adverse Effect;

(iii) do not result in a breach of, or cause the termination or revocation of, any Authorization held by Vendor that is necessary to the operation of the Business other than any such breach that would not prevent Purchaser from owning, operating or using the Purchased Assets in all material respects in the manner owned, operated or used as of the date hereof subject to any transfer or assignment that may be required; and

(iv) do not result in the violation of any Law other than any such breach that would not have a Material Adverse Effect.

(d) **Required Authorizations.** Except as disclosed in Section 6.1(d) of the Disclosure Letter, no filing with, notice to, or Authorization of, any Governmental Entity is required on the part of Vendor or its Subsidiaries as a condition to the lawful completion of the transactions contemplated by this Agreement except where the failure to make the filing, give the notice or obtain the Authorization would not have a Material Adverse Effect.

(e) **Required Consents.** Except as disclosed in Section 6.1(e) of the Disclosure Letter, there is no requirement to obtain any Authorization of a party under any contract for the completion of the transactions contemplated by this Agreement or completion of the transactions contemplated by the Transfer and Non-Competition Agreement.

(f) **Execution and Binding Obligation.** This Agreement has been duly executed and delivered by Vendor and constitutes a legal, valid and binding agreement enforceable against it in accordance with its terms, subject to any limitation under applicable Laws relating to (i) bankruptcy, winding-up, insolvency, arrangement, fraudulent preference and conveyance, assignment and preference and other Laws of general application affecting the enforcement of creditors' rights, and (ii) the discretion that a court may exercise in the granting of equitable remedies such as specific performance and injunction.

(g) **Authorized and Issued Capital.** The authorized capital of ACTS Bahamas Ltd. consists of 200,000,000 common shares and one class A non-voting redeemable share, of which 45,930,000 common shares are issued and outstanding in the name of Vendor as fully paid and non-assessable and one class A non-voting redeemable share is issued and outstanding in the name of Grupo TACA as fully paid and non-assessable. Such securities constitute all (and not less than all) of the issued and outstanding securities in the capital of ACTS Bahamas Ltd. ACTS Bahamas Ltd. is not a reporting issuer in any Province in Canada and there is no published market for the securities of ACTS Bahamas Ltd. ACTS Bahamas Ltd. is a "private issuer" as defined in section 2.4 of National Instrument 45-106.

(h) **Title to ACTS Bahamas Ltd. Voting Securities.** All of the issued and outstanding voting securities of ACTS Bahamas Ltd. are owned by Vendor, free and clear of all Liens other than those restrictions on transfer contained in the constating documents of ACTS Bahamas Ltd. Other than the Exchangeable Share, as set forth in the constating documents of ACTS Bahamas Ltd. or in the shareholders agreement dated as of February 13, 2007 entered into by and among ACTS Bahamas Ltd., Vendor, Grupo TACA and Technical Holdings Limited, there are no preemptive or other outstanding rights, options, warrants, conversion rights, stock appreciation rights, performance units, redemption rights, repurchase rights, agreements, arrangements, calls, commitments or rights of any kind that obligate Vendor or any of its Subsidiaries to issue or sell any shares of capital stock or other equity securities of Vendor's Subsidiaries or any securities or obligations convertible or exchangeable into or exercisable for, or giving any Person a right to subscribe for or acquire, any equity securities of Vendor's Subsidiaries, and no securities or obligations evidencing such rights are authorized, issued or outstanding.

(i) **Residence of Vendor.** Vendor is a "Canadian Partnership" within the meaning of the Tax Act.

General Matters Relating to the Business

(j) **Adverse Changes; Ordinary Course.** Since December 31, 2006, except as disclosed in Section 6.1(j)(1) of the Disclosure Letter, there has not been any Material Adverse Effect. Except as disclosed in Section 6.1(j)(2) of the Disclosure Letter, since December 31, 2006, Vendor has carried on the Business (excluding the business of Aeromantenimiento, S.A. and Technical Holdings Limited) and since February 14, 2007 Aeromantenimiento, S.A. and Technical Holdings Limited have carried on their respective business, in the ordinary course of normal day to day operations and, in the case of Vendor, consistent with past practice and:

(i) there has not been any damage or destruction to, or loss of, any material assets (whether or not covered by insurance) of Vendor or any Subsidiary;

(ii) neither Vendor nor any Subsidiary has incurred or assumed any material obligation or liability (fixed or contingent) relating to the Business including the incurrence of any indebtedness, liabilities, guarantees or obligations for borrowed money or the making of any loans, advances or capital contributions to, or investments in, any other Person or mortgaged, hypothecated, pledged, subjected to lien, granted a security interest in or otherwise encumbered any of the Purchased Assets, except (i) those listed in Section 6.1(j)(2) of the Disclosure Letter, (ii) unsecured current obligations, (iii) liabilities incurred in the ordinary course of business consistent with past practice that do not have, individually or in the aggregate, a Material Adverse Effect and that do not prevent, materially impair, or impede the ability of Purchaser to consummate the Financing or (iv) indebtedness for borrowed money that will be prepayable without penalty on Closing and that does not in any event prevent, materially impair, or impede the ability of Purchaser to consummate the Financing;

(iii) neither Vendor nor any Subsidiary has changed the term of any bonus, commission or benefit plans, granted any bonuses, whether monetary or otherwise, made any wage or salary increases in respect of any Transferred Employees, increased the benefits of or changed the terms of employment for any Transferred Employees or entered into any severance or termination agreement with any Transferred Employees, except increases in compensation based on merit or resulting from promotions and discretionary bonuses, in each case awarded in the ordinary course of business consistent with past practice;

(iv) neither Vendor nor any Subsidiary has entered into any new, or terminated, renegotiated or amended any existing, Collective Agreements;

(v) to the knowledge of Vendor, as of the date hereof, neither Vendor nor Aeromantenimiento, S.A. has lost or been informed that it will lose any material customer;

(vi) except as reflected in the Financial Statements, Vendor has not changed its accounting principles, practices, methods or procedures or made any material change or election with respect to Taxes regarding the Business, the Purchased Assets or the Assumed Liabilities;

(vii) neither Vendor nor any Subsidiary has entered into, amended, or terminated, waived any right under or renegotiated any Material Contract;

(viii) neither Vendor nor any Subsidiary has issued, sold, redeemed or acquired, or agreed to issue, sell, redeem or acquire, any equity securities;

(ix) neither Vendor nor any Subsidiary has amended its constating documents or by-laws, as applicable; and

(x) neither Vendor nor any Subsidiary has authorized, agreed or otherwise become committed in writing to do any of the foregoing.

(k) **Compliance with Laws.** The Business has been conducted in compliance, in all material respects, with all applicable Laws (i) since December 31, 2005, in the case of the Business of Vendor and its predecessors in interest, and (ii) since February 14, 2007, in the case of the Business of Aeromantenimiento, S.A. and Technical Holdings Limited; in each case, except as disclosed in Section 6.1(k) of the Disclosure Letter and except for acts of non-compliance which would not have a Material Adverse Effect.

(l) **Authorizations.** Vendor and its Subsidiaries have all Authorizations from Governmental Entities and third parties which are necessary for them to conduct the Business as it is conducted on the date hereof, except as set forth in Section 6.1(l) of the Disclosure Letter or where the failure to do so would not have a Material Adverse Effect. All Authorizations from any Governmental Entity or any third party that are required to conduct the Business in all material respects as it is conducted as of the date hereof are listed in Section 6.1(l) of the Disclosure Letter. Except as set forth in Section 6.1(l) of the Disclosure Letter, such Authorizations are valid, subsisting and in good standing and there are no outstanding defaults or breaches under them on the part of Vendor which would have a Material Adverse Effect.

Matters Relating to the Assets

(m) **Sufficiency of Assets.** Vendor owns all of the Purchased Assets that are reflected as being owned by it in the Books and Records, free and clear of all Liens, except for Permitted Liens as set forth in Section 6.1(m) of the Disclosure Letter. The Purchased Assets constitute all of the assets, properties, rights and goodwill necessary to enable Purchaser to own and operate the Business immediately following Closing in substantially the same manner as owned, and operated as of the date hereof and there are no assets that are material to the conduct of the Business other than the Purchased Assets. Except as set forth in Section 6.1(m) of the Disclosure Letter, no other Person owns any assets that are material to the conduct of the Business except for the leased properties under the Leases, personal property leased by Vendor, and Intellectual Property and computer software and programs licensed to Vendor.

(n) **No Options, etc. to Purchase Assets.** Except as set forth in Section 6.1(n) of the Disclosure Letter, since December 31, 2006 through the date hereof, neither Vendor nor any of its Subsidiaries have transferred, assigned, sold or otherwise disposed of any assets or settled any material debts, claims or material entitlements, except for (i) the sale of inventory in the ordinary course of business; (ii) the disposition of immaterial or obsolete assets or equipment; and (iii) or otherwise in the ordinary course of business. No Person has any contractual right or privilege for the purchase or other acquisition from Vendor or any of its Subsidiaries of any of the Purchased Assets.

(o) **Condition of Tangible Assets.** The tangible assets of the Business are in good operating condition subject to normal wear and tear and normal maintenance requirements.

(p) **Inventory.** All inventories of Vendor have been valued on the books of Vendor as at December 31, 2006 in accordance with the policies, practices and procedures set forth in the Financial Statements for the fiscal year ended December 31, 2006. Except as set forth in Section 6.1(p) of the Disclosure Letter, the inventory levels have been maintained at the amounts required for the operation of the Business as previously conducted and such inventory levels are adequate for the operation of the Business.

(q) **Immoveable Property.** Except as set forth in Section 6.1(q) of the Disclosure Letter, Vendor is not the owner of, or subject to any agreement or option to own, any immoveable property or any interest in any immoveable property. Vendor is not a party to, or under any agreement to become a party to, any lease with respect to immoveable property other than the Leases. Such Leases are in full force and effect and are unamended and there are no outstanding defaults or breaches under any of them on the part of Vendor which would have a Material Adverse Effect.

(r) **Material Contracts.** All contracts, licenses, leases and instruments to which Vendor or any of its Subsidiaries is a party or is bound by, that (i) provide for reasonable potential expenditures of $10,000,000 or more during any twelve month period or (ii) have a term of 1 year or more and cannot be cancelled on notice of 90 days or less, (iii) contain any covenant or provision that restricts Vendor or its Subsidiaries from engaging in any lawful business activity or competing with any Person or entity (other than Permitted Liens) or (iv) are otherwise material to the Business (the "**Material Contracts**") are listed in Section 6.1(r) of the Disclosure Letter. Each of the Material Contracts is in full force and effect and is unamended and there are no outstanding defaults or breaches under any of the Material Contracts on the part of Vendor which would have a Material Adverse Effect.

(s) **Accounts Receivable.** All Accounts Receivable represent amounts due for goods sold and delivered or services rendered in the ordinary course of the Business or amounts due for other obligations owed to Vendor.

(t) **Intellectual Property.**

(i) Section 6.1(t) of the Disclosure Letter lists (A) all Intellectual Property owned by Vendor that is material to the Business as currently conducted which has been registered or for which applications for registration have been filed by or on behalf of

Vendor; (B) particulars of all registrations and applications for registration in respect of such Intellectual Property; and (C) all contracts, licenses, leases and instruments in respect of Intellectual Property that is material to the Business.

(ii) The contracts, licenses, leases and instruments listed in Section 6.1(t) of the Disclosure Letter are in full force and effect and are unamended and there are no outstanding defaults or breaches under any of them on the part of Vendor which would have a Material Adverse Effect. There are no applications by Vendor with respect to the Intellectual Property owned by Vendor included in the Purchased Assets other than as disclosed on Section 6.1(t) of the Disclosure Letter.

(iii) To the knowledge of Vendor, the operation of the Business and the use of the Transferred Repair Schemes does not infringe upon the Intellectual Property rights of any Person.

(iv) There are no Actions pending or, to the knowledge of Vendor, threatened that challenge the ownership, use, validity or enforceability of any Intellectual Property owned by Vendor and included in the Purchased Assets or the Transferred Repair Schemes.

(v) Except as disclosed in Section 6.1(t) of the Disclosure Letter, there are no Actions against Vendor or, only with respect to the Transferred Repair Schemes, Air Canada pending or, to the knowledge of Vendor, threatened, alleging that the use by Vendor, any of its Subsidiaries or, only with respect to the Transferred Repair Schemes, Air Canada of any of the material Intellectual Property included in the Purchased Assets or the Transferred Repair Schemes infringes any rights, including patent rights, of any other Person.

Financial Matters

(u) **Financial Statements.** The Financial Statements and the Interim Financial Statements have been prepared in accordance with GAAP consistently applied. The Financial Statements present fairly in all material respects:

(i) the financial position of Vendor as at the date of the relevant statements; and

(ii) the results of Vendor's operations for the period covered by the Financial Statements.

The Interim Financial Statements present fairly in all material respects:

(i) the financial position of Vendor and its Subsidiaries as at the date of the relevant statements; and

(ii) the results of Vendor's and its Subsidiaries' operations for the period covered by the Interim Financial Statements.

(v) **No Liabilities.** Vendor and its Subsidiaries have no liabilities of the type required to be reflected as liabilities on a balance sheet prepared in accordance with GAAP, except for (i) liabilities reflected or reserved against in the Financial Statements or the Interim Financial Statements, and (ii) current liabilities incurred since the Interim Balance Sheet Date which liabilities are incurred in the ordinary course of the Business and would not reasonably be expected to result in a Material Adverse Effect.

Particular Matters Relating to the Business

(w) **Environmental Matters.**

(i) Except as disclosed in Section 6.1(w) of the Disclosure Letter, to the knowledge of Vendor, neither Vendor nor any of its Subsidiaries has received any written notice, order or other communication from any Governmental Entity or Person (i) revoking, cancelling, materially modifying or refusing to renew any Authorization issued pursuant to any Environmental Law, or (ii) providing notice of any alleged violation of any applicable Environmental Laws or any alleged liability arising under Environmental Laws which, if determined adversely to

Vendor, would have a Material Adverse Effect and to Vendor's knowledge, there are no events of fact that could give rise to such notice, order or other communication.

(ii) Except as disclosed in Section 6.1(w) of the Disclosure Letter, Vendor has not been required by any Governmental Entity to (i) alter any of the leased properties listed in Section 6.1(q) of the Disclosure Letter in a material way in order to be in compliance with Environmental Laws, or (ii) perform any environmental closure, decommissioning, rehabilitation, restoration or post-remedial investigations, on, about, or in connection with any real property and to Vendor's knowledge, there are no events of fact that could give rise to such requirements.

(iii) Section 6.1(w) of the Disclosure Letter lists all reports, surveys and investigations prepared by or on behalf of or in the possession or under the control of Vendor and all Authorizations relating to environmental matters affecting the Business or the leased properties listed in Section 6.1(q) of the Disclosure Letter, copies of which have been made available to Purchaser.

(x) **Employees.**

Section 6.1(x) of the Disclosure Letter provides a complete and accurate list of all AC Non-Unionized Employees, AC Unionized Employees and ACTS Employees as of the date of this Agreement, including their salary, years of service and position.

Except as disclosed in Section 6.1(x) of the Disclosure Letter:

(i) Vendor is in compliance in all material respects with all terms and conditions of employment and all Laws respecting employment, including human rights, labour relations, workers' compensation, employment standards, employment equity, pay equity, wages and hours of work and occupational health and safety, and there are no outstanding claims, complaints, investigations or orders under any such Laws,

(ii) there is no unfair labour practice complaint, grievance or arbitration proceeding pending or, to the knowledge of Vendor, threatened against Vendor or Air Canada which if determined adversely to it, would have a Material Adverse Effect,

(iii) there are no Collective Agreements in force with respect to the ACTS Employees,

(iv) Vendor does not have any agreement as to length of notice or severance payment required to terminate any ACTS Employee, including, without limitation, change of control agreements other than as required by Law and resulting from the employment of an ACTS Employee without an agreement as to notice or severance,

(v) all amounts due or accrued due for all salary, wages, bonuses, commissions, vacation with pay have either been paid or are accurately reflected in the Books and Records,

(vi) there are no proceedings which could result in certification of a union as bargaining agent for any ACTS Employees, and there have not been any such proceedings within the last five years;

(vii) except as disclosed in Section 6.1(x) of the Disclosure Letter the Vendor is not party to any agreements with independent contractors; and

(viii) there are no AC Employee Plans or ACTS Employee Plans (both as defined in the Pension Agreement) except as disclosed in the Pension Agreement.

(y) **Insurance.** Section 6.1(y) of the Disclosure Letter lists the insurance policies which are maintained by or on behalf of Vendor. The coverage under such policies is in full force and effect and covers such risks which are customary for businesses similar to the Business.

(z) **Litigation.** Except as described in Section 6.1(z) of the Disclosure Letter, there are no actions, suits, appeals, claims, applications, orders, investigations, proceedings, grievances, arbitrations or alternative dispute resolution processes in progress, pending, or, to the knowledge of Vendor, threatened against Vendor or its Subsidiaries which, if determined adversely to Vendor or its Subsidiaries, would have a Material Adverse Effect or which prohibits, restricts or seeks to enjoin the transactions contemplated by this Agreement.

(aa) **Customers and Suppliers**. Section 6.1(aa) of the Disclosure Letter lists the ten largest customers and the ten largest suppliers of the Business by dollar amount as at the Interim Balance Sheet Date.

(bb) **Taxes**.

(i) Vendor has collected all amounts required by applicable Law to be collected by it on account of Taxes in respect of the Business of Vendor and has remitted all such amounts to the appropriate Governmental Entity within the time prescribed under any applicable Law.

(ii) No failure, if any, of Vendor to duly and timely pay, withhold or remit all Taxes that are due and payable by it will result in a Lien on the Purchased Assets.

(iii) There are no proceedings, investigations, audits or claims now pending or threatened against Vendor in respect of any Taxes, and there are no matters under discussion, audit or appeal with any Governmental Entity relating to Taxes, which could result in a Lien on the Purchased Assets.

(iv) Vendor is a registrant within the meaning of Part IX of the ETA and Chapter VIII of the QSTA and its applicable registration numbers are as follows:

GST: 833887326 RT0001
QST: 1212573589 TQ0001

(v) Each of the Subsidiaries has duly and timely made or prepared all Tax Returns required to be made or prepared by it, has duly and timely filed all Tax Returns required to be filed by it with the appropriate Governmental Entity and, except as would not have a Material Adverse Effect, has duly, completely and correctly reported all income and all other amounts and information required to be reported thereon.

(vi) Each of the Subsidiaries has duly and timely paid all Taxes, including all instalments on account of Taxes for the current year, that are due and payable by it whether or not assessed by the appropriate Governmental Entity. Provision has been made in the Interim Financial Statements for amounts at least equal to the amount of all Taxes owing by it that were not yet due and payable by the date of the Interim Financial Statements.

(vii) None of the Subsidiaries has requested, offered to enter into or entered into any agreement or other arrangement, or executed any waiver, providing for any extension of time within which any Governmental Entity may assess or collect Taxes for which any of the Subsidiaries is or may be liable. None of the Subsidiaries has been requested to file Tax Returns in any jurisdiction in which it does not file Tax Returns. Aeromantenimiento S.A. has complied with all requirements to qualify for the fiscal benefits and incentives related to active perfecting depositories in El Salvador, pursuant to Legislative Decree No. 405 *Ley de Zonas Francas Industriales y de Comercializacion,* has been granted a certificate of active perfecting depositary by the Ministry of Economy of El Salvador and has not been notified that such certificate has been revoked.

(viii) Except as disclosed in Section 6.1(bb)(vii) of the Disclosure Letter, there are no proceedings, investigations, audits or claims now pending or threatened in writing against any of the Subsidiaries in respect of any Taxes.

(ix) Each of the Subsidiaries has duly and timely withheld or collected all Taxes and other amounts required by Law to be withheld or collected by it, and has duly and timely remitted to the appropriate Governmental Entity such Taxes and other amounts required by Law to be remitted by it.

(x) None of the Subsidiaries are resident in Canada for purposes of the *Income Tax Act* (Canada).

(cc) **No Brokers.** Vendor has carried on all negotiations relating to this Agreement and the transactions contemplated in this Agreement directly and without intervention on its behalf of any other party in such manner as to give rise to any valid claim by any broker, agent or other intermediary for a brokerage commission, finder's fee or other like payment or remuneration for which Vendor, Purchaser or Parent would be liable.

(dd) **Securities Laws.** Vendor is acquiring the Issued Interests as principal and not as agent, for investment purposes only and not with a view to resale or distribution. Vendor acknowledges that it has conducted to its satisfaction an independent investigation of Purchaser and its operations, assets, liabilities and financial condition, and in making the determination to acquire the Issued Interests has relied solely on the results of its own independent investigation.

(ee) **Exchangeable Share.** Pursuant to the terms of the Aeroman SPA and the terms of the Exchangeable Share issued in connection therewith, Grupo TACA has the right to require ACTS Bahamas Ltd. to redeem the Exchangeable Share in exchange for cash or an equity ownership interest in the entity that is the object of the Monetization (as defined in the Aeroman SPA). The Exchangeable Share pursuant to its terms is not redeemable for any equity interest in any of Vendor's Subsidiaries and Grupo TACA shall not acquire or increase any interest in the Purchased Assets or as a result of the transactions contemplated hereby.

(ff) **Warranty.** Except as expressly set forth in Section 6.1, neither Vendor nor any of its officers, directors, agents, Affiliates, ACTS Employees or representatives makes any representation or warranty, and there is no condition, in each case, express or implied, at law, by statute or in equity, in respect of the Purchased Assets or Vendor or the Business, including with respect to quality, merchantability or fitness for purpose, and any such other representations, warranties or conditions are expressly disclaimed.

(gg) **Labor Relations.** There has not been any strike or work stoppage or slowdown, organizing drive or application for certification in respect of any union at Vendor or any Subsidiary except as would not reasonably be expected to result in a Material Adverse Effect.

(hh) **Working Capital.** The Working Capital as of March 31, 2007 is set forth in Section 6.1(hh) of the Disclosure Letter. The Working Capital of the Business has been managed in the ordinary course, consistent with past practice, from March 31, 2007 until the date hereof.

ARTICLE 7
REPRESENTATIONS AND WARRANTIES OF THE PURCHASER AND PARENT

Section 7.1 Representations and Warranties of Purchaser and Parent.

Purchaser and Parent solidarily (jointly and severally) represent and warrant as follows to Vendor and acknowledge and confirm that Vendor is relying on such representations and warranties in connection with the sale by Vendor of the Purchased Assets:

(a) **Incorporation and Corporate Power.** Parent is a société à responsabilité limitée governed by the laws of the Grand Duchy of Luxembourg, having its registered office at 59 rue de Rollingergrund, L-2440 Luxembourg, Grand Duchy of Luxembourg, having a share capital of CAD 25,000.- and pending registration with the Luxembourg Register of Commerce duly incorporated and existing under the Laws of its jurisdiction of incorporation. Parent's principal place of business is in Luxembourg. Gibco is a limited company incorporated under the Laws of Gibraltar, existing and in good standing under the Laws of its jurisdiction of incorporation, Gibco's principal place of business is in Gibraltar. Canco is a corporation incorporated under the Laws of Canada, existing and in good standing under the Laws of Canada. Canco's principal place of business is in Canada. Each of Purchaser and Parent has the necessary power and authority to enter into and perform its obligations under this Agreement.

(b) **Corporate Authorization.** The execution and delivery of, and performance by Purchaser and Parent of their respective obligations under this Agreement have been authorized by all necessary corporate action on the part of Purchaser and Parent.

(c) **No Conflict.** The execution and delivery of, and performance by each of Purchaser and Parent of this Agreement:

(i) do not constitute or result in a violation or breach of, or conflict with, or allow any Person to exercise any rights under, any of the terms or provisions of Purchaser's or Parent's constating documents or by-laws, as applicable;

(ii) do not constitute or result in a breach or violation of, or conflict with or allow any Person to exercise any rights under, any contract, license, lease or instrument to which it is a party;

(iii) do not result in the creation of any Lien on the assets of Purchaser; and

(iv) do not result in the violation of any Law.

(d) **Required Authorizations.** Other than Competition Act Approval and Investment Canada Act Approval, no filing with, notice to, or Authorization of, any Governmental Entity is required on the part of Purchaser or Parent as a condition to the lawful completion of the transactions contemplated by this Agreement, except any such filing, notice, or Authorization which, if not obtained or made, would not prevent or materially alter or delay any of the transactions contemplated by this Agreement.

(e) **Execution and Binding Obligation.** This Agreement has been duly executed and delivered by each of Purchaser and Parent and constitutes legal, valid and binding agreements of Purchaser and Parent, enforceable against each of them in accordance with its terms, subject only to any limitation under applicable Laws relating to (i) bankruptcy, winding-up insolvency, arrangement, fraudulent preference and conveyance, assignment and preference and other Laws of general application affecting creditors' rights, and (ii) the discretion that a court may exercise in the granting of equitable remedies including specific performance and injunction.

(f) **Authorized and Issued Capital.** The authorized capital of Gibco consists of 2,000 shares of ordinary shares of which 2,000 shares of ordinary shares are issued and outstanding in the name of Parent as fully paid. As of the Closing, the authorized capital of Canco will consist of 100 shares of common stock of which 100 shares of common stock will be issued and outstanding in the name of Gibco as fully paid and non assessable.

(g) **Issued Shares.** Upon completion of the transactions of purchase and sale contemplated by this Agreement, the shares in Gibco included in the Issued Interests (the "**Issued Shares**") will be allotted and issued to Vendor as fully paid, free and clear of all Liens. The Issued Shares will have been issued in compliance with all applicable Laws and Vendor will have good and legal title to the Issued Shares. Except as set forth in this Agreement, the constating documents of Gibco and except as will be provided in for the Shareholders Agreement, there are no outstanding (i) contractual obligations or rights of Gibco, Canco or Parent to repurchase, redeem or otherwise acquire the Issued Shares, or (ii) proxies, voting agreements, voting trusts, preemptive rights, rights of first refusal, rights of first offer, rights of co-sale, or tag-along rights, shareholder agreements or other rights, understanding or arrangements, or any other restrictions applicable to the Issued Shares pursuant to any agreement or obligation to which Gibco, Canco or Parent is a party.

(h) **Newly-Incorporated; No Subsidiaries.** Each of Gibco and Canco is a newly incorporated company, has never carried on any business, has never had any employees and has never owned any property other than its corporate records and the funds necessary to complete the transactions contemplated by this Agreement. As of the date of this Agreement, neither Gibco nor Canco has ever been a party to any contract, has never been subject to any litigation and does not have any liabilities other than contracts and liabilities relating to the transactions contemplated by this Agreement. Other than Air Support Holdings, a société à responsabilité limitée governed by the laws of the Grand Duchy of Luxembourg, having its registered office at 59 Rue de Rollingergrund, L-2440 Luxembourg, Grand Duchy of Luxembourg, having a share capital of CAD 25,000.- and pending registration with the Luxembourg Register of Commerce, which is an wholly-owned subsidiary of Gibco, and Canco which is a wholly owned subsidiary of Gibco, neither Gibco nor Canco has any subsidiaries and neither Gibco nor Canco holds any shares or other ownership, equity or proprietary interests in any other Person.

(i) **No Other Agreements to Purchase.** Except for Vendor's right under this Agreement and the contemplated equity interests of investors in Gibco, no Person has any written or oral agreement, option or warrant, or any right or privilege (whether by Law, pre-emptive or contractual) capable of becoming such for (i) the purchase or acquisition of any of the issued and outstanding shares of Gibco or Canco, (ii) the purchase, subscription, allotment or issuance of any of the unissued shares or other securities of Gibco or Canco, or (iii) upon the Closing, the purchase or other acquisition of any of the Purchased Assets.

(j) **Securities Laws.** Gibco is acquiring the Bahamas Shares as principal and not as agent, for investment purposes only and not with a view to resale or distribution; provided that, Gibco may transfer or distribute such shares in connection with the Restructuring (as defined in the Shareholders Agreement).

(k) **Corporate Records**. The corporate records of Purchaser are true, complete and accurate, and contain copies of all of the articles, by-laws and resolutions adopted by the shareholders and directors of Purchaser since the date of its incorporation, all of which have been duly passed, and registers of all past or present securities, shareholders and securities issuances, redemptions and transfers.

(l) **Purchaser's Financing.** On the date hereof, Parent has provided to Vendor a true and correct copy of the commitment letter, dated as of the date of this Agreement, from Lehman Brothers Inc. (the "**Debt Financing Commitment**"), pursuant to which lenders party thereto have committed, subject to the terms and conditions set forth therein, to lend the amounts set forth therein for the purposes of financing the transactions contemplated by this Agreement and related fees and expenses (the "**Debt Financing**"). On the date hereof, Parent has provided to Vendor a true and correct copy of the equity commitment letters, dated as of the date of this Agreement, from KKR PEI SICAR, S.à.r.l., Sageview Capital Partners (A), L.P., Sageview Capital Partners (B), L.P. and Sageview Capital Partners (C) (Master), L.P. (collectively, the "**Equity Financing Commitments**" and together with the Debt Financing Commitment, the "**Financing Commitments**"), pursuant to which the investor parties thereto have committed, subject to the terms and conditions set forth therein, to invest the amounts set forth therein (the aggregate amount of equity financing, the "**Equity Financing**" and together with the Debt Financing, the "**Financing**"). Prior to the date hereof, (i) none of the Financing Commitments has been amended or modified, (ii) no such amendment or modification is contemplated, and (iii) the respective commitments contained in the Financing Commitments have not been withdrawn or rescinded in any respect. Purchaser has fully paid any and all commitment fees or other fees in connection with the Financing Commitments that are payable on or prior to the execution hereof. The Financing Commitments are in full force and effect as of the date hereof and are the legal, valid and binding obligations of Purchaser and, to the knowledge of Parent, of the other parties thereto. Notwithstanding anything in this Agreement to the contrary, the Debt Financing Commitment may, in accordance with the provisions of this Agreement, be superseded at the option of Parent after the date of this Agreement by instruments (the "**New Debt Financing Commitments**") replacing the existing Debt Financing Commitment, provided that the terms of the New Debt Financing Commitments shall not (a) expand upon the conditions precedent to the Financing as set forth in the Debt Financing Commitment or (b) adversely affect the certainty of, or otherwise delay the Closing. In such event, the term "**Financing Commitments**" as used herein shall be deemed to include the Financing Commitments that are not so superseded at the time in question and the New Debt Financing Commitments to the extent then in effect. There are no conditions precedent or other contingencies related to the funding of the full amount of the Financing, other than as set forth in or contemplated by the Financing Commitments. As of the date hereof, no event has occurred that, with or without notice, lapse of time or both, would constitute a default on the part of Parent or Purchaser under any of the Financing Commitments. As of the date hereof, Parent has no reason to believe that any of the conditions to the Financing contemplated by the Financing Commitments will not be satisfied or that the Financing will not be made available to Parent on the Closing Date. Assuming the Financing Commitments are funded, Parent and Purchaser will have at Closing funds sufficient to pay the Cash Portion (and any repayment or refinancing of debt contemplated by this Agreement or the Financing Commitments) and any other amounts required to be paid in connection with the consummation of the transactions contemplated hereby, and to pay all related fees and expenses.

(m) **Litigation.** As of the date hereof, there are no actions, suits, appeals, claims, applications, investigations, orders, proceedings, grievances, arbitrations or alternative dispute resolution processes in progress, pending, or to Gibco's, Canco's or Parent's knowledge, threatened against Gibco, Canco or Parent, including any that could prohibit, restrict or seek to enjoin the transactions contemplated by this Agreement.

(n) **Brokers.** No broker, agent or other intermediary is entitled to any fee, commission or other remuneration for which Vendor would be responsible in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Purchaser or Parent other than in Vendor's capacity as a shareholder of Gibco after Closing.

(o) **Due Diligence by Purchaser.** Purchaser and Parent acknowledge that they have conducted to their satisfaction an independent investigation of the Business, operations, assets, liabilities and financial condition of Vendor and, in making the determination to proceed with the transactions contemplated by this Agreement, have relied solely on the results of their own independent investigation and the representations and warranties in Article 6.

ARTICLE 8
COVENANTS OF THE PARTIES

Section 8.1 Conduct of Business Prior to Closing.

Except as otherwise contemplated by this Agreement or Section 8.1 of the Disclosure Letter, during the Interim Period, Vendor will use its reasonable best efforts to conduct the Business in the ordinary course of normal day-to-day operations of the Business, consistent with past practices and without limiting the generality of the foregoing, will:

(i) use its reasonable best efforts to retain possession and control of the Purchased Assets and, except to ensure the continued conduct of the Business in the ordinary course, Vendor will not acquire any assets or shares or make any capital expenditure or commitment to do so in respect of the Business which individually or in the aggregate exceeds $3,000,000;

(ii) use its commercially reasonable efforts to maintain good relations with the Transferred Employees, its customers and suppliers, including preserving Goodwill;

(iii) ensure that all policies of insurance in connection with the Business, the business of the Subsidiaries and in respect of the Purchased Assets are maintained, and that all notices and present claims under all insurance policies are given in a timely fashion;

(iv) not terminate any officers of Vendor or its Subsidiaries, other than for cause, without the consent of Gibco;

(v) to the extent Vendor is involved therein, consult with Gibco with respect to collective bargaining strategy prior to any discussions or negotiations regarding any Collective Agreements and, when appropriate, involve Gibco in any such discussions or negotiations;

(vi) manage the Working Capital levels of the Business in the ordinary course, consistent with past practice, to ensure a level of Working Capital consistent with the requirements of the Business through the Closing;

(vii) not consent to any amendment to the EMC Purchase Agreement or the Transfer and Non-Competition Agreement.

(viii) not, and will ensure that its Subsidiaries do not, without the prior written consent of Gibco, transfer, assign, sell or otherwise dispose of any assets or settle any material debts, claims or material entitlements, except for (i) sale of inventory in the ordinary course of business, and (ii) disposition of immaterial or obsolete assets or equipment; and

(ix) not, without the prior written consent of Gibco, take any of the actions, do any of the things or perform any of the acts described that would have resulted in a breach of such provision if such action had been taken after December 31, 2006 and prior to the date of this Agreement, in items (i) through (x) of the second sentence of Section 6.1(j).

Section 8.2 Confidentiality; Access.

Purchaser acknowledges having signed a joinder to a confidentiality and non-disclosure agreement dated February 17, 2007 between Kohlberg, Kravis Roberts & Co. L.P. and ACE Aviation (the "**Confidentiality Agreement**"). Parent and Purchaser agree that the Confidentiality Agreement continues to apply and Parent and Purchaser are bound by its terms. Notwithstanding anything to the contrary contained in Paragraph 8 of the Confidentiality Agreement or herein, Parent and Purchaser may disclose confidential information relating to the Business to potential debt or equity financing sources, or to advisors in any equity offering or private placement of debt or equity securities, in connection with the Financing; provided that, Purchaser and Parent shall have received prior consent from Vendor for disclosure to equity financing sources that are not Affiliates of Purchaser, Parent or their respective Affiliates (other than disclosure to the entity set forth in Schedule 1.8), and that such financing sources and advisors agree to be bound by a customary confidentiality agreement with Parent and Purchaser. From the date hereof through the Closing Date, Vendor shall provide Parent and Purchaser with reasonable access to the Purchased Assets and the Books and Records during normal business hours; provided that, such access does not unreasonably interfere with the Business or the other businesses of Vendor.

Section 8.3 Actions to Satisfy Closing Conditions.

Subject to this Article 8, Vendor will use its reasonable best efforts to ensure compliance with all of the conditions set forth in Section 9.1 and Purchaser will use its commercially reasonable efforts to ensure compliance with all of the conditions set forth in Section 9.2.

Section 8.4 Request for Consents.

Notwithstanding the following provisions of this Section 8.4 or Section 8.5, Vendor shall obtain the consents, approvals or waivers set out in Schedule 9.1(d). Parent and Purchaser shall assist, and cooperate with, Vendor to obtain the consents, approvals or waivers set out in Schedule 9.1(d); provided that, Parent and Purchaser shall not be required to incur any expense or material obligation in connection with providing such assistance or cooperation. Vendor will use its reasonable best efforts to obtain, or cause to be obtained, prior to Closing, the consents and approvals and waivers required to transfer the Purchased Contracts, including those described in Section 6.1(e) of the Disclosure Letter. Purchaser and Parent will co-operate in obtaining such consents, approvals and waivers including providing information of Purchaser and Parent as is reasonably requested by a third party in order to grant its consent; provided that, Parent and Purchaser shall not be required to incur any expense or material obligation in connection with providing such cooperation. Notwithstanding anything to the contrary contained in this Agreement, in connection with obtaining such consents, approvals and waivers, Vendor shall not agree to modify the terms of any Purchased Contract to obtain such consent approval and waiver without the express consent of Purchaser (for material modifications, such consent to be granted in the absolute discretion of Purchaser and for immaterial modifications, such consent to be granted in the discretion of Purchaser acting reasonably); provided further, that the failure of Purchaser to grant any such consent to modification shall not be deemed to be a breach of this Agreement).

Section 8.5 Filings, Authorizations and Bulk Sales Laws.

Each of the Parties, as promptly as practicable after the execution of this Agreement, will use reasonable best efforts to make all filings with, give all notices to, and obtain all Authorizations from, Governmental Entities and any third party that are necessary to transfer the Purchased Assets or to obtain the reissuance of any Authorization to Purchaser of an Authorization of Vendor which is not transferable and is required to own or operate the Business as it is owned or operated as of the date hereof, and otherwise consummate the transactions contemplated by this Agreement; provided that, with respect to obtaining Authorizations from any third party, Parent and Purchaser shall not be required to incur any expense or material obligation in connection with obtaining such Authorizations; provided further that, if such efforts are unsuccessful to obtain such Authorizations, the Vendor and its Subsidiaries shall use their reasonable best efforts to otherwise give Purchaser the benefit of the Business and the rights it holds in respect thereto as if such Authorization had been obtained. Vendor and Purchaser agree that if, following Vendor's use of its reasonable best efforts as required in the first sentence of this Section 8.5, any such Authorization is not obtained prior to Closing or that an Authorization that is received includes conditions or is otherwise in a form that would result in a material impairment of Purchaser's rights and obligations with respect to the Purchased Assets such that Purchaser would not acquire the benefit of all such rights and obligations, then at the Closing the Parties will, to the maximum extent permitted by Law, enter into such arrangements with each other, at no additional cost to Purchaser, as are reasonably necessary to provide Purchaser with all of the benefits and obligations relating to the Purchased Assets from and after the Closing; provided that, no such actions will be deemed to have caused the closing condition set forth in Section 9.1(d) to have been satisfied unless after giving effect thereto Purchaser would, without being in breach of applicable Law or any contract, be able to operate, own or use the Purchased Assets in all material respects in the manner operated, owned or used by Vendor as of the date hereof and no Material Adverse Effect shall have occurred. In the event that at the Closing Vendor has been unable to obtain any Authorization, notwithstanding any other arrangements established pursuant to this Section 8.5 in respect thereof, at Purchaser's request Vendor shall, with the assistance of the management of Purchaser as Vendor shall no longer have any employees after Closing, use its reasonable best efforts to obtain such Authorization as soon as practicable after Closing, including continuing to use its reasonable best efforts to obtain any such Authorization as contemplated in this Section 8.5. Each of the Parties will make, or cause to be made, all filings that are required in connection with obtaining Competition Act Approval and Investment Canada Act Approval. Purchaser and Parent will pay all filing fees incurred in connection with Competition Act Approval. Vendor and Purchaser will coordinate and cooperate in exchanging information and supplying assistance that is reasonably requested in connection with this Section 8.5 including providing each other with advanced copies and reasonable opportunity to comment on all notices and information supplied to or filed with any Governmental Entity (except for notices and information which Vendor or Purchaser, in each case acting reasonably, considers highly confidential and sensitive which may be provided on a confidential and privileged basis to outside counsel of the other Party), and all notices and correspondence received from any Governmental Entity. Purchaser will offer to take, and if such offer is accepted, will, at its own expense, take all actions necessary to expedite obtaining Competition Act Approval, including negotiating and effecting by consent agreement or order, hold separate arrangement, undertaking or otherwise, the divestiture of assets, or undertaking of any form of behavioural remedy. The Parties waive compliance with any applicable bulk sales Laws and section 6 of the *Retail Sales Tax Act* (Ontario) and any equivalent or corresponding provision under any other applicable provincial or territorial tax legislation. Notwithstanding anything to the contrary in this Agreement, Vendor and ACE Aviation shall indemnify and hold Parent, Purchaser and their directors, officers and agents harmless from against any and all losses, liabilities or expenses which shall arise against or be incurred by Parent, Purchaser or their directors, officers and agents due to the failure of Vendor to comply with bulk sales Laws, section 6 of the *Retail Sales Tax Act* (Ontario) and any equivalent or corresponding provision under other applicable provincial or territorial Tax legislation.

Section 8.6 Notice of Untrue Representation or Warranty.

During the Interim Period, Purchaser will promptly notify Vendor if Purchaser or Parent becomes aware that any of Vendor's representations or warranties is untrue or inaccurate in any material respect or that Vendor has failed to perform or fulfil any of its covenants or obligations under this Agreement in any material respect; provided that, failure to so notify shall not limit any remedies available to Purchaser or Parent hereunder and shall not constitute a waiver of any of Vendor's obligations hereunder.

Section 8.7 Affiliate Relationships.

(1) Except as contemplated by this Agreement, all contracts between Vendor and its Subsidiaries on the one hand, and Vendor or any Affiliate of Vendor on the other hand, relating to the Purchased Assets shall be terminated on the Closing, and all liabilities between such parties (including liabilities under such contracts) shall thereupon be discharged and released by Vendor without any liability or cost to Parent or Purchaser, except that the agreements listed in Schedule 8.7 (and all liabilities and obligations thereunder) shall remain in full force and effect.

(2) Notwithstanding anything set forth in Section 8.7(1) and without limiting the generality of requirements set forth in Section 8.1(vi) of this Agreement, all payables and receivables relating to goods and services rendered in the ordinary course between Air Canada and its Affiliates (other than the Vendor and its Subsidiaries) on the one hand and the Vendor and its Subsidiaries on the other hand shall not be settled for cash or otherwise terminated on or before the Closing, but shall instead continue. Any such receivables and payables outstanding as of the date hereof shall be managed and settled in the same manner and on substantially the same terms following the date hereof as they were prior to the date hereof. Promptly after the Closing Date, the amounts payable or receivable by Purchaser as of the Closing Date pursuant to the applicable contracts under which such receivables and payables arose, except for the Prepayment Loan Receivable, shall be calculated and the net balance of such receivables and payables shall be paid either by Purchaser, if such net balance is a payable by Purchaser, or by Air Canada, if such net balance is a receivable to Purchaser, within 15 days of the Closing Date. Any disputes relating to the calculation of such net balance shall be subject to the dispute mechanism set out in the General Terms Agreement entered into by and between Vendor and Air Canada and dated October 1, 2006. As of the Closing Date, Vendor shall have caused to be established in a manner reasonably acceptable to Purchaser new, standalone accounts for the Air Canada receivables and payables (the "AC Accounts") relating to goods and services rendered in the ordinary course between Air

Canada and its Affiliates on the one hand and Purchaser and its Subsidiaries on the other hand after the Closing Date (the "Post-Closing Balances"). After the Closing, the Post-Closing Balances shall be managed and settled based on the terms of the applicable contracts with Air Canada under which such receivables and payables arise.

Section 8.8 Financing.

(1) Parent shall use its reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable to arrange the Debt Financing on the terms and conditions described in the Debt Financing Commitment (provided that Parent and Purchaser may replace or amend the Debt Financing Commitment to add lenders, lead arrangers, bookrunners, syndication agents or similar entities which had not executed the Debt Financing Commitment as of the date hereof, or otherwise so long as the terms would not adversely impact the ability of Parent or Purchaser to timely consummate the transactions contemplated hereby or the likelihood of consummation of the transactions contemplated hereby), including using reasonable best efforts to (i) maintain in effect the Debt Financing Commitment, (ii) negotiate definitive agreements with respect thereto on the terms and conditions contemplated by the Financing Commitments or, to the extent the financing contemplated by the Financing Commitments is not available to Parent, on other terms no less favorable to Parent and Purchaser (as determined in the reasonable judgment of Parent), (iii) satisfy on a timely basis all conditions in such Debt Financing Commitment applicable to Parent and Purchaser that are within their control and (iv) consummate the Debt Financing at Closing. In the event that all conditions to the Financing Commitments (other than in connection with the Debt Financing, the availability or funding of any of the Equity Financing) have been satisfied in Parent's good faith judgment, and subject in the case of bridge financing to the fourth sentence of this Section 8.8(1), Parent shall use its reasonable best efforts to cause the lenders and the other Persons providing such Financing to fund on the Closing Date the Financing required to consummate the transactions contemplated hereby. If any portion of the Debt Financing becomes unavailable on the terms and conditions contemplated in the Debt Financing Commitment, Parent shall use its reasonable best efforts to arrange to obtain alternative financing from

alternative sources on terms no less favorable to Parent (as determined in the reasonable judgment of Parent) as promptly as practicable following the occurrence of such event but no later than the final day of the Marketing Period or, if earlier, the Business Day immediately prior to the Termination Date. For the avoidance of doubt, in the event that (x) all or any portion of the Debt Financing structured as high yield financing has not been consummated, (y) all closing conditions contained in Article 9 (other than the delivery of the officers' certificates contemplated in Section 9.1(a), Section 9.1(b), Section 9.2(a) and Section 9.2(b) shall have been satisfied or waived and (z) the bridge facilities contemplated by the Debt Financing Commitment (or alternative bridge financing obtained in accordance with this Agreement) are available on the terms and conditions described in the Debt Financing Commitment (or replacements thereof on terms and conditions no less favorable to Parent and Purchaser), then Parent shall cause the proceeds of such bridge financing to be used to replace such high yield financing no later than the final day of the Marketing Period or, if earlier, the Business Day immediately prior to the Termination Date. For purposes of this Agreement, "Marketing Period" shall mean the first period of 21 consecutive days after the date hereof commencing on the later of (A) the date on which Parent shall have received the Required Financial Information that the Company is required to provide to Parent pursuant to Section 8.8(2), (B) the date on which the conditions set forth in Section 9.1(c), Section 9.1(f) and Section 9.1(g) are satisfied; provided that, solely for purposes of this Section 8.8(1), the condition set forth in Section 9.1(f) shall be satisfied once the undertakings required to satisfy such condition have been executed by Purchaser and submitted to the Investment Review Division for the Minster of Industry and (C) August 3, 2007; provided that, if the Marketing Period has not ended on or prior to August 16, 2007, the Marketing Period shall commence no earlier than September 4, 2007 and the "Marketing Period" shall be deemed not to have commenced if (x) the Required Financial Information shall not be available to Purchaser and Parent at any time during such 21 day period or the auditor of the Financial Statements shall have withdrawn its audit opinion with respect to the Financial Statements at any time during such 21 day period or (y) an event shall have occurred or a condition shall exist that would cause any of the conditions set out above to fail to be satisfied assuming the Closing were to be scheduled for any time during such

21 day period. Parent and/or Purchaser shall give Vendor prompt notice upon becoming aware of any material breach by any party of the Debt Financing Commitment or any termination of the Debt Financing Commitment. Parent and Purchaser shall keep Vendor informed on a reasonably current basis in reasonable detail of the status of its efforts to arrange the Financing and shall not permit any material amendment or modification to be made to, or any waiver of any material provision or remedy under, the Debt Financing Commitment without the prior written consent of Vendor (such consent not to be unreasonably withheld or delayed) unless such amendment or modification would not reasonably be expected to materially delay or impair the Purchaser's ability to consummate the Debt Financing, in which case no consent shall be required. Parent and/or Purchaser shall provide notice to Vendor promptly upon receiving the Debt Financing. Parent and Purchaser shall not permit any amendment or modification to be made to, or any waiver of any material provision or remedy under, the Equity Financing Commitments without the prior written consent of Vendor (such consent not to be unreasonably withheld or delayed) unless such amendment or modification would not reasonably be expected to materially delay or impair the Purchaser's ability to consummate the Equity Financing in which case no consent shall be required.

(2) Prior to the Closing, Vendor shall provide to Parent and Purchaser, and shall cause its Subsidiaries (and its and their respective officers and employees) to, and shall use its reasonable best efforts to cause the advisors, including legal and accounting, of Vendor and its Subsidiaries to, provide to Parent and Purchaser cooperation reasonably requested by Parent in connection with the arrangement of the Financing, including (i) participating in meetings, presentations, road shows, due diligence sessions, drafting sessions and sessions with rating agencies, (ii) assisting with the preparation of materials for rating agency presentations, offering documents, private placement memoranda, bank information memoranda, prospectuses and similar documents required in connection with the Debt Financing, (iii) executing and delivering any pledge and security documents, currency or interest hedging arrangements, other definitive financing documents, or other certificates, legal opinions or documents as may be reasonably requested by Parent (including a certificate of the chief financial officer of the General

Partner or any of its Subsidiaries with respect to solvency matters and consents of accountants for use of their reports in any materials relating to the Debt Financing) or otherwise reasonably facilitating the pledging of collateral, provided that such documents will not take effect until the Closing, (iv) furnishing Parent and its Financing sources as promptly as practicable (and in any event no later than 30 days prior to the Termination Date) with financial and other pertinent information regarding the Vendor, its Subsidiaries and the Business as may be reasonably requested by Parent, the whole as more fully set out in Schedule 8.8(2) (the information required to be delivered pursuant to this clause (iv) being referred to as "**Required Financial Information**"), (v) using reasonable best efforts to obtain accountants' comfort letters, consents, legal opinions, surveys and title insurance as reasonably requested by Parent, (vi) providing monthly financial statements (excluding footnotes) to the extent, Vendor or its Subsidiaries customarily prepares such financial statements, (vii) taking all actions reasonably necessary to (A) permit the prospective lenders involved in the Financing to evaluate the Business' current assets, cash management and accounting systems, policies and procedures relating thereto for the purpose of establishing collateral arrangements and (B) establish bank and other accounts and blocked account agreements and lock box arrangements in connection with the foregoing, provided that such accounts, agreements and arrangements should not become active or take effect until the Closing, (viii) entering into one or more credit or other agreements on terms satisfactory to Parent in connection with the Debt Financing immediately prior to the Closing Time to the extent direct borrowings or debt incurrences or guarantees, pledges, security interests or similar arrangements by or with Vendor's Subsidiaries are contemplated by the Debt Financing Commitment, and (ix) at Vendor's option taking or appointing a representative of Parent to take all corporate actions, subject to the occurrence of the Closing, reasonably requested by Parent to permit the consummation of the Debt Financing and the direct borrowing or incurrence of all of the proceeds of the Debt Financing, including any high yield debt financing, by Purchaser immediately following Closing; provided, however, that nothing herein shall require Vendor to agree to pay any fees (other than any fees incurred in connection with delivery of the Required Financial Information), reimburse any expenses or give any indemnities prior to Closing for which it is not reimbursed or indemnified under this Agreement.

Parent shall, promptly upon request by Vendor, reimburse Vendor for all reasonable and documented out-of-pocket costs incurred by Vendor or its Subsidiaries in connection with such cooperation at the request of Parent and indemnify Vendor for any loss, damage, liability, claim, cost, expense, interest, award, judgment and penalty suffered or incurred by Vendor or any of its Subsidiaries arising therefrom (other than arising from information provided by Vendor or its Subsidiaries); provided that, Parent shall not be required to so reimburse or indemnify Vendor for any costs or fees incurred in connection with delivery of the Required Financial Information. Vendor hereby consents to the use of its and its Subsidiaries' logos in connection with the Debt Financing.

Section 8.9 Exchangeable Share.

Vendor shall cause ACTS Bahamas Ltd. to satisfy any payments to, or rights exercisable by, Grupo TACA pursuant to the terms of the Exchangeable Share, prior to, or contemporaneously with, Closing, using funds contributed to ACTS Bahamas Ltd. after the date hereof by Vendor or through a direct payment or issuance by Vendor to Grupo TACA without reducing the assets or increasing the liabilities of Vendor's Subsidiaries as they exist on the date hereof. Vendor shall promptly notify Parent in the event Grupo TACA serves notice on Vendor or its Subsidiaries that it intends to request ACTS Bahamas Ltd. to redeem the Exchangeable Share prior to Closing.

Section 8.10 Repair Schemes.

Purchaser and Vendor shall work together in good faith to maximize the tax efficiency of the transfer of the Repair Schemes from Air Canada, directly or indirectly, to Canco concurrently with the Closing.

Section 8.11 Tax Registration.

Purchaser shall cause Canco to become a registrant within the meaning of Part IX of the ETA and Chapter VII of the QSTA and its applicable GST and QST numbers and to provide such numbers to Vendor at Closing.

ARTICLE 9
CONDITIONS OF CLOSING

Section 9.1 Conditions for the Benefit of Purchaser and Parent.

The purchase and sale of the Purchased Assets is subject to the following conditions being satisfied at or prior to Closing, which conditions are for the exclusive benefit of Purchaser and Parent and may be waived, in whole or in part, by Purchaser in its sole discretion:

(a) **Truth of Representations and Warranties.** Except as contemplated or permitted by this Agreement, the representations and warranties of Vendor contained in this Agreement must be true and correct in all material respects as of the Closing Date with the same force and effect as if such representations and warranties were made on and as of such date; provided, however, that, (i) if a representation and warranty is qualified by materiality or Material Adverse Effect, it must be true and correct in all respects, (ii) if a representation and warranty speaks only as of a specific date, it only needs to be true and correct as of that date and (iii) the representations and warranties contained in Section 6.1(g), Section 6.1(h), Section 6.1(m) and Section 6.1(ee) shall be true and correct in all respects. Purchaser and Parent must receive at Closing a certificate of a senior officer of Vendor as to the matters in this paragraph.

(b) **Performance of Covenants.** Vendor must have fulfilled, or complied with, in all material respects, all covenants contained in this Agreement to be fulfilled or complied with by it at or prior to the Closing and Purchaser and Parent must receive at Closing a certificate of a senior officer of Vendor to that effect.

(c) **Air Canada Consent.** Air Canada shall have consented to the assignment by Vendor to Purchaser of the General Terms Agreement between Air Canada and Vendor dated October 1, 2006.

(d) **Material Authorizations.** The filings, notices and Authorizations, listed in Section 6.1(e), Section 6.1(l) of the Disclosure Letter and in Schedule 9.1(d) must have been made, given, obtained or transferred to Purchaser, except, solely with respect to the filings, notices and Authorizations set forth in Section 6.1(e) and Section 6.1(l) of the Disclosure Letter, where the failure to do so would not (i) prevent Purchaser from owning, operating or using the Purchased Assets in the manner owned, operated or used as of the date hereof in all material respects or (ii) prevent or materially delay or impair the ability of Purchaser to obtain the Debt Financing on the terms and conditions described in the Debt Financing Commitment.

(e) **Deliveries.** Purchaser must have received the following:

(i) certified copies of (i) the limited partnership agreement of Vendor, (ii) the resolutions of the board of directors of the General Partner approving the execution, delivery and performance of this Agreement by Vendor, and (iii) a list of the directors and officers of the General Partner authorized to sign agreements together with their specimen signatures;

(ii) share certificates of ACTS Bahamas Ltd. duly endorsed for transfer;

(iii) a certificate of status, compliance, good standing or like certificate with respect to Vendor, each Subsidiary and the General Partner issued by appropriate government officials of their respective jurisdictions of creation;

(iv) the certificates referred to in Section 9.1(a) and Section 9.1(b);

(v) copies of the Ancillary Agreements duly executed by Vendor and/or Air Canada, as applicable;

(vi) the originals of the Books and Records excluding all Tax Returns;

(vii) documentation evidencing that the Improvements and the Repair Schemes have been transferred directly to Canco, such documentation to include, without limitation, a receipt duly executed by Air Canada acknowledging that the payment of the consideration pursuant to the EMC Purchase Agreement and the Transfer and Non-Competition Agreement constitutes full and final discharge of any obligation of Purchaser to pay any consideration (under the EMC Purchase Agreement, the Transfer and Non-Competition Agreement (save and except for the sales taxes applicable to the transfer of the Repair Schemes which shall be paid by Canco prior to the remittance due date for Air Canada) or any other agreement) to effect the transfer of the Improvements and the Repair Schemes from Air Canada to Purchaser;

(viii) documentation evidencing that all closing conditions to be fulfilled by Vendor or Air Canada for the effectiveness of the Pension Agreement shall been met or waived pursuant to the terms of the Pension Agreement; and

(ix) necessary deeds, conveyances, assurances, transfers and assignments and any other instruments necessary or reasonably required to transfer the Purchased Assets to Purchaser.

(f) **Investment Canada Act.** The Investment Canada Act Approval must have been granted.

(g) **Competition Act.** Competition Act Approval must have been granted.

(h) **Material Adverse Event.** Since the end of the fiscal period covered by the Financial Statements there has not been a Material Adverse Effect.

(i) **No Legal Action.** No action or proceeding shall be pending (other than by Purchaser or Parent) in any jurisdiction to enjoin, restrict or prohibit any of the transactions contemplated by this Agreement.

(j) **Liens.** All Liens on the Purchased Assets shall have been discharged and released without liability to Parent or Purchaser, except for Permitted Liens and such Liens as would not (i) prevent Purchaser from owning, operating or using the Purchased Assets in the manner owned, operated or used as of the date hereof, (ii) have a Material Adverse Effect or (iii) prevent or materially delay or impair the ability of Purchaser to obtain the Debt Financing on the terms and conditions described in the Debt Financing Commitment.

Section 9.2 Conditions for the Benefit of Vendor.

The purchase and sale of the Purchased Assets is subject to the following conditions being satisfied at or prior to Closing, which conditions are for the exclusive benefit of Vendor and may be waived, in whole or in part, by Vendor in its sole discretion:

(a) **Truth of Representations and Warranties.** The representations and warranties of Purchaser and Parent contained in this Agreement must be true and correct in all material respects as of the Closing Date with the same force and effect as if such representations and warranties had been made on and as of such date. However, (i) if a representation and warranty is qualified by materiality or otherwise, it must be true and correct in all respects and (ii) if a representation and warranty speaks only as of a specific date, it only needs to be true and correct as of that date. Vendor must receive at Closing a certificate of a senior officer of each of Purchaser and Parent as to the matters in this paragraph.

(b) **Performance of Covenants.** Purchaser and Parent must have fulfilled or complied with, in all material respects, all covenants contained in this Agreement to be fulfilled or complied with by them at or prior to Closing and Vendor receives at Closing a certificate of a senior officer of each of Purchaser and Parent to that effect.

(c) **Deliveries.** Vendor must have received the following:

(i) certified copies of (i) the charter documents and by-laws of Purchaser, (ii) all resolutions of the board of directors of Purchaser and Parent approving the execution, delivery and performance of this Agreement, (iii) resolutions of the board of directors of Gibco approving, *inter alia*, the allotment and issue of the Issued Interests to Vendor, and (iv) a list of the directors and officers of Purchaser and Parent authorized to sign agreements together with their specimen signatures;

(ii) payment of the Purchase Price in accordance with Section 3.3;

(iii) a share certificate representing the Issued Shares registered in the name of Vendor;

(iv) a certificate of status, compliance, good standing or like certificate with respect to each of Purchaser and Parent issued by appropriate government officials of their respective jurisdictions of incorporation to the extent such certificates are customarily issued in their respective jurisdictions of incorporation;

(v) the certificates referred to in Section 9.2(a) and Section 9.2(b);

(vi) copies of the Ancillary Agreements duly executed by Purchaser and, as applicable, by Parent.

(vii) documentation evidencing that the Improvements and the Repair Schemes have been transferred directly to Canco; and

(viii) letter from Purchaser to the effect that, in the Purchaser's good faith opinion, Purchaser has satisfied the closing conditions to be fulfilled by Purchaser under the Pension Agreement.

(d) **No Legal Action.** No action or proceeding shall be pending or threatened by any Person (other than Vendor, Purchaser or Parent) in any jurisdiction, to enjoin, restrict or prohibit any of the transactions contemplated by this Agreement or the right of Vendor to conduct the Business after Closing on substantially the same basis as heretofore operated.

(e) **Investment Canada Act.** The Investment Canada Act Approval must have been granted.

(f) **Competition Act.** Competition Act Approval must have been granted.

ARTICLE 10
CLOSING

Section 10.1 Date, Time and Place of Closing.

The completion of the transaction of purchase and sale contemplated by this Agreement will take place at the offices of Stikeman Elliott LLP, 1155 René-Lévesque Boulevard West, Suite 4000, Montréal, Québec at 9:00AM (Eastern time) within 5 Business Days after the date on which the conditions set forth in Article 9 are satisfied or waived; provided, however, that if the Marketing Period has not ended at the time of the satisfaction or waiver of the conditions set forth in Article 9, the Closing shall occur on the date following the satisfaction or waiver of such conditions that is the earlier to occur of (a) a date during the Marketing Period to be specified by Parent on no less than two Business Days' notice to Vendor and (b) the final day of the Marketing Period (the "**Closing Date**") or at such other place, on such other date and at such other time as the Parties may otherwise agree to in writing.

Section 10.2 Non-Assigned Contracts.

Without limitation to the provisions contained in Section 8.5, in the event that there are any contracts, licenses, leases or instruments which are not assignable in whole or in part without the Authorization of another party or parties to them and such Authorizations have not yet been obtained as of the Closing Date, then:

(a) nothing in this Agreement will be construed as an assignment of any such contracts, leases, licenses or instruments (the "**Non-Assigned Contracts**");

(b) the Parties will take all actions described in Section 8.5 and Section 13.2; and

(c) once the Authorization to the assignment of a Non-Assigned Contract is obtained, such Non-Assigned Contract is deemed to be assigned to Purchaser.

ARTICLE 11
TERMINATION

Section 11.1 Termination Rights.

This Agreement may, by notice in writing given at or prior to the Closing, be terminated:

(a) by mutual consent of the Parties; or

(b) by either Party if the Closing has not occurred on or before November 30, 2007 (the "**Termination Date**") or on or before such later date as the Parties agree to in writing, provided that a Party may not terminate this Agreement under this Section 11.1(b) if it has failed to perform any one or more of its material obligations or covenants under this Agreement to be performed at or prior to Closing and the Closing has not occurred due to such failure.

(c) by either party if one or more courts of competent jurisdiction has issued a final order, decree, injunction, or ruling or taken any other final action restraining, enjoining or otherwise prohibiting the transactions contemplated hereby and such order, decree, injunction, or ruling or any other such final action shall have become final and non-appealable.

(d) by Vendor if there has been a material beach by Parent or Purchaser of any representation, warranty or covenant made by it in this Agreement which prevents the satisfaction of any condition to the obligation of Vendor to effect the Closing and such breach has not been cured by Parent or Purchaser within twenty (20) Business Days after all other conditions to Closing have been satisfied or are capable of being satisfied, but only if Vendor is not then in material breach of any representation, warranty, covenant or agreement contained herein.

(e) by Parent if there has been a material beach by Vendor of any representation, warranty or covenant made by it in this Agreement which prevents the satisfaction of any condition to the obligation of Parent and Purchaser to effect the Closing and such breach has not been cured by Vendor within twenty (20) Business Days after all other conditions to Closing have been satisfied or are capable of being satisfied, but only if Parent and Purchaser are not then in material breach of any representation, warranty, covenant or agreement contained herein.

Section 11.2 Effect of Termination.

(1) If a Party waives compliance with any of the conditions, obligations or covenants contained in this Agreement, the waiver will be without prejudice

to any of its rights of termination in the event of non-fulfilment, non-observance or non-performance of any other condition, obligation or covenant in whole or in part.

(2) If this Agreement is terminated, the Parties are released from all of their obligations under this Agreement, except that:

(a) each Party's obligations under Section 15.3, Section 15.4, and Section 15.6 will survive; and

(b) if this Agreement is terminated by a Party because the other Party or Parties, as the case may be, is in material breach of this Agreement, the terminating Party's right to pursue all legal remedies that such Party would have been entitled to pursue hereunder prior to such termination will survive such termination unimpaired.

ARTICLE 12
INDEMNIFICATION

Section 12.1 Survival.

The representations and warranties contained in this Agreement and the certificates delivered pursuant to Section 9.1(a) and Section 9.2(a) survive the Closing and continue in full force and effect until the later of: (i) one year after the Closing Date, and (ii) 5 Business Days after the date of delivery of the 2007 financial statements to Purchaser, except that:

(a) the representations and warranties set out in Section 6.1(a) (Incorporation and Qualification), Section 6.1(b) (Corporate Authorization), Section 6.1(f) (Execution and Binding Obligation), Section 6.1(g) (Authorized and Issued Capital), Section 6.1(i) (Residence of Vendor), Section 6.1(n) (No Option, etc. to Purchase Assets), Section 6.1(cc) (No Brokers), Section 7.1(a) (Incorporation and Qualification), Section 7.1(b) (Corporate Authorization), Section 7.1(e) (Execution and Binding Obligation), Section 7.1(g) (Issued Shares), Section 7.1(n) (Brokers) and the corresponding representations and warranties set out in the certificates delivered pursuant to Section 9.1(a) and Section 9.2(a) survive and continue in full force and effect without limitation of time;

(b) the representations and warranties set out in Section 6.1(m) (Sufficiency of Assets) will survive and continue in full force and effect until completion of an audit of the financial statements of Purchaser for fiscal year ended December 31, 2008.

(c) the representations and warranties set out in Section 6.1(bb) (Taxes) (and the corresponding representations and warranties set out in the certificates to be delivered pursuant to Section 9.1(a)), will survive and continue in full force and effect until 90 days after the expiration of the period during which any tax assessment may be issued by a Governmental Entity in respect of any taxation year to which such representations and warranties extend. Such period will be determined having regard to any consent, waiver, agreement or other document, made or filed after the Closing Date that extends the period during which a Governmental Entity may issue a tax assessment. A tax assessment includes any assessment, reassessment or other form of recognized document assessing liability for Taxes under applicable Law;

(d) the representations and warranties set out in Section 6.1(w) (Environmental Matters) will survive and continue in full force and effect for a period of three years after the Closing Date;

(e) any representation and warranty involving fraud or fraudulent or intentional misrepresentation by the Party giving that representation and warranty will survive and continue in full force and effect without limitation of time; and

(f) any representation or warranty (and the indemnification obligations of the Parties with respect thereto) that would otherwise terminate in accordance with this Section 12.1 will continue to survive if notice for indemnification shall have been timely given under this Article 12 on or prior to such termination date, until the related claim for indemnification has been satisfied or otherwise resolved as provided in this Article 12.

Section 12.2 Indemnification in Favour of Purchaser.

(1) Subject to Section 12.4, following Closing, Vendor and ACE Aviation will solidarily (jointly and severally) indemnify and save Purchaser and Parent harmless of and from, and will pay for, any Damages suffered by, imposed upon or asserted against it as a result of, in respect of, connected with, or arising out of, under, or pursuant to:

(a) any breach or inaccuracy of any representation or warranty in Section 6.1 or the certificate to be delivered pursuant to Section 9.1(a) for which a notice of claim under Section 12.5 has been provided to Vendor within the applicable period specified in Section 12.1;

(b) any failure of Vendor to perform or fulfil any of its covenants or obligations under this Agreement; and

(c) any Excluded Liabilities.

(2) The right to indemnification under Section 12.2(1)(b) and Section 12.2(1)(c) exists notwithstanding Section 12.1 and notwithstanding any representation and warranty in Article 6.

Section 12.3 Indemnification in Favour of Vendor.

(1) Subject to Section 12.4, following Closing, Purchaser and Parent will solidarily (jointly and severally) indemnify and save Vendor harmless of and from, and will pay for, any Damages suffered by, imposed upon or asserted against it as a result of, in respect of, connected with, or arising out of, under or pursuant to:

(a) any breach or inaccuracy of any representation or warranty in Section 7.1 or the certificate to be delivered pursuant to Section 9.2(a), for which a notice of claim under Section 12.5 has been provided to Purchaser or Parent within the applicable period specified in Section 12.1; and

(b) any failure of Purchaser or Parent to perform or fulfil any of its covenants or obligations under this Agreement; and

(c) the Assumed Liabilities.

(2) The right to indemnification under Section 12.3(1)(b) and Section 12.3(1)(c) exists notwithstanding Section 12.1 and notwithstanding any representation and warranty in Article 7.

Section 12.4 Limitations.

(1) A Party has no obligation or liability for indemnification or otherwise with respect to any breach or inaccuracy of any representation or warranty made by such Party in this Agreement, or the certificates delivered pursuant to Section 9.1(a) and Section 9.2(a), after the end of the applicable time period specified in Section 12.1, except for claims relating to the representations and warranties that the Party has been notified of prior to the end of the applicable time period.

(2) Vendor has no liability or obligation for indemnification or otherwise with respect to any breach or inaccuracy of representations and warranties to the extent related to matters, facts and circumstances existing or occurring prior to February 14, 2007 in respect of Aeromantenimiento, S.A. or Technical Holdings Limited, even if such matters, facts and circumstances continued to exist after February 14, 2007; provided that, Vendor has not waived any of its rights to indemnification under the Aeroman SPA in respect thereof.

(3) Vendor has no liability or obligation with respect to any single claim for indemnification or otherwise with respect to the matters described in Section 12.2(1)(a) unless the amount of the Damages with respect to such claim or any series of related claims is greater than $200,000. The amount of Damages with respect to any such claim or series of related claims that is below $200,000 is not taken into account in determining whether or not the total of all Damages meets the threshold amount under Section 12.4(3).

(4) Vendor has no obligation to make any payment for Damages for indemnification or otherwise with respect to the matters described in Section 12.2(1)(a) until the total of all Damages with respect to such matters exceeds 1.75% of the Cash Portion, and then only for the amount by which such Damages exceed 1.75% of the Cash Portion, up to a maximum of 10% of the Cash Portion.

(5) Purchaser and Parent have no liability or obligation with respect to any single claim for indemnification or otherwise with respect to the matters described in Section 12.3(1)(a) unless the amount of the Damages with respect to such claim or any series of related claims is greater than $200,000. The amount of Damages with respect to any such claim or series of related claims that is below $200,000 is not taken into account in determining whether or not the total of all Damages meets the threshold amount under Section 12.4(6).

(6) Purchaser and Parent have no obligation to make any payment for Damages (for indemnification or otherwise) with respect to the matters described in Section 12.3(1)(a) until the total of all Damages with respect to such matters exceeds 1.75% of the Cash Portion, and then only for the amount by which such Damages exceed 1.75% of the Cash Portion, up to a maximum of 10% of the Cash Portion.

(7) For purposes of the obligations of indemnification set out in Section 12.2 and Section 12.3 above, any inaccuracy in any representation or warranty shall be determined and the Damages incurred pursuant to any such inaccuracy or with respect to any other claim under this Article 12 shall be calculated, without regard to any materiality, Material Adverse Effect or similar qualification.

(8) The limitations on indemnification set forth in Section 12.4(3) and Section 12.4(4) shall not apply to any claim for indemnification or otherwise for any breach or inaccuracy of any representation or warranty contained in Section 6.1(a) (Incorporation and Qualification), Section 6.1(b) (Corporate Authorization), Section 6.1(f) (Execution and Binding Obligation), Section 6.1(g) (Authorized and Issued Capital), Section 6.1(i) (Residence of Vendor), Section 6.1(n) (No Option, etc. to Purchase Assets), Section 6.1(cc) (No Brokers), Section 6.1(ee) (Exchangeable Share), and the corresponding representations and warranties set out in the certificates delivered pursuant to Section 9.1(a), or with respect to the matters described in Section 12.2(1)(b) and Section 12.2(1)(c).

(9) The limitations on indemnification set forth in Section 12.4(5) and Section 12.4(6) shall not apply to any claim for indemnification or otherwise for any breach or inaccuracy of any representation or warranty contained in

Section 7.1(a) (Incorporation and Qualification), Section 7.1(b) (Corporate Authorization), Section 7.1(e) (Execution and Binding Obligation), Section 7.1(g) (Issued Shares), Section 7.1(n) (Brokers), and the corresponding representations and warranties set out in the certificates delivered pursuant to Section 9.2(a), or with respect to the matters described in Section 12.3(1)(b) and Section 12.3(1)(c).

Section 12.5 Notification.

(1) If a Third Party Claim is instituted or asserted against an Indemnified Party, the Indemnified Party will promptly notify the Indemnifying Party in writing of the Third Party Claim. The notice must specify in reasonable detail, the identity of the Person making the Third Party Claim and, to the extent known, the nature of the Damages and the estimated amount needed to investigate, defend, remedy or address the Third Party Claim. If the Indemnified Party fails to give such notice, such failure shall not preclude the Indemnified Party from obtaining such indemnification but its right to indemnification may be reduced to the extent that such delay materially prejudiced the defence of the Third Party Claim or materially increased the amount of liability or cost of defence and provided that no claim for indemnity in respect of the breach of any representation or warranty contained in this Agreement may be made unless notice of such Third Party Claim has been given prior to the expiry of the survival period applicable to such representation and warranty.

(2) If an Indemnified Party becomes aware of a Direct Claim, the Indemnified Party will promptly notify the Indemnifying Party in writing of the Direct Claim.

(3) Notice to an Indemnifying Party under this Section 12.5 of a Direct Claim or a Third Party Claim is assertion of a claim for indemnification against the Indemnifying Party under this Agreement. Upon receipt of such notice, the provisions of Section 12.6 will apply to any Third Party Claim.

Section 12.6 Procedure for Third Party Claims.

(1) Upon receiving notice of a Third Party Claim, the Indemnifying Party may participate in the investigation and defence of the Third Party Claim and may also elect to assume the investigation and defence of the Third Party Claim.

(2) In order to assume the investigation and defence of a Third Party Claim, the Indemnifying Party must give the Indemnified Party written notice of its election within 30 days of Indemnifying Party's receipt of notice of the Third Party Claim.

(3) If the Indemnifying Party assumes the investigation and defence of a Third Party Claim:

(a) the Indemnifying Party will pay for all costs and expenses of the investigation and defence of the Third Party Claim except that the Indemnifying Party will not, so long as it diligently conducts such defence, be liable to the Indemnified Party for any fees of other counsel or any other expenses with respect to the defence of the Third Party Claim, incurred by the Indemnified Party after the date the Indemnifying Party validly exercised its right to assume the investigation and defence of the Third Party Claim; provided that, the Indemnified Party may retain its own counsel and the Indemnifying Party shall be liable for the costs thereof, in the event that the Indemnified Party reasonably believes that an actual conflict of interest exists between the position of the Indemnified Party and the Indemnifying Party with respect to defence of the Third Party Claim;

(b) the Indemnifying Party will reimburse the Indemnified Party for all costs and expenses incurred by the Indemnified Party in connection with the investigation and defence of the Third Party Claim prior to the date the Indemnifying Party validly exercised its right to assume the investigation and defence of the Third Party Claim;

(4) If the Indemnified Party undertakes the defence of the Third Party Claim, the Indemnifying Party will not be bound by any determination of the Third Party Claim or any compromise or settlement of the Third Party Claim effected without the consent of the Indemnifying Party, which consent may not be unreasonably withheld or delayed.

(5) The Indemnifying Party will not be permitted to compromise and settle or to cause a compromise and settlement of a Third Party Claim without the prior written consent of the Indemnified Party, which consent may not be unreasonably withheld or delayed, unless:

(a) the terms of the compromise and settlement require only the payment of money for which the Indemnified Party is entitled to full indemnification under this Agreement; and

(b) the Indemnified Party is not required to admit any wrongdoing, take or refrain from taking any action, acknowledge any rights of the Person making the Third Party Claim or waive any rights that the Indemnified Party may have against the Person making the Third Party Claim.

(6) The Indemnified Party and the Indemnifying Party agree to keep the other fully informed of the status of any Third Party Claim and any related proceedings. If the Indemnifying Party assumes the investigation and defence of a Third Party Claim, the Indemnified Party will, at the request and expense of the Indemnifying Party, use its reasonable efforts to make available to the Indemnifying Party, on a timely basis, those employees whose assistance, testimony or presence is necessary to assist the Indemnifying Party in investigating and defending the Third Party Claim. The Indemnified Party shall, at the request and expense of the Indemnifying Party, make available to the Indemnifying Party, or its representatives, on a timely basis all documents, records and other materials in the possession, control or power of the Indemnified Party, reasonably required by the Indemnifying Party for its use solely in defending any Third Party Claim which it has elected to assume the investigation and defence of. The Indemnified Party shall cooperate on a timely basis with the Indemnifying Party in the defence of any Third Party Claim.

Section 12.7 Exclusion of Other Remedies.

Except as provided in this Section 12.7, from and after the Closing, the indemnities provided in Section 12.2 and Section 12.3 constitute the only remedy of Purchaser, Parent or Vendor, respectively, against a Party in the event of any breach of a representation, warranty, covenant or agreement of such Party contained in this Agreement. The Parties may exercise their rights of termination in Section 11.1, and the remedies set forth as an effect of such termination in Section 11.2, and their rights of indemnity in Section 13.2 and Section 15.3. The Parties acknowledge that the failure to comply with a covenant or obligation contained in this Agreement may give rise to irreparable injury to a Party inadequately compensable in damages.

Accordingly, a Party may seek to enforce the performance of this Agreement by injunction or specific performance upon application to a court of competent jurisdiction without proof of actual damage (and without requirement of posting a bond or other security). Each of Purchaser, Parent and Vendor expressly waives and renounces any other remedies whatsoever, whether at law or in equity, which it would otherwise be entitled to as against any other Party. Notwithstanding anything to the contrary contained in this Section 12.7, nothing contained in this Section 12.7 shall limit in any respect any remedy to which any Party may be entitled in respect of fraudulent breach of this Agreement or any other fraud.

Section 12.8 One Recovery.

Any Indemnified Party is not entitled to double recovery for any claims even though they may have resulted from the breach of more than one of the representations, warranties, covenants and obligations of the Indemnifying Party in this Agreement. No Party has any liability or obligation with respect to any claim for indemnification to the extent that such matter was reflected as an adjustment to the Purchase Price in Section 3.6.

Section 12.9 Duty to Mitigate.

Nothing in this Agreement in any way restricts or limits the general obligation at law of an Indemnified Party to mitigate any loss which it may suffer or incur by reason of the breach by an Indemnifying Party of any representation, warranty, covenant or obligation of the Indemnifying Party under this Agreement. If any claim can be reduced by any recovery, settlement or otherwise under or pursuant to any insurance coverage, or pursuant to any claim, recovery, settlement or payment by or against any other Person, the Indemnified Party shall take all appropriate steps to enforce such recovery, settlement or payment and the amount of any Damages of the Indemnified Party will be reduced by the amount of insurance proceeds actually recovered by the Indemnified Party.

Section 12.10 Adjustment to Purchase Price.

Any payment made by Vendor to Purchaser under this Article 12 is a dollar-for-dollar decrease in the Purchase Price and any payment made by the Purchaser to Vendor under this Article 12 is a dollar-for-dollar increase in the Purchase Price. In either case, each of the Vendor and the Purchaser shall, within a reasonable time of payment and receipt of such payment, as applicable, request all amendments to its current or past Tax Returns as may be necessary to reflect the foregoing. For greater certainty, any such reduction of, or increase in, the Purchase Price (i) shall be allocated among the Purchased Assets to which such payment by the Vendor or Purchaser, respectively, can reasonably be considered to relate provided that if such amount cannot be reasonably allocated to a particular asset, it shall be allocated on a pro rata basis among the Purchased Assets listed in Schedule 3.2, and (ii) shall be applied to the Cash Portion of the Purchase Price. If any payment made by the Vendor or the Purchaser pursuant to this Article 12 is deemed by the *Excise Tax Act* (Canada) to include goods and services tax or harmonized sales tax, or is deemed by any applicable provincial or territorial legislation to include a similar value added or multi-staged tax, the amount of such payment shall be increased accordingly.

ARTICLE 13
ADDITIONAL AGREEMENTS OF THE PARTIES

Section 13.1 Access to Books and Records.

For a period of six years from the Closing Date or for such longer period as may be required by Law, Purchaser will retain all original Books and Records relating to the Business existing on the Closing Date. So long as any such Books and Records are retained by Purchaser pursuant to this Agreement, Vendor has the right to inspect and to make copies (at its own expense) of them at any time upon reasonable request during normal business hours and upon reasonable notice for any proper purpose and without undue interference to the business operations of Purchaser. Purchaser has the right to have its representatives present during any such inspection.

Section 13.2 Full Benefit of Contracts.

Without limitation to the provisions of Section 8.5, in order that Purchaser may realize the full benefit of the Purchased Contracts and the Non-Assigned Contracts:

(a) Vendor will hold the Non-Assigned Contracts in trust for the benefit of Purchaser;

(b) Vendor and ACE Aviation will, at the request and direction of Purchaser and the reasonable expense of Vendor or ACE Aviation, take all actions and do or cause to be done all things that are, in the opinion of Purchaser acting reasonably, necessary in order that the obligations under the Purchased Contracts and Non-Assigned Contracts are performed in such a manner that the value of such contracts are preserved and enure to the benefit of Purchaser, and that the collection of moneys due and payable to Purchaser under such contracts are received by Purchaser; provided that, neither Vendor nor ACE Aviation will be required to pay any material amounts of money or incur any material obligations in order to fulfill its obligations under this Section 13.2; provided further, that the provisions of this Section 13.2(b) shall not in any way limit the remedies, and claims for indemnity pursuant to Article 12, that Purchaser may otherwise seek for any breach of the covenants contained herein to be performed by Vendor prior to Closing.

(c) Vendor will promptly pay over to Purchaser all moneys collected by or paid to Vendor in respect of the Purchased Contracts and Non-Assigned Contracts; and

(d) Purchaser and Parent will indemnify and hold harmless Vendor and ACE Aviation, and will pay for, all Damages imposed or asserted against it as a consequence of Vendor and ACE Aviation taking any action or causing anything to be done at the direction of Purchaser or any of its representatives, or otherwise under this Section 13.2. This indemnity is not subject to any of the limitations set out in Article 12.

Purchaser and Parent acknowledge and agree that following the Closing, management of Vendor will have become management of Purchaser, and with the assistance of Purchaser and of management of Purchaser and at the reasonable expense of Vendor or ACE Aviation, Vendor will, if requested by Purchaser, make, give or obtain such filings, notices, and Authorizations listed in Section 6.1(e) and Section 6.1(l) of the Disclosure Letter, to the extent not made, given or obtained prior to Closing.

Section 13.3 Further Assurances.

From time to time after the Closing Date, each Party will, at the request of any other Party, execute and deliver such additional conveyances, transfers and other assurances as may be reasonably required to effectively transfer the Purchased Assets to Purchaser and carry out the intent of this Agreement.

Section 13.4 Non-Competition and Non-Solicitation.

(a) **Non-Competition**

(i) Subject to the exceptions set out in this Section 13.4, each of Vendor and ACE Aviation covenants with Purchaser that it will not directly or indirectly, own any equity interest in a Person, or carry on or be engaged in a business anywhere in the world, that is engaged in any Competing Activities for the period set forth in Section 13.4(c) below (the **"Non-Compete Period"**); provided, however, that nothing in this Agreement shall restrict Vendor's or ACE Aviation's right to, directly or indirectly:

(A) own an equity interest in Purchaser or any of its Affiliates; or

(B) own or acquire any equity interest in any corporation whose principal business does not involve engaging in Competing Activities and whose shares are listed or quoted on any recognized stock exchange or Nasdaq, so long as the number of shares held by Vendor or ACE Aviation, as applicable, in such corporation does not exceed five percent (5%) of the equity shares of such corporation.

(b) **Non Solicitation**. For the duration of the Non-Compete Period, each of Vendor and ACE Aviation covenants with Purchaser that it will not, directly or indirectly, without the written consent of Purchaser, solicit or hire for employment any employee of Purchaser or any employees assigned to Purchaser under the General Services Agreement (unionized); provided however, that the foregoing provision will not prevent Vendor or ACE Aviation from hiring any such person (i) who contacts it on his or her own initiative without any direct or indirect solicitation or encouragement from Vendor or ACE Aviation (it being understood that a bona fide public advertisement for employment placed by Vendor or ACE Aviation and not specifically targeted at the employees of Purchaser and subsidiaries shall not constitute direct or indirect solicitation or encouragement) or (ii) who has been terminated by Purchaser.

(c) For purposes of Section 13.4(a) and Section 13.4(b) the Non-Compete Period shall be for a period of five years from the later of (x) the Closing and (y) the date on which Vendor and its Affiliates, other than Air Canada, no longer hold equity interests in Purchaser.

The parties agree that irreparable damage would occur in the event that any of the provisions of this Section 13.4 are not performed in accordance with their specific terms or are otherwise breached. It is accordingly agreed that Purchaser shall be entitled to an injunction or injunctions to prevent breaches of this Section 13.4 and to enforce specifically the terms and provisions of this Section 13.4.

ARTICLE 14
EMPLOYEES

Section 14.1 Transferred Employees.

Subject to Closing, Canco agrees to offer or, as the case may be, continue employment to all of the Transferred Employees in accordance with this Section 14.1. Such offer will be effective as of the Closing Date and will be on terms and conditions that are substantially similar, in the aggregate, to those that were enjoyed by such Transferred Employees immediately prior to the Closing Date; provided, however, that such covenant shall not obligate Canco to provide, and Canco shall not provide, (i) any equity or stock plans or replacement benefits or payments for such plans, including without limitation, AC's Employee Share Purchase Plan, or the ACE Stock Option Plan; and (ii) any travel privileges currently extended by Air Canada to the AC Non-Unionized Employees. In such offer, subject to the express terms of the Pension Agreement, Canco shall recognize the service of the Transferred Employees for all purposes.

Section 14.2 Service and Severance.

Canco shall be responsible for any notice, indemnity in lieu of notice, severance, change of control or termination costs incurred with respect to any Transferred Employees terminated for any reason after the Closing Date. Canco shall recognize accumulated service of each Transferred Employee with Air Canada or Vendor and its predecessors, as the case may be, and Canco, for all purposes, including for the purpose of determining any such notice, indemnity in lieu of notice, severance, change of control and termination costs, including, without limitation, any damages arising out of, resulting from or in connection with any termination of employment of such Transferred Employees and, subject to the express terms of the Pension Agreement, for the purpose of any pension, retirement or other benefit arrangements.

Canco acknowledges and agrees that Vendor makes no representation or warranty that any Transferred Employee will continue his or her employment with Canco.

Vendor or an Affiliate of Vendor shall be responsible for all notice of termination, termination pay, severance pay and other costs, liabilities or obligations, whether under contract, common law, statute or otherwise, including entitlement to benefit coverage, stock options or incentive compensation to the AC Non-Unionized Employees and ACTS Employees who do not accept employment with Canco, provided that Canco has complied with the terms of Section 14.1

Section 14.3 Pension and Benefits Agreement.

The Pension Agreement to be executed by Vendor, Canco and Air Canada shall be in the form attached as Schedule 14.3.

Section 14.4 Employee Liability.

(1) Without limiting Canco's obligations in respect of the Transferred Employees, Canco shall as of the Closing Date, be responsible for:

(a) Such liabilities for salary, wages, bonuses, commissions, vacation pay, and other compensation relating to employment of all Transferred Employees (i) for the period prior to the Closing Date, to the extent accrued but not yet due or payable as of the Closing Date and (ii) after the Closing Date; and such liabilities under or in respect of pension and benefit matters as are set out in the Pension Agreement;

(b) All severance payments, damages for wrongful dismissal and all related costs in respect of the termination by Canco of the employment of any Transferred Employee;

(c) Such liabilities for claims for injury, disability, death or workers' compensation arising from or related to employment of the Transferred Employees as are set out in the Pension Agreement;

(d) All employment-related claims, penalties and assessments in respect of the Business.

Section 14.5 AC Unionized Employees

(1) Purchaser acknowledges the transactions contemplated by this Agreement constitute a sale of business within the meaning of the Canada Labour Code (R.S.C. 1985, c. L-2).

(2) The Parties acknowledge that in light of the bargaining certificate held by the International Association of Machinist and Aerospace Workers (IAM) in respect of among others Air Canada and Vendor, by which it represents the AC Unionized Employees, and the collective agreement which governs the terms and conditions of their employment, there are a number of important labour relations considerations to this transaction.

(3) The Parties will carefully consider and address the consequences the present transaction may have with respect to the rights of the IAM and the rights of the AC Unionized Employees to ensure that those rights are respected. The Parties will engage in active consultation with the IAM to ensure that those rights are respected.

ARTICLE 15
MISCELLANEOUS

Section 15.1 Notices.

Any notice, direction or other communication (each a "**Notice**") given regarding the matters contemplated by this Agreement must be in writing, sent by personal delivery, courier or facsimile (but not by electronic mail) and addressed:

(a) to Vendor at:

ACTS LP
5100 Maisonneuve Blvd. West
7th floor
Montreal QC H4A 3T2
Attention: Chief Financial Officer
Telephone: (514) 205-7625
Facsimile: (514) 205-7859

with a copy to:

ACE AVIATION HOLDINGS INC.
5100 Maisonneuve Blvd. West
7th floor
Montreal QC H4A 3T2
Attention: Chief Financial Officer
Telephone: (514) 205-7625
Facsimile: (514) 205-7859

- and -

STIKEMAN ELLIOTT LLP
1155 René-Lévesque Blvd. West
40th Floor
Montréal QC H3B 3V2
Attention: Jean Marc Huot and France Margaret Bélanger
Telephone: (514) 397-3000
Facsimile: (514) 397-3222

(b) to Purchaser or Parent at:

AIR SUPPORT JV
59 Rue de Rollingergrund,
L-2440 Luxembourg,
Grand Duchy of Luxembourg

Attention: Wolfgang Zettel
Facsimile: +352 26 02 89 30

with a copy to:

OSLER, HOSKIN & HARCOURT LLP
1000 de la Gauchetière Street West
Suite 2100
Montréal, QC H3B 4W5

Attention:	Warren Katz
Telephone:	(514) 904-8198
Facsimile:	(514) 904-8101

SIMPSON THACHER & BARTLETT LLP
425 Lexington Avenue
New York, New York 10017

Attention:	David J. Sorkin and Sean Rodgers
Telephone:	(212) 455-3387
Facsimile:	(212) 455-2502

A Notice is deemed to be delivered and received (i) if sent by personal delivery or same-day courier, on the date of delivery if it is a Business Day and the delivery was made prior to 4:00 p.m. (local time in place of receipt) and otherwise on the next Business Day, (ii) if sent by overnight courier, on the next Business Day, or (iii) if sent by facsimile, on the Business Day following the date of confirmation of transmission by the originating facsimile. A Party may change its address for service from time to time by providing a Notice in accordance with the foregoing. Any subsequent Notice must be sent to the Party at its changed address. Any element of a Party's address that is not specifically changed in a Notice will be assumed not to be changed. Sending a copy of a Notice to a Party's legal counsel as contemplated above is for information purposes only and does not constitute delivery of the Notice to that Party. The failure to send a copy of a Notice to legal counsel does not invalidate delivery of that Notice to a Party.

Section 15.2 Time of the Essence.

Time is of the essence in this Agreement.

Section 15.3 Brokers.

Vendor shall indemnify and save harmless Purchaser and Parent from and against any and all claims, losses and costs whatsoever for any fee, commission or other remuneration payable or alleged to be payable to any broker, agent or other intermediary who purports to act or have acted for Vendor. Purchaser and Parent shall indemnify and save harmless Vendor from and against any and all claims, losses and costs whatsoever for any fee, commission or other remuneration payable or alleged to be payable to any broker, agent or other intermediary who purports to act or have acted for Purchaser or Parent. These indemnities are not subject to any of the limitations set out in Article 12.

Section 15.4 Announcements.

Except as required by Law, the terms and conditions of this Agreement and the Financing Commitments will be kept confidential and not communicated, discussed, or referenced in any way to any Person by the Parties other than to their respective senior management and their financial and legal advisors with a need to know, and nothing in this Agreement affects the Parties' respective obligations under the Confidentiality Agreement which continues in full force and effect. Notwithstanding anything to the contrary contained in Paragraph 8 of the Confidentiality Agreement or herein, Parent and Purchaser may disclose confidential information relating to the Business to potential debt or equity financing sources, or to advisors in any equity offering or private placement of debt or equity securities, in connection with the Financing; provided that Purchaser and Parent shall have received the prior consent of Vendor, for disclosure to equity financing sources that are not Affiliates of Purchaser, Parent or their respective Affiliates (other than disclosure to the entity set forth on Schedule 1.8). Except as required by Law, neither of the Parties shall issue any press release or make any public statement or announcement relating to or connected with or arising out of this Agreement or the matters contained herein without obtaining the prior written approval of the other Parties as to the contents and the manner of presentation and publication thereof. If disclosure is required by Law, the disclosing Party shall consult in advance with the other Parties and attempt in good faith to reflect such other Party's concerns in the required disclosure.

Section 15.5 Third Party Beneficiaries.

The Parties intend that this Agreement will not benefit or create any right or cause of action in favour of any Person, other than the Parties. No Person, other than the Parties, shall be entitled to rely on the provisions of this Agreement in any action, suit, proceeding, hearing or other forum. The Parties reserve their right to vary or rescind the rights, granted by or under this Agreement to any Person who is not a Party, at any time and in any way whatsoever, without notice to or consent of that Person, including any Indemnified Party.

Section 15.6 Expenses.

Each Party will pay for its own costs and expenses incurred in connection with this Agreement and the transactions contemplated by them. The fees and expenses referred to in this Section are those which are incurred in connection with the negotiation, preparation, execution and performance of this Agreement, and the transactions contemplated by this Agreement, including the fees and expenses of legal counsel, brokers and accountants. Notwithstanding the foregoing, Purchaser shall pay all fees and expenses incurred by Parent and its Affiliates (including without limitation any transaction fee payable to Affiliates of Parent pursuant to the management agreement between Purchaser and Affiliates of Parent) and by Vendor (including without limitation for Vendor any consulting fees payable to ACE Aviation) in connection with this Agreement and the transactions contemplated hereby; provided that, Purchaser's liability for any fees and expenses incurred by Vendor in connection with the transactions contemplated hereby shall not exceed $10,000,000 (ten million dollars) in the aggregate and Purchaser's liability for the transaction fee to be paid to Sageview Capital, or its Affiliate, and Kohlberg Kravis Roberts & Co. L.P., or its Affiliate, on the Closing, in connection with structuring and advisory services provided by such entities prior to the Closing, by Purchaser shall not exceed $10,000,000 (ten million dollars) in the aggregate.

Section 15.7 Amendments.

This Agreement may only be amended, supplemented or otherwise modified by written agreement signed by the Parties.

Section 15.8 Waiver.

No waiver of any of the provisions of this Agreement will constitute a waiver of any other provision (whether or not similar). No waiver will be binding unless executed in writing by the Party to be bound by the waiver. A Party's failure or delay in exercising any right under this Agreement will not operate as a waiver of that right. A single or partial exercise of any right will not preclude a Party from any other or further exercise of that right or the exercise of any other right.

Section 15.9 Non-Merger.

Except as otherwise expressly provided in this Agreement, the covenants, representations and warranties shall not merge on and shall survive the Closing.

Section 15.10 Entire Agreement.

This Agreement together with the Confidentiality Agreement and the Ancillary Agreements, constitute the entire agreement between the Parties with respect to the transactions contemplated by this Agreement and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties. There are no representations, warranties, covenants, conditions or other agreements, express or implied, collateral, statutory or otherwise, between the Parties in connection with the subject matter of this Agreement, except as specifically set forth in this Agreement. The Parties have not relied and are not relying on any other information, discussion or understanding in entering into and completing the transactions contemplated by this Agreement.

Section 15.11 Successors and Assigns.

(1) This Agreement becomes effective only when executed by Vendor, Purchaser, Parent and ACE Aviation. After that time, it is binding on and enures to the benefit of Vendor, Purchaser, Parent, ACE Aviation and their respective successors (including, in the case of Vendor, ACE Aviation or any Affiliate of ACE Aviation) and permitted assigns.

(2) Neither this Agreement nor any of the rights or obligations under this Agreement are assignable or transferable by any Party without the prior written consent of the other Party. Notwithstanding the foregoing, Vendor shall be entitled to assign its rights hereunder to ACE Aviation or any Affiliate of ACE Aviation. Notwithstanding the foregoing, Parent and Purchaser may assign their rights hereunder to any Affiliate, bank, financial institution or other lender providing financing to them, as applicable, as collateral security for such financing; provided, however, that no such assignment shall (x) impair, impede or delay the consummation of the

transactions contemplated hereby or (y) relieve or discharge Parent or Purchaser from any of their obligations hereunder.

Section 15.12 Severability.

If any provision of this Agreement is determined to be illegal, invalid or unenforceable by any court of competent jurisdiction, that provision will be severed from this Agreement and the remaining provisions will remain in full force and effect.

Section 15.13 Governing Law.

(1) This Agreement is governed by and interpreted and enforced in accordance with the Laws of the Province of Québec and the federal Laws of Canada applicable therein.

(2) Each Party irrevocably attorns and submits to the exclusive jurisdiction of the courts of the Province of Québec situated in the City of Montreal with respect to any dispute that arises under this Agreement and irrevocably waives objection to the venue of any proceeding in such court or that such court provides an inconvenient forum.

Section 15.14 Counterparts.

This Agreement may be executed in any number of counterparts (including counterparts by facsimile) and all such counterparts taken together shall be deemed to constitute one and the same instrument.

Section 15.15 No Recourse.

This Agreement may only be enforced against, and any claims or causes of action that may be based upon, arise out of or relate to this Agreement, or the negotiation, execution or performance of this Agreement or the transactions contemplated hereby may only be made against the entities that are expressly identified as parties hereto and no past, present or future Affiliate, director, officer, employee, incorporator, member, manager, partner, shareholder, agent, attorney or representative of any party hereto or any such Affiliate shall have any liability for any obligations or liabilities of the parties to this Agreement or for any claim based on, in respect of, or by reason of, the transactions contemplated hereby.

[signatures follow on next page]

IN WITNESS WHEREOF the Parties have executed this Asset Purchase Agreement.

ACTS LP, by ACTS Technical Services Inc., in its capacity as general partner

By: ______________________

Chahram Bolouri
President and Chief Executive Officer

ACE AVIATION HOLDINGS INC.
(solely for purposes of Section 8.5, Article 12, Article 13 and Article 15)

By: ______________________

Robert A. Milton
President and Chief Executive Officer

IN WITNESS WHEREOF the Parties have executed this Asset Purchase Agreement.

ACTS LP, by ACTS Technical Services Inc., in its capacity as general partner

By: ____________________________

Chahram Bolouri
President and Chief Executive Officer

ACE AVIATION HOLDINGS INC.
(solely for purposes of Section 8.5, Article 12, Article 13 and Article 15)

By: ____________________________

Robert A. Milton
President and Chief Executive Officer

AIR SUPPORT JV

By: ______________________________
William Janetschek (Class A Manager)

By: ______________________________
Scott Stuart (Class B Manager)

By: ______________________________
Wolfgang Zettel (Class C Manager)

AIR SUPPORT JV

By: ______________________

William Janetschek (Class A Manager)

By: ______________________

Scott Stuart (Class B Manager)

By: ______________________

Wolfgang Zettel (Class C Manager)

SILVERBOW (INTERNATIONAL) LIMITED

By: ______________________

Scott Stuart

(Authorized Signatory)

By: ______________________

William Janetschek

(Authorized Signatory)

KSAGE MRO HOLDINGS INC.

By: ______________________________
Scott Stuart
(Authorized Signatory)

By: ______________________________
William Janetschek
(Authorized Signatory)

N°.: 500-11-042912-127

SUPERIOR COURT
(Commercial Division)
Companies Creditors Arrangement Act

PROVINCE OF QUEBEC
DISTRICT OF MONTREAL

IN THE MATTER OF THE LIQUIDATION OF:

ACE AVIATION HOLDINGS INC.

Applicant

and

ERNST & YOUNG INC.

Liquidator

BS0350 Our File: 120000-1071

P-4

ORIGINAL

Me Matthew Liben (514) 397-3115
Fax: (514) 397-3636

STIKEMAN ELLIOTT LLP
1155 René-Lévesque Boulevard West, 40th floor
Montreal, Quebec, H3B 3V2

#10923854

N°.: 500-11-042912-127

SUPERIOR COURT
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LIST OF EXHIBITS AND
EXHIBITS P-1 TO P-4

ORIGINAL

Me Matthew Liben (514) 397-3115
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