

# News Release

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## ACE AVIATION REPORTS SECOND QUARTER RESULTS AND PROVIDES AN UPDATE WITH RESPECT TO ITS LIQUIDATION PROCESS

MONTRÉAL, August 28, 2013 – ACE Aviation Holdings Inc. (ACE) announced today its results for the second quarter of 2013 and provided an update with respect to its liquidation process.

### Second Quarter 2013 Results

In the second quarter of 2013, ACE recorded an increase in net assets in liquidation of \$0.1 million due to interest income earned during the quarter offset by administrative and other expenses.

As at August 27, 2013, ACE's only remaining assets consist of cash and short-term investments in an aggregate amount of \$132 million.

### Liquidation Process Update

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**"). Effective as of June 28, 2012, all of the directors and officers of ACE have resigned from their positions and the Liquidator was vested with the powers of the directors of ACE.

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.

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

A substantially similar process occurred with respect to GST payable on importation on behalf of Aveos and Aveos agreed to claim additional GST refunds in the amount of \$1.1 million and to pay such

amount to ACE to reimburse it for GST paid in connection with the importations. ACE agreed to indemnify and hold harmless Aveos should such refund claims be reassessed in the future.

In response to ACE's claims process, Air Canada filed a contingent claim related to the tax 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. Aveos filed a similar contingent claim in the amount of \$1.6 million with respect to any eventual reassessment of input tax credit refund claims and any related interest and ancillary costs. ACE will maintain a reserve in the amount of the Air Canada and Aveos claims which will not be available for distribution to the shareholders pending the expiration of the related reassessment periods or settlement of such contingencies.

ACE also received a claim from Teri Prince relating to a proposed class action initiated by Ms. Prince against Air Canada and ACE Aviation Holdings Inc., which alleges that Air Canada improperly charged Ms. Prince and other class members for certain United States taxes in connection with the sale of airfare. The plaintiff alleges (improperly in ACE's view) that as the former parent or shareholder of Air Canada, ACE is liable for the acts of Air Canada. Ms. Prince therefore filed a proof of claim against ACE in the liquidation claims process in the amount of \$200 million, pending determination of the allegedly overcharged amounts. No breakdown or calculation was provided in relation to the amount claimed. ACE is of the view that this claim against ACE has no merit given that ACE is a separate entity from Air Canada and that ACE never sold airfare. Accordingly, the Liquidator has delivered a notice of disallowance to Ms. Prince and it will take appropriate measures to cause this claim to be disallowed and to have ACE removed as a defendant in this class action. The Liquidator will not proceed with any further distributions to shareholders pending satisfactory resolution of this matter.

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.

For additional information with respect to the liquidation of ACE, refer to the management proxy circular dated March 9, 2012 and the other public filings of ACE which are available at [www.sedar.com](http://www.sedar.com) and [www.aceaviation.com](http://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 and distributions to shareholders, the potential amount of ACE's contingencies and liability under claims filed, the final distribution to shareholders and the cancellation of the shares of ACE. These forward-looking statements are identified by the use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will", "would", and similar terms and phrases, including references to assumptions. Forward-looking statements, by their nature, are based on assumptions and are subject to important risks and uncertainties. Any forecasts or forward-looking predictions or statements cannot be relied upon due to, amongst other things, changing external events and general uncertainties of the business. Actual results may differ materially from results indicated in forward-looking statements due to a number of factors, including without limitation, market, regulatory developments or proceedings, and litigation 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 2012 Annual MD&A and Second Quarter 2013 MD&A. 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.*

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