2014

ANNUAL INFORMATION FORM

March 30, 2015

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EXPLANATORY NOTES

The information in this AIF is stated as at December 31, 2014, unless otherwise indicated.

Chorus and the **Corporation -** References herein to "Chorus" and references to the "Corporation" include references, as the context may require, to Chorus Aviation Inc. and its subsidiaries collectively, Chorus and one or more of its current and former subsidiaries, one or more of Chorus' current and former subsidiaries, or Chorus itself. In the context of the CPA, references to Chorus are exclusively intended to refer to Jazz.

Subsidiaries - References herein to the term "subsidiary" or "subsidiaries" refer, in relation to any entity, to any other entity, including a corporation or a limited partnership, which is controlled, directly or indirectly, by that entity.

Defined Terms - Capitalized terms are defined in the "Glossary of Terms" section at the end of this AIF, if not defined when first used.

Currency - Unless otherwise indicated, all dollar amounts are expressed in Canadian dollars.

Forward-looking statements - Forward-looking statements are included in this AIF. 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. Such statements may involve but are not limited to comments with respect to strategies, expectations, planned operations or future actions.

Forward-looking statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and other uncertain events. Forward-looking statements, by their nature, are based on assumptions, including those described below, 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. Such statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements to differ materially from those expressed in the forward-looking statements. Results indicated in forward-looking statements may differ materially from actual results for a number of reasons, including without limitation, risks relating to Chorus' relationship with Air Canada, risks relating to the airline industry, airline leasing, energy prices, general industry, market, credit, and economic conditions, (including a severe and prolonged economic downturn which could result in reduced payments under the amended CPA), competition, insurance issues and costs, supply issues, war, terrorist attacks, epidemic diseases, environmental factors, acts of God, changes in demand due to the seasonal nature of the business, the ability to reduce operating costs and employee counts, secure financing, employee relations, labour negotiations or disputes, restructuring, pension issues, currency exchange and interest rates, leverage and restructure covenants in future indebtedness, dilution of Chorus Shareholders, uncertainty of dividend payments, managing growth, changes in laws, adverse regulatory developments or proceedings, pending and future litigation and actions by third parties, as well as the factors identified throughout this AIF. The forward-looking statements contained in this discussion represent Chorus' expectations as of March 30, 2015 and are subject to change after such date. However, Chorus 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.

The forward-looking information is affected by certain risks. For a discussion of those risks, please refer to the Risk Factors section.

CORPORATE STRUCTURE

Chorus is a holding company incorporated on September 27, 2010 pursuant to the *Canada Business Corporations Act,* with various aviation interests including Jazz Aviation Holdings Inc. ("JAHI") and Chorus Aviation Holdings Inc. ("CAHI").

JAHI holds a portion of Chorus' business interests in Jazz which is the operating unit associated with the CPA with Air Canada. Also included under this umbrella are Jazz Aircraft Financing Inc. ("JAFI") and Jazz Leasing Inc. ("JLI"). JAFI and JLI are two entities which were established for the sole purpose of acquiring and financing Q400 aircraft and related equipment. These Q400 aircraft and the related equipment are leased by JLI to Jazz for use in the CPA.

CAHI was established as a holding company to facilitate diversification of Chorus' business. Chorus Airport Services Inc. ("CASI") was established for the purpose of providing airport handling services.

The registered office of Chorus is located at 100 King Street West, 1 First Canadian Place, Suite 6200, P.O. Box 50, Toronto, Ontario M5X 1B8. The chief executive office of Chorus is located at 3 Spectacle Lake Drive, Dartmouth, Nova Scotia, B3B 1W8.

Additional information regarding Chorus' corporate structure is provided in the consolidated financial statements for the year ended December 31, 2014 and the 2014 MD&A dated February 18, 2015, both of which are available on Chorus' website at www.chorusaviation.ca and on SEDAR at www.sedar.com.

Organizational Structure

The table below shows Chorus' main subsidiaries, where they are incorporated or registered, and the percentage of shares or units of such subsidiaries that Chorus beneficially owns or directly or indirectly exercises control or direction over. Chorus has other subsidiaries, but they have not been included in the table because each represents 10% or less of its total consolidated assets and 10% or less of its total consolidated operating revenues for the year ended December 31, 2014. These other subsidiaries together represented 20% or less of its total consolidated assets and 20% or less of its total consolidated operating revenues for the year ended December 31, 2014.

Subsidiary	Jurisdiction of Incorporation	Percentage of shares or units directly or indirectly held by Chorus at March 30, 2015
Jazz Aviation LP	Ontario	100%
Jazz Aircraft Financing / Jazz Leasing Inc.	Canada	100%

DEVELOPMENT OF THE BUSINESS

Three - Year History

This Three - Year History section contains forward-looking statements. Please refer to caution regarding forward-looking statements included in "Explanatory Notes" on page 1 of this AIF.

2014 (including subsequent events up to and including March 30, 2015)

On March 12, 2015, Chorus announced that it had entered into an agreement to acquire all of the issued and outstanding shares of 519222 Ontario Limited, a holding company that owns Voyageur Airways and its related companies, a leading provider of specialized aviation services with international operations.

The purchase price, on a cash free/debt free basis, represents a total enterprise value of approximately $80.0 million, subject to closing working capital adjustments. Utilizing cash on hand, $47.0 million will be paid at closing, along with the issuance of $8.0 million in Chorus Class B Voting Shares. Approximately, a further $25.0 million in deferred cash payments will be paid in separate installments over the 36 month period following the closing.

Closing of the transaction is expected to occur in the second quarter of 2015 and is subject to certain closing conditions, including receipt of TSX, and other third party approvals, and completion of certain remaining due diligence.

On January 30, 2015, Chorus announced that Jazz's pilots, represented by ALPA, had ratified the tentative agreement reached on January 13, 2015. The term of this agreement is 11 years expiring on December 31, 2025 and contains provisions prohibiting strikes and lockouts. The ratification of this new collective agreement was a condition to establishing the amended CPA with Air Canada. On February 2, 2015, Chorus announced that all terms and conditions had been met to establish an amended and extended CPA (the "amended CPA"). The amended CPA is generally retroactively effective January 1, 2015 and has a term ending December 31, 2025. For further information refer to The Chorus Business - Amended Capacity Purchase Agreement with Air Canada.

Concurrent with agreeing to the amended CPA, Chorus exercised its nine remaining options to purchase new Q400 aircraft under its purchase agreement with Bombardier Inc., as represented by Bombardier Aerospace Commercial Aircraft ("Bombardier"), and amended that purchase agreement to add firm orders for four additional Q400 aircraft and options for up to ten additional Q400 aircraft.

Chorus has also entered into an agreement with Bombardier to be the launch customer for the Dash 8-300 Extended Service Program ("ESP"). The ESP is expected to extend the service life of the Dash 8-300 aircraft by 50% (or approximately 15 years). This agreement covers a minimum of 19 aircraft and the ESP is anticipated to begin in early 2017.

For the year 2014, Jazz ranked fourth of all North American regional airlines for on-time performance, as reported by FlightStats Inc.

Throughout the year ended December 31, 2014, Chorus continued ongoing cost reduction programs including the consolidation of heavy maintenance in Halifax, Nova Scotia, the outsourcing of some airport services and employee separation programs. Chorus has invested approximately $22.0 million in employee separation programs since the first quarter of 2013.

On May 15, 2014, Chorus announced that it would convert to a monthly dividend beginning with the August 2014 dividend payment.

On February 10, 2014, and on June 20, 2014, Chorus completed early redemptions of the Debentures. Following the completion of these early redemptions, there are no remaining Debentures outstanding.

2013

On November 25, 2013, Chorus received the final award of the arbitration panel in the binding arbitration process between Chorus and Air Canada related to the 2009 Benchmark under the CPA (the "Arbitration"). As a result of the final award, there were no changes to the 12.5% Controllable Mark-Up in the CPA.

In September 2013, Chorus completed the physical consolidation of its heavy maintenance activities. Chorus consolidated its four heavy maintenance lines (two in London, Ontario and two in Halifax, Nova Scotia) to three lines based in Halifax. To facilitate this consolidation and relocation, Chorus made modifications to its existing Halifax hangar and building at the Halifax Stanfield International Airport and purchased an office building in Dartmouth, Nova Scotia to accommodate its administrative staff.

Commencing in May 2011 through to March 2013, Chorus took delivery of 21 new Q400 aircraft, through its leasing subsidiaries with long-term financing provided by EDC. These Q400 aircraft are leased to Jazz.

2012

On April 13, 2012, Chorus announced that it had received notification from Thomas Cook of its intention to discontinue operating dedicated charter aircraft, branded as Thomas Cook Canada, due to market conditions. As a consequence, the remaining three years of the five-year Flight Services Agreement with Chorus were terminated effective April 30, 2012. Chorus had, prior to such termination, operated Boeing 757-200 aircraft on behalf of Thomas Cook to various sun destinations from Canadian gateways. Chorus and Thomas Cook reached a commercial settlement in respect of the termination of the Flight Services Agreement, the economic terms of which reflect the original and intended expiration of the agreement, and address the recovery of certain initial start-up costs and foregone revenue.

THE CHORUS BUSINESS

Overview

Chorus currently operates in three sectors of the North American aviation industry; i) contract and charter flying, which includes flight operations under the amended CPA, ii) aircraft leasing, and iii) aviation industry services which includes airport handling services and maintenance, repair and overhaul (including parts sales). Chorus' primary business, contract flying, is currently conducted through Jazz. Chorus' leasing activity for the Q400 aircraft and related equipment is currently conducted through JLI. CASI, a subsidiary of CAHI, along with Jazz provides airport handling services while both Chorus and Jazz are active in maintenance, repair and overhaul.

In Canada, Jazz operates the largest regional airline and the third largest airline, based on passengers carried. Through Jazz's operations, Chorus provides a significant part of Air Canada's domestic and trans-border network. Jazz and Air Canada are parties to the CPA under which Air Canada purchases the greater part of Jazz's fleet capacity at pre-determined rates. Under the CPA, Jazz provides service to and from lower density markets, along with higher density markets at off-peak times, throughout Canada and to and from certain destinations in the United States. As at December 31, 2014, Jazz operated scheduled passenger service on behalf of Air Canada with approximately 736 departures per weekday to 55 destinations in Canada and 18 destinations in the United States, using 122 Covered Aircraft. Jazz and Air Canada have linked their regional and mainline networks in order to serve connecting passengers more efficiently and provide valuable traffic feed to Air Canada's mainline routes.

Jazz operates the CPA flights on behalf of Air Canada under the "Air Canada Express" brand. Air Canada is responsible for scheduling, pricing, product distribution, seat inventories, marketing and advertising, and customer service at certain airports staffed or administered directly by Air Canada. Air Canada is entitled to all revenues associated with the operation of the Covered Aircraft (refer to Risk Factors for a description of the risks relating to Chorus' relationship with Air Canada).

Jazz is economically and commercially dependent on Air Canada and one of its subsidiaries as, in addition to being Chorus' primary source of revenue, these entities currently provide services and aircraft to Jazz. Jazz is directly affected by the financial and operational strength of Air Canada, its competitive position, and its ability to maintain sufficient liquidity (refer to Risk Factors for a description of the risks relating to Chorus' relationship with Air Canada).

Amended Capacity Purchase Agreement with Air Canada

Chorus derived 99% of its revenues from Air Canada during 2014 (2013 - 99%, 2012 - 96%). On February 2, 2015 Chorus announced that all terms and conditions had been met to establish the amended CPA. The amended CPA is generally retroactively effective January 1, 2015 and has a term ending December 31, 2025. The year 2015 is expected to be transitional as the amended terms are implemented and the Fleet Transition (defined below) begins.

In order to optimize its use of the older Dash 8-100 and Dash 8-300 aircraft, Chorus intends to operate its business through two operating units. The first unit, Jazz, is expected to transition to a mix of larger, newer aircraft comprised of Q400, CRJ200 and CRJ705 aircraft. The second unit is expected to be a second airline with its own regulatory authority and a separate work force, operating the Dash 8-100 and Dash 8-300 aircraft.

Prior to the most recent CPA amendments, Chorus was paid rates which were negotiated and set every three calendar years based on Chorus' projected Controllable Costs for the relevant three year period, using certain variables including Block Hours, Flight Hours, cycles and passengers carried. Chorus was also paid certain variable and fixed aircraft ownership rates and fixed rates. The rates set for each three year period were not guaranteed to be the same as actual Controllable Costs incurred by Chorus in providing the CPA flying during that period. Once set, for CPA billing purposes, Chorus applied the mark-up (and the Compensating Mark-Up when applicable) to the rates. Chorus was also entitled to repayment of certain defined Pass-through costs, including fuel, navigation, landing and terminal fees and certain other costs. In addition, Chorus was eligible to receive incentive payments each quarter if it achieved certain performance levels related to controllable on-time performance, controllable flight completion, incidences of mishandled luggage at airports where Chorus is responsible for luggage handling, and other customer satisfaction measures related to in-flight and check-in satisfaction.

Under the amended CPA, Chorus continues to be entitled to be paid rates, which will generally be set every year, based on Controllable Costs, using the same variables as in prior years such as Block Hours, Flight Hours, Cycles and passengers carried as well as certain variable and fixed aircraft ownership rates and fixed rates. Certain items provided to Chorus by Air Canada, such as ground handling at the major hubs and facilities will be removed from Controllable Costs. Other costs, such as third party ground handling services and catering and commissary, have been re-classified as Pass-through costs and removed from Controllable Costs. Rates related to crew costs, which are Controllable Costs, have been set for the balance of the term of the CPA, subject to specific adjustments related to pilot flow-up to Air Canada, schedule efficiency, Block Hours and regulatory changes.

In addition, under the amended CPA, Chorus' margin compensation changes from the mark-up on Controllable Cost rates to a fixed fee arrangement. The mark-up and Compensating Mark-up concepts have been eliminated. Chorus now earns its margin compensation by the more industry standard approach of fixed fees. The first new fixed fee is called the Fixed Margin per Covered Aircraft in the amended CPA. The Fixed Margin per Covered Aircraft does not vary regardless of network size or complexity, hours flown or any of the other drivers that applied to a majority of the previous rates based on Controllable Costs. Secondly, as Chorus provides additional services that support the CPA regional network such as airport operations, it will also obtain margin compensation through a fixed Infrastructure Fee per Covered Aircraft. These two fixed fees replace the former margin compensation based on a mark-up on rates. The Fixed Margin per Covered Aircraft and the Infrastructure Fee per Covered Aircraft have been set for the period from 2015 to 2020 and set at a lower amount for the period from 2021 to 2025. The word rates for purposes of discussion relating to the amended CPA does not include the Fixed Margin per Covered Aircraft or the Infrastructure Fee per Covered Aircraft.

Performance incentives continue to be available under the amended CPA for achieving established performance targets for the same categories identified under the CPA prior to these amendments, being: controllable on-time performance, controllable flight completion, incidences of mishandled luggage at airports where Chorus is responsible for luggage handling, and other customer satisfaction measures related to in-flight and check-in satisfaction. Under the amended CPA, the opportunity to generate the same amount of performance incentives is preserved until 2020 but is then to decrease by approximately 50% over the period 2021 to 2025.

The following table summarizes changes between the amended CPA terms and the CPA terms in effect to the end of 2014, for some of the changes in cost categorizations in Controllable Costs (used to establish rates), Pass-through costs and costs that will be directly borne by Air Canada.

Changes to the CPA Cost Categorization and Rate Periods by Operating Expense and Detailed Description[(1)]

CPA Cost Categorization	**CPA Prior to 2015**				**Amended CPA**			
	Controllable Cost	Pass-through cost	Cost no longer billed to Chorus	Rate Periods	Controllable Cost	Pass-through cost	Cost no longer billed to Chorus	Rate Periods
Salaries, wages and benefits								
Crew Wages & Benefits	X			3 Years	X			11 years[(2)]
All other costs	X			3 Years	X			Annually[(3)]
Aircraft Fuel								
All Costs		X		NA			X	NA
Depreciation and amortization								
All Costs	X			3 Years	X			3 Years
Food, beverage and supplies								
All Costs	X			3 Years		X		NA
Aircraft maintenance, materials and supplies								
All Costs	X			3 Years	X			Annually
Airport and navigation fees								
Greater Toronto Airport Authority			X	NA			X	NA
All other costs		X		NA		X		NA
Aircraft rent								
Chorus Q400 Leased Through CPA	X			Lease term	X			Lease term
3rd Party Operating Leases	X			3 Years	X			3 Years
Air Canada and subsidiary leases to Chorus	X			3 Years	X			3 Years
Terminal handling services								
Groundhandling Services from Air Canada	X			3 Years			X	NA
Groundhandling from 3rd Parties	X			3 Years		X		NA
Deicing Services from Air Canada		X		NA			X	NA
All other costs	X			3 Years	X			Annually
Other								
Aircraft Parking	X			3 Years		X		NA
Interrupted Trips & Baggage Delivery	X			3 Years		X		NA
Station Supplies for Processing Passengers	X			3 Years		X		NA
Air Canada Facilities Rent	X			3 Years			X	NA
All other costs	X			3 Years	X			Annually

(1) For the calendar years 2015 to 2020, compensation will be based on 101 Covered Aircraft, notwithstanding the actual number of Covered Aircraft during that time. For the calendar years 2021 to 2015, the actual number of Covered Aircraft will be used.
(2) Adjusted for pilot flow, schedule efficiency, Block Hours and regulatory changes.
(3) Reset annually, subject to certain conditions.

The requirement for benchmarking based on Chorus' costs in 2015 and the margin adjustment provisions contained in the CPA prior to these recent amendments are no longer applicable.

The overall fleet plan in the amended CPA calls for the addition of 23 Q400s to gradually replace 34 Dash 8-100s, and 25 CRJ200s over the next 11 years. The current fleet of 26 Dash 8-300s is to continue to operate through to 2025. Chorus has agreed to gradually reduce the minimum number of Covered Aircraft from 122 to 86 over the term of the amended CPA (the "Fleet Transition"). Through the Fleet Transition, overall capacity as measured by Available Seat Miles is projected to remain relatively flat compared to the current fleet until 2020 and then there is a corresponding decline with the gradual removal of the remaining 15 Dash 8-100s from 2021 to 2025. By the end of 2025, the reduction in ASMs is projected to be less than 3%. These ASM projections are estimates only, based upon the Fleet Transition plan and assumptions supported by schedule information provided by Air Canada. As the fleet transitions, Chorus intends to increase its aircraft leasing revenue over the term of the amended CPA to include a minimum of 34 Q400 aircraft and 19 Dash 8-300 aircraft. (Refer to caution regarding forward-looking statements included in "Explanatory Notes" on page 1 of this AIF.)

Operating Plans and Scheduling

During the term of the amended CPA, Air Canada will annually deliver a high level operating plan for the upcoming calendar year for budget and planning purposes.

The amended CPA specifies that Air Canada and Chorus will jointly agree on a seasonal operating plan prior to the start of each summer and winter schedule period, which includes Air Canada's forecast regarding:

- Block Hours and departures by aircraft type, ASMs and passenger volume;
- the airports to which Chorus will operate Scheduled Flights; and
- specific dates for the commencement or termination of service to or from new airports, if any.

There are two seasonal schedule periods: winter (from approximately November 1 to March 31) and summer (from approximately April 1 to October 31) (each a "Schedule Period").

Under the amended CPA Air Canada is to provide rolling monthly schedules which may vary from the final seasonal operating plan. Chorus operates based on such monthly schedules as long as the volume of flying required to meet the schedule change does not increase or decrease the total Block Hours for any aircraft type by more than 5%, as compared with the guaranteed block hours. If the variance is greater than 5%, Air Canada and Chorus are required under the CPA to agree on changes to Rates.

Return of Aircraft

The amended CPA provides that Air Canada shall bear the cost and expense of the removal of aircraft from the Covered Aircraft fleet, the return of such aircraft to lessors and all return condition obligations contained in any lease, sublease or loan arrangement relating to the Covered Aircraft or the spare engines used to support the Covered Aircraft (the "Spare Engines").

Minimum Average Daily Utilization Guarantee ("MADUG")

Effective January 1, 2015, the MADUG no longer affects fixed rates or performance incentives compensation. Under the amended CPA, Air Canada and Chorus have agreed to a long-range fleet plan, annual Block Hours for the limited purpose of adjusting flight crew and cabin crew labour rates, and MADUG calculated across the fleet of Covered Aircraft for each Schedule Period during the term of the amended CPA. MADUG is now set across the entire fleet of Covered Aircraft for the period up to December 31, 2020 at 7.5 hours per day and for the period from January 1, 2021 to December 31, 2025 at 7.0 hours per day, as a total average daily utilization calculated across the entire fleet of Covered Aircraft on an annual basis.

Compensating Mark-Up

Chorus and Air Canada agreed to eliminate the Compensating Mark-Up in the amended CPA.

Code-Sharing

The amended CPA requires Chorus to use Air Canada's two-letter flight designator code (AC), and any other code specified by Air Canada and belonging to a Star Alliance® partner or other partner of Air Canada, to identify Scheduled Flights.

Airport Handling and Cargo Services

Airport handling includes both groundhandling and passenger handling services. Under the amended CPA, Air Canada is responsible for providing ground handling services at airports where Air Canada performs ground handling services. Chorus is responsible for performing or obtaining such services at all other locations. Chorus performs such services for Air Canada at certain airports for a fee. As of December 31, 2014, out of the 73 airports serviced by Chorus, Air Canada provided ground handling services at 17 airports, Chorus provided ground handling services at two airports, and ground handling services at the remaining airports were provided by third parties. Chorus and Air Canada have entered into the Air Canada Ground Handling Agreement (discussed below) for the provision of such ground handling services to Chorus at airports where Air Canada performs ground handling services.

As at December 31, 2014, Chorus provided passenger handling services at 36 airports.

Pursuant to the amended CPA, Air Canada has sole responsibility for, and is entitled to all revenue from, Cargo Services. Air Canada has the right to transfer the cargo capacity of the Scheduled Flights to a party of its choice. Chorus has access to limited cargo capacity for purposes of moving aircraft parts and other materials.

Facilities

Under the amended CPA, Air Canada is responsible for the costs associated with:

- opening, closing and moving maintenance and crew bases, where such changes are due to changes required by Air Canada to operate the Scheduled Flights;
- any additional facilities required as a result of increased frequency of Scheduled Flights; and
- any required relocation of Chorus to comparable airport facilities reasonably acceptable to Chorus contiguous to Air Canada leased premises, ramp, gate and office space.

Term and Termination of Agreement

The CPA will expire on December 31, 2025. Either party is entitled to terminate the CPA at any time upon occurrence of an event of default committed by the other party.

When the CPA expires, all leases between Chorus and Air Canada (or any affiliate of Air Canada) in respect of Covered Aircraft and Spare Engines will automatically be terminated and Air Canada (or the affiliate of Air Canada) will have the right to repossess those particular Covered Aircraft and the Spare Engines. If the CPA is terminated as a result of an event of default committed by Chorus, all such leases will not be terminated and Chorus will remain liable for its obligations under the aircraft leases. If the CPA is terminated as a result of an event of default committed by Air Canada, Chorus may terminate any such leases, which right it must exercise concurrently with termination of the CPA.

CPA Benefits

(Refer to caution regarding forward-looking statements included in "Explanatory Notes" on page 1 of this AIF.)

As Chorus' operations under the amended CPA are not directly exposed to the risks relating to the volatility of certain variable costs (e.g. fuel) and passenger revenues, management believes that Chorus' risk profile is lower than other air transport companies. The amended CPA provides Chorus with stable cash flows while also generating profit opportunities through incentive payments for controllable on-time performance, controllable flight completion, incidences of mishandled luggage at airports where Chorus is responsible for luggage handling, and other customer satisfaction measures related to in-flight and check-in satisfaction.

The benefits of the amended CPA include:

- Less exposure to revenue volatility associated with ticket prices and passenger traffic. As of December 31, 2014, 122 Covered Aircraft were used to provide services under the CPA.
- Less exposure to cost volatility as fuel costs, navigation fees, and landing and terminal fees are passed through to or borne directly by Air Canada under the amended CPA. Although Chorus bears the risk of changes to its Controllable Costs, it is compensated by Air Canada for this risk by the Fixed Margin per Covered Aircraft and the Infrastructure Fee per Covered Aircraft.
- Chorus receives revenue and incurs expenses in US and Canadian currency. As a result, it is subject to foreign exchange fluctuations. Chorus manages its exposure to currency risk by billing for services in the CPA in the underlying currency related to the expenditure.
- Chorus is able to earn performance incentive payments if it achieves or exceeds certain operational targets.
- A guarantee of certain minimum fleet levels and activity levels.
- A term that expires on December 31, 2025.

Other Agreements with Air Canada

Master Services Agreement

Under a master services agreement dated September 24, 2004, between Chorus and Air Canada, Air Canada provides certain services to Chorus. These services, which support Chorus' CPA operations, include information technology services, French language training and insurance claims services. The most significant services relate to information technology whereby Chorus accesses services under the agreements signed by Air Canada with each of IBM, Bell Canada and BCE Nexxia, as well as Air Canada's internal information technology resources.

The master services agreement will continue to be in effect until the termination or expiration of the CPA, but individual services can be amended or terminated earlier in accordance with the terms of the master services agreement.

Air Canada Ground Handling Agreement

Pursuant to the Air Canada Ground Handling Agreement, Air Canada has agreed to provide certain aircraft related ground handling services to Chorus, including baggage handling and processing, cargo and mail loading and unloading, and aircraft servicing at 17 airports in Canada.

The ground handling services must be provided by Air Canada in accordance with Chorus' procedures and instructions. Chorus may maintain a representative to supervise the services rendered by Air Canada. For passenger related ground handling services for charter flights operated by Chorus, Chorus and Air Canada are required to negotiate and agree on the specific services to be rendered by Air Canada and the fees payable by Chorus for any such charter flights.

The current term of the Air Canada Ground Handling Agreement expires December 31, 2017, subject to automatic renewal for additional three year periods at the end of this term and each renewal term unless Chorus or Air Canada provides notice of its intention not to renew the agreement at least one year prior to the end of the then current term, and also provided that the parties can agree on rates for the renewal term. No such notice of non-renewal has been given by either party.

Logos and Trademarks

Air Canada Express™, Jazz™, Air Canada™, and other trademarks are trademarks owned or registered by Air Canada in Canada and the United States. Air Canada has granted Chorus a license to use the Jazz™, Air Canada™ and other trademarks in Canada and the United States in association with the provision of scheduled airline services in regions of Canada and across the Canada - United States border. Chorus also owns additional trademarks in connection with its regional airline business.

Under the Trademark License Agreement, Air Canada granted Jazz Aviation LP a royalty-free, non-exclusive, non-sublicensable, non-assignable right to use certain trademarks owned or registered by Air Canada around the world including Jazz and those which incorporate the Air Canada name, or Air Canada's roundel design, solely in association with the CPA operations. If the CPA is terminated or expires, the Trademark Licence Agreement provides for a termination of the licence six months later. Under the Special Trademark Licence Agreement, Jazz Aviation LP and Air Canada agreed that if the CPA is terminated or expires, Air Canada has agreed to transfer all rights to the Jazz mark to Jazz Aviation LP and the parties have agreed to discontinue the use of the combined Jazz and Air Canada marks.

Chorus' trademarks and brand name assets are an important part of its business. Chorus benefits from the goodwill established for the Jazz brand name. Chorus protects its proprietary information, including its trademarks and database, through trademark laws, contractual provisions and confidentiality procedures.

Other Business Opportunities

(Refer to caution regarding forward-looking statements included in "Explanatory Notes" on page 1 of this AIF.)

On March 12, 2015, Chorus announced that it had entered into an agreement to acquire all of the issued and outstanding shares of 519222 Ontario Limited, a holding company that owns Voyageur Airways and its related companies. Closing of this transaction is expected to occur in the second quarter of 2015 and is subject to certain closing conditions, including receipt of TSX and other third party approvals, and completion of certain remaining due diligence.

Chorus continues to explore new business opportunities, including relationships with other businesses and potential customers.

Charter

Chorus offers charter services to Canadian and international locations. Chorus has been able to attract a wide variety of charter customers, including sports teams, fishing lodges, oil and gas companies, various provincial forestry ministries, musical groups and corporate clients. All revenue from the charter operations accrue directly to Chorus as ancillary revenue. Generally, margins on charter services are higher as customers are prepared to pay a premium for flights that fit their needs and schedule.

As of March 30, 2015, Chorus operates two 50-seat Dash 8-300 and one 50-seat CRJ200 aircraft in its dedicated charter fleet. Chorus continues to target growth within its charter operation through the pursuit of ongoing and new charter programs.

Chorus has the ability to operate charter flights during the term of the CPA with the Covered Aircraft (subject to the payment of a charter fee to Air Canada) or with other aircraft, provided that Chorus continues to meet its obligations under the CPA and does not market such flights as Air Canada flights. Chorus is responsible for all incremental costs and expenses associated with such flights and is entitled to all revenues. Chorus is required to obtain Air Canada’s consent in respect of certain charter program services, which consent may not be unreasonably withheld.

Airport Handling Operations

Chorus offers passenger and ramp ground handling services through Jazz and Chorus Airport Services Inc. Chorus’ ground handling services business grew in 2014 compared to 2013 with contracts at many Canadian stations with several customers. Through its subsidiaries, Chorus also provides short-term and ad hoc services, which include ramp handling, passenger services, deicing and ground service equipment rental to customers. Chorus continues to look for new opportunities to expand the airport and ground handling business further.

Maintenance, Repair and Overhaul Operations

Chorus' technical operations team performs regional jet and turboprop line maintenance, heavy maintenance and minor aircraft modifications to support Chorus' operations. The technical operations team maintains one of the largest Dash 8 fleets in the world. Chorus also has considerable expertise in the repair and overhaul of CRJ100, 200 and 705 series Bombardier regional jets, as well as the Q400 aircraft.

Fleet

Chorus' operating fleet as at December 31, 2014 and the planned operating fleet for 2015 to 2025 are shown below:

	Number of Operating Aircraft											
	Dec. 31, 2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
CRJ200 (50 seats)	26	16	13	10	10	10	—	—	—	—	—	—
CRJ705 (75 seats)	16	16	16	16	16	16	16	16	16	16	16	16
Dash 8-300 (50 seats)	28	26	26	26	26	26	26	26	26	26	26	26
Dash 8-100 (37 seats)	34	28	19	16	15	15	15	12	12	4	1	—
Q400 (74-78 seats)	21	27	37	39	39	39	44	44	44	44	44	44
Total Operating Aircraft	125	113	111	107	106	106	101	98	98	90	87	86

As of the date of this AIF, Chorus has a total of 125 operating aircraft. All aircraft in Chorus' operating fleet are Covered Aircraft under the CPA, except for two Dash 8-300 and one CRJ200 aircraft allocated for charter purposes.

On November 6, 2014, upon landing at Edmonton International Airport, a Q400 aircraft sustained significant damage. Chorus is repairing the aircraft, and expects to recover the cost of these repairs from its insurers or through warranty. Chorus has worked with Air Canada to minimize the impact on the flight schedule by increasing utilization on the remaining fleet. This Q400 aircraft has been included in the above table.

Competition

As Canada's only nationwide regional airline operating scheduled air services, Chorus enjoys a unique position in the Canadian regional airline market.

Chorus' fleet is significantly larger than that of the next largest Canadian regional airline. All other carriers in the Canadian regional airline market are smaller operators of primarily turboprop aircraft, most of which operate aircraft in the 19 to 75 seat range. Many of these regional carriers operate primarily independent services, flying in niche markets. Chorus competes with other Canadian regional airlines for additional capacity purchase flying for Air Canada, including Sky Regional, Air Georgian and Exploit Valley Air Services. Chorus also competes with a number of smaller regional carriers for charter business from other customers.

WestJet and WestJet Encore compete with Air Canada on certain routes in Canada and in the U.S. operated by Chorus. Porter Airlines, which operates from the Billy Bishop Toronto City Airport, competes with Air Canada in various domestic and trans-border market pairs operated by Chorus.

Air Canada competes against a variety of United States network airlines and their regional carriers in respect of trans-border markets, many of whom operate under capacity purchase agreements with various major United

States network airlines. These carriers operate under their capacity purchase agreement partner brands such as United Express, Delta Connection, American Eagle and Alaska Horizon.

Facilities

Chorus currently owns two buildings in Nova Scotia: one located at the Halifax Stanfield International Airport and one in Dartmouth. The operational facility located at the Halifax Stanfield International Airport is comprised of office and hangar space. The land on which Chorus' Halifax airport facility is located is leased from the Halifax International Airport Authority, while the Dartmouth office building and land are owned by Chorus. Chorus leases a portion of the Dartmouth building to third party tenants. (See "The Chorus Business - Debt Financing - Nova Scotia Jobs Fund Loan" for details on financing).

The following is a description of the principal facilities leased by Chorus. The first three facilities listed below are leased by Chorus from Air Canada:

- hangar, parking and office space at Toronto Pearson International Airport;
- hangar and office space at Calgary International Airport;
- hangar and office space at Montreal-Pierre Elliott Trudeau International Airport;
- hangar and office space at Vancouver International Airport; and
- office space at Airways Centre at Mississauga.

In addition to the foregoing, Chorus currently leases training space, storage space, maintenance shop space, hangar space, airport terminal building spaces, including: office spaces, counters, maintenance offices, baggage make-up and parking spaces throughout Canada from various lessors.

Debt Financing

Aircraft and Engine Financing

As at December 31, 2014, Chorus had 25 separate loan agreements with EDC which provided financing for the majority of the purchase price of each of the 21 Q400 aircraft and four PW150A engines. The total financing payable at December 31, 2014 for these loans was $392.1 million. Each loan has a maturity of 12 years and bears interest at a fixed rate. At December 31, 2014, the net book value of property and equipment pledged as collateral under EDC financing was $414.7 million.

Under its financing agreement with EDC (for both aircraft and engines), the Jazz Group is required to maintain a maximum adjusted leverage ratio of 2.25:1 and a minimum adjusted interest coverage ratio of 1.66:1. As at December 31, 2014, the Jazz Group was in compliance with these covenants. Failure by the Jazz Group to satisfy either such ratio at an applicable time would constitute an event of default under the financing agreement which could have a material adverse effect on Chorus.

The financing agreement with EDC also contains several covenants which are specific to Jazz as the lessee of the Q400 aircraft and engines including:

- a tangible asset disposal covenant; and
- a continuation of business under the CPA covenant.

As at December 31, 2014, Jazz was in compliance with both of these covenants.

As additional security under the EDC financing agreements, the aircraft and engine leases between Jazz and Jazz Leasing Inc. have been assigned to EDC. Also, Jazz Leasing Inc. has provided a full recourse guarantee to EDC and Jazz Aircraft Financing Inc. pledged the issued shares of Jazz Leasing Inc. to EDC. In addition, restricted cash recorded under other long-term assets relates to funds required to be held in a segregated account with a financial institution as security for the EDC financing related to the purchase of six Q400 aircraft in 2013.

Concurrent with agreeing to the amended CPA, Chorus exercised its nine remaining options to purchase new Q400 aircraft under its purchase agreement with Bombardier Inc., as represented by Bombardier Aerospace Commercial Aircraft ("Bombardier"), and amended that purchase agreement to add firm orders for four additional Q400 aircraft and options for up to ten additional aircraft. Based on the list price for the Q400 aircraft, the firm order for a total of 13 Q400 aircraft is valued at approximately US$424.0 million, and could increase to US$758.0 million if the options to purchase all additional ten aircraft are exercised. Subject to the satisfaction of customary conditions, aircraft deliveries are scheduled to commence in October 2015. As at December 31, 2014, Chorus had recorded $40.3 million in property and equipment for predelivery payments, as required under the purchase agreement with Bombardier. In addition, the purchase agreement requires additional on-going predelivery payments in the aggregate amount of US$25.4 million until July 2016. Chorus has received commitments from EDC to finance up to 80% of the net purchase price for all firm 13 orders.

Chorus has also entered into an agreement with Bombardier to be the launch customer for the Dash 8-300 ESP. The ESP is expected to extend the service life of the Dash 8-300 aircraft by 50% (or approximately 15 years based on MADUG). This agreement covers a minimum of 19 aircraft and the program is anticipated to begin in early 2017. The cost for each aircraft that undergoes the ESP installation is not anticipated to exceed $3.5 million which includes the Bombardier service bulletin and parts and anticipated labour costs to complete the service bulletin. Chorus has received a commitment from Air Canada to finance up to 80% of this anticipated cost.

Nova Scotia Jobs Fund Loan

Chorus purchased an office building on August 31, 2012 and made modifications to its existing Halifax hangar and building. To assist in funding for this purchase and modifications, the Province of Nova Scotia (the "Province") provided Chorus with a $12.0 million, interest-bearing, repayable loan. The Province's financial assistance also consists of an additional $2.5 million forgivable loan (which will be forgiven if certain employment targets are achieved) and a $2.0 million employee grant to recruit, train and develop new employees or to upgrade current employees' skills. At December 31, 2014, the amount drawn on the interest-bearing repayable loan was $12.0 million. As at December 31, 2014, Chorus had received the $2.5 million forgivable loan from the Province of Nova Scotia as well as the $2.0 million of Human Resource Development Funding from the Province of Nova Scotia.

In 2014, Chorus met certain employment conditions required in order to obtain the maximum annual forgiveness of a portion of a forgivable loan from the province of Nova Scotia for the year, and as such $0.5 million was recorded in other income.

Convertible Debentures

On each of February 10, 2014 and June 20, 2014 (the "Early Redemption Dates"), Chorus exercised its right to redeem the Debentures. Chorus redeemed the Debentures by paying the outstanding principal amount of the redeemed Debentures (the "Redemption Price"), together with all accrued and unpaid interest thereon up to but excluding the Early Redemption Dates. The Debentures that were redeemed ceased to bear interest from, and subsequent to, the applicable Early Redemption Dates. Chorus used surplus cash to pay the Redemption Price together with all accrued and unpaid interest thereon. After the early redemption on June 20, 2014 there were no Debentures outstanding.

Lease Financing

In 2007 and 2010, Chorus entered into common terms agreements which govern three of Chorus' aircraft leases and which will also apply to any future aircraft leases with the same lessors. As at December 31, 2014, Chorus was in compliance with the tangible asset disposal covenants contained in these common terms agreements.

People

As at December 31, 2014, Chorus had 4,130 FTE employees compared to 4,371 FTE employees for 2013. This reflects a 5.5% decrease from 2013. Substantially all of the employees are employed by Jazz and are unionized.

Currently, Chorus has the following collective agreements in place with its employees:

- Flight attendants, represented by the CFAU, expiring in July 2015;
- Maintenance and engineering employees, represented by Unifor, expiring in October 2015
- Crew schedulers, represented by Unifor, expiring in June 2016;
- Airport services employees represented by Unifor, expiring in January 2017;
- Flight dispatch employees represented by CALDA, expiring in July 2018;

On January 30, 2015, Chorus announced that Jazz's pilots, represented by ALPA, had ratified the tentative agreement reached on January 13, 2015. The term of this agreement is 11 years expiring on December 31, 2025 and contains no strike, no lockout provisions. The ratification of this new collective agreement was a condition to establishing the amended CPA.

The amended CPA establishes a pilot mobility agreement between Jazz and Air Canada, whereby Jazz pilots are able to access pilot vacancies at Air Canada. In turn, this allows Jazz to transition to a less senior pilot demographic by bringing in new pilots at industry competitive rates, thereby reducing operating costs. The pilot mobility agreement provides that the Jazz pilots who have elected to participate in the arrangement have been placed on a pilot mobility list. Air Canada has committed to hire a minimum of 80% of its new pilots from the pilot mobility list and to hire a minimum of 495 of the pilots on this list.

REGULATORY ENVIRONMENT

In Canada, commercial air transportation falls wholly within the jurisdiction of the federal government. The *Canada Labour Code* and associated regulations govern all of Chorus' operations with respect to industrial relations, workplace health and safety, and employment standards. The commercial air transportation policy, maintenance standards, operations standards, aircraft airworthiness, pilot and cabin crew licensing and certification, safety, ground services, and navigation facilities are the responsibility of the Minister of Transport. Chorus aircraft, pilots, cabin crew, maintenance engineers, maintenance operations and all aspects of its commercial and charter air service operations are subject to the inspection, licensing, certification and compliance requirements of Transport Canada under the *Aeronautics Act, Canadian Aviation Regulations* and the standards issued pursuant to that Act and its regulations. The Canadian Transportation Agency (the "Agency") is responsible under the *Canada Transportation Act* (the "CTA") and *Air Transport Regulations* for issuing air carrier licenses for both domestic and international services, and for regulating air charter operations, equipment and crew leasing (wet leases, block space and code share arrangements), certain air tariffs and the terms and conditions of carriage. The Agency may also investigate, mediate or hear air travel complaints. The commercial and charter air services of Chorus are subject to the licensing, charter operations, international fare, terms of carriage, insurance requirements and air travel complaint jurisdiction of the Agency, as further described below.

Due to the uncertainty of long-term regulatory requirements, Chorus cannot provide assurance that it will not incur substantial costs to meet requirements or whether they will be material.

The 1987 deregulation of the domestic airline industry allowed carriers to establish fares as well as terms and conditions of carriage without government regulation. The CTA provides for free market entry to the extent that a carrier can demonstrate that (i) it is "Canadian", defined in the CTA as being controlled in fact by Canadians and having at least 75% of its voting interest owned and controlled by Canadians; (ii) it can operate safely; (iii) it is suitably insured; and (iv) it meets the minimum financial requirements set out in the *Air Transportation Regulations*.

On February 6, 2009, the Government of Canada introduced Bill C-10, the *Budget Implementation Act,* which proposed amendments to the CTA relating to foreign ownership restrictions on domestic air carriers. Bill C-10 received Royal Assent on March 12, 2009. The Governor in Council now has the authority on the recommendation of the Minister of Transport to fix by order, a day on which the Governor in Council may by regulation, set new foreign ownership limits up to a maximum of 49% foreign ownership. The regulations may specify that the new limits apply generally to all non-Canadian investors or, alternatively may specify increased foreign ownership limits available to specific classes of non-Canadians to be identified in the regulations. As of March 30, 2015, no such regulations have been proposed by the Governor in Council.

On April 24, 2009, the members of the National Airlines Council of Canada ("NACC"), made up of Chorus, Air Canada, Air Transat and WestJet, voluntarily amended their respective tariffs to include passenger service commitments consistent with *Flight Rights Canada*, the Government of Canada's air travel consumer protection initiative. The amended sections of the international tariffs took effect following the Agency's approval.

On October 16, 2013, Bill C-439, *An Act Respecting the Rights of Air Passengers* was reinstated from the previous session of Parliament. If enacted, Bill C-439 would impose obligations on air carriers in the event of certain flight delays, flight cancellations, denied boarding to passengers or ground delays of aircraft with passengers on board. Such legislation could lead to significant costs for air carriers, including Chorus, which could have a material adverse effect on Chorus' business, results from operations and financial condition. Management cannot predict whether such proposed legislation will be enacted, if at all, or if enacted whether its provisions will be in the form currently proposed by Bill C-439 or otherwise.

On October 18, 2013, the Government of Canada introduced Bill C-3, which includes the *Aviation Industry Indemnity Act*. Bill C-3 received Royal Assent on December 9, 2014. Bill C-3 authorizes the Minister of Transport to undertake to indemnify certain aviation industry participants for loss, damage or liability caused by events that are commonly referred to in the insurance industry as "war risks". The Minister may undertake to indemnify all aviation industry participants, or may specify that an undertaking applies only to specific participants or classes of participant or applies only in specific circumstances. The Governor in Council now has the authority on the recommendation of the Minister of Transport to set regulations determining which aviation industry participants are indemnified and respecting the circumstances in which an undertaking may cover only one aviation industry participant. As of March 30, 2015, no such regulations have been proposed by the Governor in Council.

On January 30, 2015, the Government of Canada introduced Bill C-51, which includes the *Secure Air Travel Act*. If enacted, the act is intended to provide a new legislative framework for identifying and responding to persons who may engage in an act that poses a threat to transportation security or who may travel by air for the purpose of committing a terrorism offence. It is also intended to authorize the Minister of Public Safety and Emergency Preparedness to establish a list of such persons and to direct air carriers to take any necessary actions to prevent the commission of such acts. Such legislation could lead to increased costs for air carriers, including Chorus, which could have a material adverse effect on Chorus' business, results from operations and financial condition. Management cannot predict whether such proposed legislation will be enacted, if at all, or if enacted whether its provisions will be in the form currently proposed by Bill C-51 or otherwise.

Trans-border Services

Trans-border services between Canada and the United States are provided pursuant to the 1995 Canada-US Air Services Agreement. This agreement gives Canadian air carriers unlimited route rights to provide "own aircraft" services between points in Canada and points in the United States, but does not permit the carriage of local traffic between points within one country by carriers of the other country (commonly known as cabotage).

Under the 1995 Canada-US Air Services Agreement, carriers of both countries are free to set their own prices for trans-border services according to market forces. Prices may only be disallowed under special circumstances if the authorities of both countries agree, for example in response to predatory or monopolistic pricing behaviour on specific routes. In November 1997, Canada and the United States concluded an agreement that allows Canadian and US carriers to code-share to, from and via, each other's territory, with carriers from other countries provided the other country allows code-sharing and the carriers hold the underlying rights to serve that country. Air Canada code-shares with certain Star Alliance® partners via Canada and the United States and certain of these Star Alliance® partners' codes appear on some trans-border Scheduled Flights.

On November 11, 2005, Transport Canada announced that the governments of Canada and the United States had negotiated an Open Skies Agreement which further liberalizes air transportation services. The agreement, which came into force on March 12, 2007, allows air carriers of both countries (i) to pick up passenger and/or cargo traffic in the other country and carry that traffic to a third country as part of a service to or from the carrier's home country, (ii) to operate stand-alone all-cargo services between the other country's territory and third countries, and (iii) greater pricing flexibility for services between the other country and a third country. Cabotage, the right to operate flights between two points within the other country, remains prohibited.

In the United States, the FAA prohibits a United States certificated air carrier from wet leasing an aircraft from a foreign licensed air carrier. A wet lease is an arrangement under which a carrier leases an aircraft together with crew to operate the aircraft. Until March 24, 2008, this rule prohibited a capacity purchase type of agreement whereby a United States air carrier would buy and hold out in its own name all of the capacity of an aircraft operated by a foreign air carrier. Effective March 24, 2008, the United States Department of Transportation ("US DOT") published a Notice concerning its policy on leasing arrangements between United States certificated air carriers and non-United States air carriers. The policy has now been changed to relax the prohibition. Contracts for non-United States airlines to provide aircraft and crew are now permitted if, on application to the US DOT, the non-United States air carrier meets the regulatory criteria. Flying operated under such newly permitted contracts cannot include point-to-point flying within the United States.

Other International Services

Chorus does not currently have a license to operate a scheduled international service to any country other than the United States, but the Canadian government has entered many bilateral air transport agreements with other countries under which Chorus is eligible to apply for licensing and operate abroad on a reciprocal basis.

Charter Services

Chorus maintains licenses issued by the Agency to operate non-scheduled international service between Canada and any other country. Charter operations are generally not covered by bilateral agreements, although charter services are covered under the 1995 Canada-US Air Services Agreement. Canadian government policy permits any Canadian carrier to operate charter services between Canada and any point in the world subject to prior approval of the Canadian and other applicable regulatory authorities.

In April 2000, the Minister of Transport announced a new policy governing international passenger charter air services. This policy removed restrictions such as advance booking, minimum stay requirements and prohibitions on one way travel. To preserve a distinction between charter and scheduled international services, this policy retains the requirements that the entire seating capacity of an aircraft be chartered and that charter carriers be prohibited from selling seats directly to the public.

Competition Matters

In 2009, Parliament enacted Bill C-10, the *Budget Implementation Act* which repealed the airline specific provisions of the *Competition Act* concerning "abuse of dominance", as well as the administrative monetary penalties for such abuses. Bill C-10 also introduced administrative monetary penalties for abuses of dominance by dominant firms generally, with the result that the Competition Tribunal is now empowered to levy administrative monetary penalties for abuse of dominance by a dominant firm operating in any industry in an amount not exceeding $10 million and, for each subsequent order, an amount not exceeding $15 million. While Bill C-10 repealed the airline specific provisions of the *Competition Act*, pricing below avoidable cost may be considered an anti-competitive act for purposes of the generally applicable abuse of dominance provisions.

On December 14, 2012, the Government of Canada enacted regulations requiring air carriers to include all fees and taxes in their advertised prices. The intent of the regulations is to ensure greater transparency for Canadians and allow consumers to easily determine the total price of an air service in order to make an informed choice. Chorus and its fellow members of NACC believe the regulations are a much-welcomed step to facilitate consumer’s access to full cost airfares. Chorus does not sell air fares to the public, so management cannot predict the degree to which this legislation may have an indirect effect on its business through its contract with Air Canada.

Official Languages Act

Air Canada is subject to the *Official Languages Act* (the "OLA"), which among other things, requires it to ensure that any member of the traveling public can communicate with and obtain services in either official language, French and English, where there is significant demand for those services in that language (Part IV of the OLA) and to allow employees to work in either official language (Part V of the OLA).

In 2000, Parliament passed amendments to the *Air Canada Public Participation Act* to impose on Air Canada the obligation to ensure any of its subsidiaries' customers can communicate with the subsidiary in respect of air services and incidental services, and obtain those services, in either official language, where the number of customers warrants such services. Chorus is not a subsidiary of Air Canada, but under the OLA, where services are performed on behalf of Air Canada by another party, Air Canada has the duty to ensure that any member of the public can communicate with and obtain those services in either official language in any case where those services, if provided by Air Canada, would be required under the OLA to be provided in either official language. The OLA does not currently apply directly to Chorus, but management cannot predict how future changes to this legislation might affect its business.

Security Initiatives

Chorus' first priority is to ensure the safety and security of all passengers and crew members on all flights.

Following the September 11, 2001 terrorist attacks, the Minister of Transport issued new air security measures, including increased passenger and baggage screening and enhanced security procedures at check-in gates and on-board the aircraft. Other countries such as the United States and the United Kingdom have similarly imposed additional security requirements. In response to these new measures, Chorus reinforced the cockpit doors on all of its aircraft and requires passengers to produce valid identification prior to boarding all flights.

In December 2001, the Minister of Transport announced several security initiatives including a new Canadian Air Transport Security Authority responsible for the provision of key air security services, an expanded program of armed police on aircraft to cover selected domestic and international flights, and an air travelers security charge ("ATSC"). The Government of Canada introduced the ATSC on April 1, 2002 and revises the charges periodically.

In 2002, the Canadian government implemented its Advance Passenger Information / Passenger Name Record ("API/PNR") Program to identify potentially high risk individuals and address other border security issues. Canadian and foreign carriers are required by regulation to provide the Canada Border Services Agency with specific personal information on all passengers and crew members on board international flights destined to Canada at the time of departure, as well as to provide access to passenger name records in the carriers' internal reservation systems. Foreign countries including the United States have enacted and have established similar information requirements with respect to flights operating into and/or from their territory.

On May 6, 2004, Bill C-7, *An Act to amend certain Acts of Canada in order to enhance public safety* (known as the *Public Safety Act*, 2002) received royal assent. The legislation amends certain provisions of the *Aeronautics Act* (Canada) so as to further develop the scope and objectives of the existing national aviation security regime. The amendments include requirements for Canadian carriers and foreign carriers operating into Canada to provide, upon request, information concerning specified flights or persons to the Minister of Transport, the Royal Canadian Mounted Police and the Canadian Security Intelligence Service for transportation security or national security purposes. These amendments came into force on May 11, 2004.

On August 10, 2006, Transport Canada announced the implementation of heightened security measures after a foiled attack with liquid explosives at Heathrow Airport in London, England. Since September 26, 2006, in accordance with new Transport Canada security measures, Chorus allows passengers to bring on board limited and prescribed quantities of liquids, gels and aerosols.

In June 2007, the Government of Canada implemented the Passenger Protect Program to identify individuals who may pose a threat to aviation security and to disrupt their ability to cause harm or threaten aviation by taking action, such as by preventing them from boarding an aircraft. Chorus has fully implemented measures to comply with the Passenger Protect Program and with similar "no-fly" and "selectee" list requirements imposed by the U.S. Transport Security Agency.

As of October 31, 2009 the United States implemented the Secure Flight Program. This program requires Canadian airlines to collect and submit added passenger information such as full name, date of birth, and gender to the U.S. Transportation Administration, for flights that land in the United States. Chorus bears the entire cost of implementing the Secure Flight Program as it pertains to Chorus' operations.

On March 23, 2011, the Canadian Parliament amended the *Aeronautics Act*. Canadian airlines are now required to collect and submit certain personal information for flights that fly over but do not land in the United States.

Chorus works with the Transport Canada and other Federal and USA agencies to continuously improve security measures and to ensure that any innovation adopted by Chorus maintains the highest degree of security. Chorus' internal safety management system includes security related processes, including threat assessment protocols that allow the operation to address any number of potential threats.

Safety Initiatives

On May 31, 2005 amendments to the *Canadian Aviation Regulations* came into effect to enhance aviation safety through the implementation of safety management systems. The goals of safety management systems are to increase the sophistication and proactiveness of safety practices, to instill a consistent and positive safety culture, and to help improve upon the already extremely high safety performance of airline operators. These amendments to the *Canadian Aviation Regulations* require air operators to implement safety management systems in their organizations and appoint executives who are accountable for safety. Chorus has fully implemented a safety management system. The President and Chief Executive Officer, Joseph D. Randell has been appointed as Accountable Executive and the Vice President of Safety, Quality & Environment has responsibility for the implementation and ongoing management of the safety management system. Chorus is in compliance with or surpasses all regulatory requirements, but management cannot predict if or when future amendments to this safety legislation will be introduced or enacted.

Among Canadian and many other airline operators and other organizations, Chorus' highly integrated safety management system model is considered to be industry leading, and has attracted a degree of international attention through several forums including the International Aviation Safety Seminar and speaking engagements in North America, Europe, Asia and the Middle East. Chorus' SMS also received international recognition through the Innovation in Aviation Safety Management award (2012).

Environmental Matters

In 2002, Canada ratified the Kyoto Protocol, thereby committing it to legislating reductions in air emissions which contribute to climate change. On October 21, 2006, the federal government issued a notice of intent to develop and implement regulations and other measures to reduce air emissions. As part of this Regulatory Framework for Air Emissions, the federal government continues to support harmonized international efforts to limit or reduce both domestic and international aviation emissions of greenhouse gases and air pollutants. In December 2009, representatives from approximately 170 countries met in Copenhagen, Denmark to negotiate a successor treaty to the Kyoto Protocol. The resulting Copenhagen Accord is non-binding, representing the political consensus of the participating states. On January 31, 2010, Canada submitted a non-binding commitment under the Copenhagen Accord to the United Nations Framework on Climate Change to reduce greenhouse gas emissions by 17% from 2005 levels by 2020. On December 12, 2011, Canada withdrew from the Kyoto Protocol.

At present, there are no Canadian laws requiring the aviation industry to reduce GHG emissions, but industry stakeholders have been working voluntarily to account for and reduce GHG emissions for a number of years. In 2005, Canada reached a voluntary agreement on the reduction of GHG emissions with its aviation industry. This voluntary agreement between the Government of Canada and the members of ATAC set out a GHG emission reduction goal on a per unit basis. ATAC members committed to a fuel efficiency improvement target of 24% from 1990 levels by 2012 (measured in litres of jet fuel/revenue tonne kilometre). Chorus was a member of ATAC at the time the voluntary agreement was signed and, since 2008, has been a member of the National Airlines Council of Canada. NACC has committed to the continued support of this agreement's objectives and member airlines continue to voluntarily provide emission data and information under this agreement. Chorus is committed to improving fuel efficiency and has a number of fuel efficiency initiatives underway which are monitored closely at an executive level.

In March 2014, the European Union ("EU") abandoned its plan to impose a cap on CO^2 emissions from flights arriving at or departing from EU airports. In October 2013 ICAO adopted a timeline to agree to an alternative international system of emission controls, but management cannot predict if or when ICAO would implement any such alternative system or whether such a system would have a material adverse effect on Chorus' business, results from operations and financial condition.

Chorus believes that it is in compliance in all material respects with the terms of applicable government regulations. Chorus is committed to conducting its operations in a manner that complies with all legal requirements relating to health and safety and the environment, and regularly evaluates and monitors its related activities.

To date, environmental laws and regulations have not had a material adverse effect on the business or financial condition of Chorus. However, changes in such government laws and regulations are ongoing and may make environmental compliance increasingly expensive. Chorus is not able to predict future costs which may be incurred in order to comply with future environment regulations. Chorus considers the environment a component of business decisions in planning for, and making changes to materials, processes, equipment and facilities. Chorus communicates with customers, governments, local communities, unions, employees and suppliers to identify and resolve environmental issues, and it conducts business in compliance with applicable environmental law. Chorus proactively conducts ongoing environmental audits and takes corrective action to ensure compliance with environmental law and continuous improvement to its management system, policies and procedures. Chorus' Corporate Environmental Policy is available at www.chorusaviation.ca.

Privacy

Chorus is subject to applicable privacy laws regarding the collection, use, disclosure and protection of passenger and employee data. Among other things, Canada's federal private sector privacy legislation, the *Personal Information Protection and Electronic Documents Act* ("PIPEDA"), governs the collection, use and disclosure of personal information in the course of commercial activities by a federally regulated business. In addition, PIPEDA regulates the handling of employee personal information by federally regulated employers. PIPEDA also applies to the collection or disclosure of personal information across provincial or Canadian international borders. PIPEDA requires notice to, and informed consent by, the individuals whose personal information is collected, used or disclosed. The personal information may then only be used for the purposes for which it was originally collected and for which consent from individuals has been obtained or for limited other purposes specified in, or allowed by, PIPEDA. Chorus has a privacy policy which is designed to meet or exceed the requirements of such privacy legislation. Management believes that its privacy policy and practices comply with all applicable laws.

RISK FACTORS

The risks described below are not intended to be an exhaustive list of all risks facing Chorus. Other risks of which Chorus is not currently aware or which Chorus currently deems immaterial may arise and have a material adverse impact on Chorus' business, results from operations and financial condition.

Risks Relating to the Relationship with Air Canada

Dependence on Air Canada

Chorus is directly affected by the financial and operational strength of Air Canada and its competitive position. Air Canada has, like other network carriers, sustained significant operating losses in the past and may sustain significant losses in the future. Air Canada's business, results from operations and financial condition are subject to a number of risks, including:

- Air Canada has substantial commitments for capital expenditures, including for the acquisition of new aircraft;
- fuel costs, which continue to fluctuate and constitute a significant portion of Air Canada's operating expenses;
- labour conflicts or disruptions;
- the airline industry is highly competitive and subject to price discounting; and
- the risk factors described under "Risks Relating to the Industry".

In the event of any material decrease in its financial or operational strength, Air Canada's ability to make full payment of amounts owing to Chorus may be adversely affected. Such events could result in the inability of Air Canada to pay all amounts owing to Chorus under the CPA or other defaults by Air Canada of its obligations under the CPA or other contracts with Chorus, which would have a material adverse effect on Chorus' business, results from operations and financial condition.

Liquidity

Air Canada has significant ongoing capital and liquidity requirements and has in the past, among other things, issued new equity, entered into or amended credit facilities and sought cost cutting or containment changes to its arrangements with its workforce, suppliers and other stakeholders in order to improve its liquidity position. There can be no assurance that these measures will provide Air Canada with sufficient liquidity to continue operations in the longer term. The failure of Air Canada to satisfy its liquidity requirements could have a material adverse effect on Chorus' business, results from operations and financial condition. Such material adverse effect could arise as a result of any inability of Air Canada to pay all amounts owing to Chorus under the CPA or other defaults by Air Canada of its obligations under the CPA or other contracts with Chorus.

Termination of the CPA

Substantially all of Chorus' current revenues are received pursuant to the CPA, which currently covers all of Chorus' existing operating fleet (except two Dash 8-300 aircraft and one CRJ aircraft). Over the course of the term of the CPA, which expires December 31, 2025, the non-defaulting party is entitled to terminate the CPA at any time upon the occurrence of an event of default by the other party. Events of default include, without limitation:

- bankruptcy or insolvency of the other party;
- suspension or revocation of any of Chorus' regulatory authorizations and licenses required for Chorus to perform the air services required by the CPA;
- failure by Air Canada or Chorus to pay amounts when due where such default continues for a period of 30 days after notice;
- failure by Air Canada or Chorus to comply with any of its obligations under the CPA, where such default continues for a period of 30 days after notice;
- more than 50% of the aircraft do not operate any Scheduled Flights for more than seven consecutive days or 25% of the aircraft do not operate any Scheduled Flights for more than 21 consecutive days, other than as a result of an order of a governmental authority affecting the industry generally or as a result of any action by Air Canada, any strike by Air Canada employees or any force majeure (including any cessation, slow-down, interruption of work or any other labour disturbance);
- default by Chorus with respect to any material term under any other material agreement, if such default continues for more than the applicable period, if any;
- default by Air Canada or Chorus with respect to a material term of any other material agreement between Chorus and Air Canada if such default continues for more than the applicable period, if any;
- failure by Chorus to maintain adequate insurance;
- failure of Chorus to maintain specified critical service levels for four consecutive quarters or five of the prior eight quarters; and
- failure by Chorus to comply with Air Canada's audit and inspection rights.

If the CPA is terminated, Chorus' revenue and earnings would be significantly reduced or eliminated unless Chorus were able to enter into satisfactory substitute arrangements. There is no assurance that Chorus would be able to enter into satisfactory substitute arrangements or that such arrangements would be as favourable to

Chorus as the CPA. A termination of the CPA, or any failure of Chorus to enter into satisfactory substitute arrangements in the event of any such termination, would have a material adverse effect on Chorus' business, results from operations and financial condition.

Under the CPA, if a change of control of Jazz occurs without the consent of Air Canada that results in Jazz being directly or indirectly controlled by, or under common control with (a) certain air carriers operating out of Vancouver, Calgary, Toronto, Montreal, or (b) entities which own or operate a loyalty program which provides its members the ability to redeem points in exchange for air transportation services, Air Canada may terminate the CPA. The existence of this right may limit Chorus' ability to negotiate or consummate the sale of all or part of its business to another entity or otherwise participate in any consolidation in the airline industry.

In the event that the CPA is terminated as a result of Chorus' default, all leases from Air Canada (or any affiliate of Air Canada) to Chorus in respect of Covered Aircraft and Spare Engines will not be automatically terminated. In such event, Chorus would remain liable for its obligations under such leases with no corresponding ability to earn income under the CPA to cover its lease obligations, which could have a material adverse effect on Chorus' business, results from operations and financial condition.

Chorus owns all of its Q400 and certain Dash 8-100 and Dash 8-300 aircraft. There can be no assurance that Chorus will be able to deploy these aircraft on terms as favourable as the terms of the CPA if Air Canada terminates the CPA as a result of Chorus' default.

When the CPA expires, Air Canada has the option to purchase certain of Chorus' Q400 aircraft subject to certain terms and conditions specified in the CPA (the "AC Option"). If Air Canada were to exercise the AC Option, there can be no assurance that Chorus would be able to purchase replacement Q400 aircraft on favourable terms, and Chorus would be prevented from redeploying the affected aircraft. Any inability to purchase replacement aircraft or redeploy the affected aircraft could have a material adverse effect on Chorus' business, results from operations and financial condition.

If Air Canada does not exercise an AC Option, Chorus may require Air Canada to purchase one or more of certain of Chorus' Q400 aircraft subject to certain terms and conditions specified in the CPA. Any inability to redeploy the remainder of Chorus' aircraft could have a material adverse effect on its business, results from operations and financial condition.

If Air Canada terminates the CPA due to Chorus' default, Chorus would be obliged to immediately repay to Air Canada all amounts financed by Air Canada in respect of the ESP for the Dash 8-300 aircraft. Such repayment could have a material adverse effect on Chorus' liquidity and financial condition.

Early termination of the CPA constitutes an event of default under Chorus' financing arrangements with EDC in respect of the Q400 aircraft. In the event of such termination, EDC has the right to oblige Chorus to immediately repay all amounts financed in respect of these aircraft. Such repayment would have a material adverse effect on Chorus' liquidity and financial condition.

Upon the expiration or termination of the CPA, Chorus may lose access to airport facilities at key locations where Air Canada supplies facilities and other services to Chorus. Chorus may also lose access to such airport facilities should Air Canada not be able to secure such access to airport facilities in the future. Most of the airport facilities at Chorus' principal domestic destinations are leased by Air Canada from airport authorities. Under the CPA, Chorus is currently entitled to use these facilities to fulfill its obligations to Air Canada. All of Chorus' airport takeoff or landing slots used for Scheduled Flights are under Air Canada's name. Upon the expiry or termination of the CPA, Chorus may lose access to those airport facilities, airport takeoff or landing slots, and Chorus may have to enter into alternative arrangements to use the same or other airport facilities and slots at higher rates. There can be no assurance that Chorus would have access to other airport facilities or slots or as to the terms upon which Chorus could do so. Chorus' inability to secure access to sufficient airport facilities or slots, or ability to do so only with a significant cost increase, could have an adverse effect on Chorus' business, results from operations and financial condition.

Compensation under the amended CPA

The basis for compensation in the amended CPA is fundamentally different from the CPA terms in effect prior to this amendment. Effective January 1, 2015, Chorus is being paid a Fixed Margin per Covered Aircraft. Such arrangements are currently a more common basis for payment in the regional airline capacity provision industry; however, they constitute a significant departure from the previous CPA terms. The Fixed Margin per Covered Aircraft is set for the period 2015 to 2020, and set at a lower level for the period 2021 to 2025. In addition, Chorus is paid a Fixed Infrastructure Fee per Covered Aircraft which is also set for both the 2015 to 2020 period and at a lower level for the 2021 to 2025 period.

- *Cost Risks* - Except for flight crew and cabin crew labour rates (discussed below), the rates payable to Chorus under the amended CPA are generally set annually and in many cases are subject to certain conditions. If Chorus experiences costs significantly in excess of those anticipated, it could have an adverse effect on Chorus' business, results from operations and financial condition.

- *Labour Rate Risks* - Labour costs constitute a significant percentage of Chorus' total operating costs. Under the newly ratified collective agreement with ALPA, flight crew labour rates have been set until December 31, 2025. Chorus does not, however, have collective agreements of a similar duration with its other unions. Chorus has made certain projections with respect to cabin crew labour rates for the duration of the term of the CPA expiring December 31, 2025 and a significant increase in these particular costs above the levels assumed in Chorus' projections could result in a reduction in earnings. All other labour rates payable to Chorus under the amended CPA are set annually and are subject to certain conditions. Labour costs significantly in excess of those anticipated by Chorus could have an adverse effect on Chorus' business, results from operations and financial condition.

- Under the amended CPA, performance incentive revenues may become increasingly difficult for Chorus to earn as the utilization of the Covered Aircraft increases.

Pilot Mobility

Approximately 85% of Chorus pilots are at its most senior wage scale. Chorus has entered a pilot mobility agreement with Air Canada, which is expected to be in need of pilots as it continues to grow and faces increased pilot retirement. Air Canada has agreed to source at least 80% of its new pilot hires from among Chorus pilots named on the pilot mobility list. Chorus does not anticipate any issues in recruiting replacement pilots due to this arrangement.

Force Majeure

In the event that either Air Canada or Chorus is prevented from performing its obligations under the CPA in whole or in part due to a force majeure event, the affected party shall be temporarily excused from performing its obligations to the extent it is so prevented.

In addition, if Jazz is affected by a force majeure event which prevents it from performing all of its services under the CPA, Air Canada's obligation to pay the agreed rates related to certain limited fixed costs would continue, however Air Canada's obligation to pay the other agreed rates would be temporarily suspended. All other obligations of Air Canada, including, but not limited to, those related to the fleet of Covered Aircraft and MADUG would also be temporarily suspended and inapplicable in respect of the period of the force majeure event. Such force majeure event would also trigger prorated adjustments to be made to Air Canada's payment obligations in respect of the period of the force majeure event to reflect the level of service Jazz provides during such period.

Either of Air Canada and Chorus may terminate the CPA if the other party is prevented from performing all or substantially all of its obligations hereunder for more than 60 days due to a force majeure event.

Replacement of services provided by Air Canada under the CPA and the Master Services Agreement ("MSA")

Air Canada provides a number of important services to Chorus, including information technology, deicing services and glycol usage, fuel purchasing services and passenger, aircraft and traffic handling services. As well, as Chorus does not sell scheduled air service directly to the public, Chorus does not perform ticket sales, reservations or call centre services. If the CPA is not renewed beyond December 31, 2025, or is otherwise terminated, and Chorus were to determine to operate its own at-risk airline services, it would either need to provide these services internally or contract with third parties for such services. There can be no assurance that Chorus would be able to replace these services on a cost effective or timely basis. In addition, pursuant to the MSA, Air Canada provides certain services to Chorus including information technology services and insurance claims services. If the MSA is terminated and Chorus decided to undertake at risk flying, it would either need to provide these functions internally or contract with third parties for such functions. There can be no assurance that Chorus would be able to replace these services on a cost-effective or timely basis and this may have a material adverse effect on Chorus' business, results from operations or financial condition.

Air Canada Pilots Association ("ACPA") Scope Clauses

Air Canada's collective bargaining agreement with ACPA limits the number of regional jet aircraft which can be operated by any Air Canada Express carrier. These restrictions may prevent Chorus from increasing the capacity it provides Air Canada, which could have a material adverse effect on Chorus' business, results from operations and financial condition. Chorus cannot ensure that any future Air Canada collective bargaining agreement will not contain similar, or more severe, restrictions for Chorus.

Absence of exclusivity arrangements

Chorus does not benefit from exclusivity arrangements preventing Air Canada from allocating some or all of its regional capacity requirements internally or to another carrier under a capacity purchase agreement or other forms of contractual arrangements. Air Canada's use of other regional carriers could negatively impact opportunities for increasing Chorus' flying under the CPA. For example, Air Canada has a capacity purchase agreement with Air Georgian to operate certain regional routes including trans-border routes using aircraft formerly operated by Chorus. The lack of exclusivity arrangements with Air Canada could have an adverse effect on Chorus' business, results from operations or financial condition.

Potential conflicts with Air Canada

Contractual agreements, such as the CPA, are subject to interpretation and conflicts or disputes may arise under such agreements if the parties to an agreement apply different interpretations to that agreement. Conflicts or disputes may arise between Air Canada and Chorus under the CPA in a number of areas, including:

- the nature and quality of the services Air Canada provides to Chorus and the services Chorus provides to Air Canada;
- the terms of Air Canada's and Chorus' respective collective bargaining agreements;
- non-competition provisions (refer to Risks related to Chorus - Diversification and growth); and
- Chorus' and Air Canada's respective rights and obligations under the CPA or other agreements between Chorus and Air Canada, including conflicts based on differing interpretations of the contract language.

Conflicts and disputes may divert management attention and resources from the operation of the business and may result in litigation or other dispute resolution. Chorus may not be able to resolve any potential conflicts with Air Canada and, even if any such conflicts are resolved, the resolution may be on terms and conditions less favourable to Chorus. Any such result could have a material adverse effect on Chorus' business, results from operations and financial condition.

Risk related to Dash 8-100 aircraft

Chorus derives a relatively small portion of its revenues under the amended CPA as a result of operating Dash 8-100 aircraft. Chorus will be paid a fixed fee per aircraft for an agreed number of Dash 8-100 aircraft during the term of the amended CPA. As these Chorus-owned aircraft leave the fleet of Covered Aircraft, as provided in the amended CPA, there is a risk that Chorus will be unable to find use for these aircraft to generate equivalent revenue. Any such inability to utilize such aircraft could have an adverse effect on Chorus' business, results from operations and financial condition.

Risk related to Dash 8-300 Extended Service Program

Chorus is dependent on Bombardier as the supplier for the planned Dash 8-300 ESP. If Chorus is unable to complete the ESP in a timely manner, Chorus may have an insufficient number of Dash 8-300 aircraft to fulfill its obligations under the CPA, and its business, operating results and financial condition could be adversely affected.

Leasing risk related to Q400 aircraft

Chorus derives a significant portion of its revenues under the amended CPA from leasing Q400 aircraft. Chorus will be paid a fixed fee per aircraft for an agreed number of Q400 aircraft during the term of the amended CPA. When the amended CPA expires on December 31, 2025, there is a risk that Chorus will be unable to find use for these aircraft to generate equivalent revenue. Any such inability to utilize such aircraft could have a material adverse effect on Chorus' business, results from operations and financial condition.

Risks Relating to Chorus

Potential legislative changes

Chorus is subject to extensive laws relating to airline safety and security, competition, environment and labour. Government entities such as Transport Canada, the Competition Bureau, the Canadian Transportation Agency and other government entities may implement new legislation or render decisions that could have a material adverse impact on the airline industry in general by significantly increasing the cost of operations or reducing the demand for air travel.

On October 16, 2013, Bill C-439, *An Act Respecting the Rights of Air Passengers*, was reinstated from the previous session of Parliament. Previous versions of Bill C-439 died on recommendation of the Standing Committee on Transport, Infrastructure and Communities in 2009 (Bill C-310) and on the order paper when Parliament was dissolved in 2011 and 2013 (Bill C-541 and C-459 respectively). If enacted, Bill C-439 would impose obligations on air carriers in the event of certain flight delays, flight cancellations, denied boarding to passengers or ground delays of aircraft with passengers on board. Such legislation could lead to significant costs for air carriers, including Chorus, which could have a material adverse effect on Chorus' business, results from operations and financial condition. Management cannot predict whether such proposed legislation will be enacted, if at all, or if enacted whether its provisions will be in the form currently proposed by Bill C-439 or otherwise.

Employees

Chorus' business is labour-intensive and requires a large number of pilots, flight attendants, mechanics and other personnel. Chorus' business requires Chorus to locate, hire, train and retain new employees. There can be no assurance that Chorus will be able to locate, hire, train and retain a sufficient number of qualified employees that it needs to carry out its plans or replace departing employees. Chorus' inability to hire and retain a sufficient number of qualified employees at a reasonable cost could have a material adverse effect on its business, results from operations and financial condition.

Labour costs and labour relations

Labour costs constitute the largest percentage of Chorus' total operating costs that are borne by Chorus. There can be no assurance that the estimates of Chorus' future labour costs will be accurate. If such costs exceed Chorus' estimates, Chorus may realize decreased profitability under the amended CPA that will undermine Chorus' financial performance.

Ninety percent of Chorus employees are unionized. On January 30, 2015, Chorus reached a new agreement with its pilots, represented by ALPA. The agreement does not expire until the end of the amended CPA in 2025 and contains a no-strike clause. Currently the flight attendants are working under a collective agreement that expires in July of 2015. The collective agreement governing Chorus' Maintenance and Engineering employees, represented by the former Canadian Auto Workers, (now Unifor) expires in October of 2015. Chorus' Airports Customer Service employees and Crew Schedulers, also represented by Unifor have Collective Agreements in place until January 2016 and July 2016, respectively. Chorus' flight dispatch employees, represented by the Canadian Air Line Dispatchers Association ("CALDA"), signed a six year deal expiring in July of 2018.

There can be no assurance that the collective agreements will be renewed in the future without labour conflict or action, or that there will not otherwise be a labour conflict or action that could lead to an interruption or stoppage in Chorus' operations and adversely affect Chorus' ability to meet its targets, all of which could have a material adverse effect on its business, results from operations and financial condition. There can be no assurance that these agreements with Chorus employees' unions will be on terms that are consistent with Chorus' expectations or comparable to agreements entered into by other regional airlines, and any future agreements may increase labour costs or otherwise adversely affect Chorus.

Leverage and restrictive covenants in current and future indebtedness

The ability of Chorus to pay dividends, or make other payments or advances, is subject to, among other things, its liquidity position, applicable laws and contractual restrictions contained in the instruments governing any indebtedness. The degree to which Chorus is leveraged has important consequences to Shareholders, including: (i) that Chorus' ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited; (ii) that a significant portion of cash flow from operations may be dedicated to the payment of principal and interest in respect of its indebtedness, thereby reducing funds available for future operations; (iii) that certain borrowings will be at variable rates of interest, which exposes Chorus to the risk of increased interest rates; and (iv) that Chorus may be more vulnerable to economic downturns and be limited in its ability to withstand competitive pressures.

Access to new public financing may impact the ability of Chorus to obtain financing in the future on acceptable terms. Any failure of Chorus in the future to obtain required financing on acceptable terms could have a material adverse effect on Chorus' business, results of operations and financial condition.

Dilution of Shareholders

Chorus is authorized to issue an unlimited number of Class A Variable Voting Shares and an unlimited number of Class B Voting Shares for consideration, and on terms and conditions, as shall be established by the Board. The Shareholders have no pre-emptive rights in connection with such further issues. Chorus may make future acquisitions or enter into financings or other transactions involving the issuance of securities of Chorus which may be dilutive, and materially adverse to current Shareholders.

Uncertainty of dividend payments

Payment of dividends may be impacted by factors that can have a material adverse change on Chorus' business, results from operations and financial condition and which could impact its liquidity and ability to declare and pay dividends (whether at current levels, revised levels or at all), and is also dependent on, among other things, the ability of Chorus to generate sufficient cash flows, the financial requirements of Chorus, and applicable solvency tests and contractual restrictions (whether under credit agreements or other contracts).

Level of indebtedness - refinancing risk

The level of Chorus' indebtedness from time to time could impair Chorus' ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise. Any failure of Chorus in the future to obtain required financing or acceptable terms in these circumstances could have a material adverse effect on Chorus' business, results of operations and financial condition.

Diversification and growth

Management regularly reviews potential diversification and growth opportunities and business acquisition opportunities. As part of any such initiative, management conducts customary due diligence and performs analysis with the goal of identifying and evaluating material risks. Notwithstanding their review, management may be unsuccessful in identifying all such risks or realizing the intended synergies of any given initiative, or in successfully executing a particular diversification or growth transaction. Any such failure, or management's inability to effectively manage growth, could have a material adverse effect on Chorus' business, results from operations and financial condition.

Under the amended CPA, Chorus is prevented from carrying on or undertaking certain passenger airline services. Except under certain permitted circumstances, Chorus may not provide passenger services utilizing fixed-wing aircraft over a certain number of seats between two destinations located within the Non-Compete Geographic Area.

Under the amended CPA, Chorus may enter into contracts for charter services performed entirely outside of the Non-Compete Geographic Area. However, Chorus requires Air Canada's consent to enter into contracts for charters with more than a certain number of rotations between the same cities for the same customer and over agreed levels, to or from any Extended Hub Airport, or on any Air Canada routes.

If Chorus should enter into a contractual flying arrangement within North America for a third party whereby all or substantially all of the capacity of an aircraft or a number of aircraft is purchased by a third party and the capacity is then sold or otherwise made available or provided to the general public whether directly or indirectly on terms more favourable than those in the CPA, then the terms of the CPA will be adjusted to match the more favourable terms. In the event of a change of control of Jazz, this obligation for Chorus to extend more favourable contractual flying terms to Air Canada will also apply to any Chorus affiliate resulting from or created after the change of control.

Except under certain permitted circumstances, Chorus cannot provide or initiate scheduled (at risk) passenger flying to or from any Extended Hub Airport without the prior consent of Air Canada.

In the amended CPA, the parties have agreed on certain restrictions for Chorus acquisitions of airline operators in the Non-Compete Geographic Area. There are no restrictions on Chorus providing cargo services with dedicated cargo aircraft.

These restrictions on Chorus' business may prevent Chorus from entering into possible beneficial arrangements, which may have a material adverse effect on Chorus' business, results from operations and financial condition.

Reliance on key personnel

The success of Chorus depends on the abilities, experience, industry knowledge and personal efforts of senior management and other key employees, and Chorus' ability to retain and attract skilled employees. As Chorus seeks to diversify and/or grow, this may put additional strain and demand on management and on Chorus' employees and produce risks in both productivity and retention levels. In addition, Chorus may not be able to attract and retain additional qualified management as needed in the future. The loss of the services of such key personnel could have a material adverse effect on the business, results from operations, financial condition or future prospects of Chorus.

Risks relating to financial instruments

For a description of the interest rate risk, credit risk, liquidity risk and currency risk associated with Chorus' financial instruments, see the discussion in the 2014 MD&A dated February 18, 2015, Section 13, regarding Financial Instruments and Risk Management, which is available at www.sedar.com.

Off balance sheet arrangements and guarantees

Chorus has agreed to indemnify various third parties in connection with the entering into of leases, agreements and other arrangements. The maximum amount payable under such indemnities cannot be reasonably estimated. Chorus carries or is otherwise the beneficiary of various insurance policies in respect of various risks applicable to the business (including in respect of tort liability and certain contractual indemnities). While Chorus expects that it would be covered by insurance for most tort liabilities and certain related contractual indemnities, in the event that such insurance coverage were not available or insufficient, any payment pursuant to Chorus' indemnification obligations could have a material adverse effect on Chorus' business, results from operations and financial condition.

Suppliers

Chorus secures goods and services from a number of third party suppliers. Any significant interruption in the provision of goods and services from such suppliers, some of which would be beyond Chorus' control, could have a material adverse effect on Chorus’ business.

Chorus is dependent on Bombardier as the supplier for the Bombardier Q400 aircraft and the planned Dash 8 300 ESP. If Chorus is unable to acquire additional aircraft from Bombardier, complete the ESP, or if Bombardier were unable or unwilling to provide adequate support for their products, Chorus’ business, operating results and financial condition could be adversely affected.

Chorus’ ability to obtain parts, materials, inventory, consumables and services from third party vendors and outside service providers on commercially reasonable terms will also impact its operating cost structure and the loss of any such suppliers or service providers may negatively impact Chorus’ business.

Risks relating to the proposed acquisition of Voyageur Airways

There can be no assurance that the proposed acquisition will occur or that the anticipated strategic benefits and operational, competitive and cost synergies will be realized, that representations made by the vendor are accurate or that recourse will be available therefor. The proposed acquisition is subject to the fulfillment of certain conditions and there can be no assurance that any such conditions will be met. The proposed acquisition could be modified, restructured or terminated.

Risks Relating to the Industry

Economic and geopolitical conditions

Airline operating results are sensitive to economic and geopolitical conditions, which have a significant impact on the demand for air transportation. Airline fares and passenger demand have fluctuated significantly in the past and may fluctuate significantly in the future. Air Canada is not able to predict with certainty market conditions and the fares it may be able to charge. Customer expectations can change rapidly and the demand for lower fares may limit revenue opportunities. Travel, especially leisure travel, is a discretionary consumer expense. A downturn in economic growth in North America, as well as geopolitical instability in various areas of the world, could have the effect of reducing demand for air travel. Any such event could have a material adverse effect on Chorus' business, results from operations and financial condition.

Fuel costs

Fuel costs represent a major expense to air carriers. Should fuel prices increase, demand for air travel may decrease as a result of fuel surcharges and/or Air Canada may be unable to pass on any further increases to its customers through fuel surcharges. This could have a material adverse effect on Chorus' business, results from operations and financial condition if Air Canada were unable to meet its obligations under the amended CPA.

Impact of competition

The airline industry is highly competitive. Air Canada competes with other major carriers as well as low cost carriers on its routes, including routes that Chorus flies under the amended CPA. Competitors could rapidly enter markets Chorus serves for Air Canada, and quickly discount fares, which could lessen the economic benefit of Chorus' regional operations to Air Canada. WestJet Encore launched in June 2013, with two Q400 aircraft in Western Canada, by December 31, 2014 had 16 Q400 aircraft in its fleet and has announced firm commitments to purchase 14 additional Q400 aircraft through 2016. In December 2013, Air Canada announced that it had amended its capacity purchase agreement with Air Georgian to operate a number of regional routes including trans-border routes using CRJ100 aircraft formerly operated by Chorus.

Impact of increased competition in the regional airline industry and the tour operator industry on Chorus' diversification or growth opportunities

As well as the limitations under the amended CPA and the regulatory prohibition on cabotage, Chorus' ability to provide regional air service to a major United States airline is limited by existing relationships that all United States network airlines have with other regional operators. In addition, many of the network airlines are subject to scope clause restrictions under their collective bargaining agreements with employees that restrict their ability to add new regional jet capacity. New competitors may also enter the regional airline industry. Such new or existing competitors may enter into capacity purchase agreements with airlines, including Air Canada, in respect of routes currently operated by Chorus. Capacity growth by other regional airlines in the regional jet market would lead to significantly greater competition and may result in lower rates of return in the regional airline industry. Further, many of the network airlines are focused on reducing costs, which may also result in lower operating margins in the regional airline industry. Aggressive competition among tour operators and carriers providing flying services can limit Chorus' ability to expand in those markets. Any of the foregoing events could have a material adverse effect on Chorus' business, results from operations and financial condition.

Airline industry characterized by low gross profit margins and high fixed costs

The airline industry generally, and scheduled service in particular, are characterized by low gross profit margins and high fixed costs. The costs of operating any particular flight do not vary significantly with the number of passengers carried and, therefore, a relatively small change in the number of passengers or in fare pricing or traffic mix could have a significant effect on Air Canada's operating and financial results. This condition has been exacerbated by aggressive pricing by low-cost carriers, which has had the effect of driving down fares in general. A minor shortfall from Air Canada's expected revenue levels could have a material adverse effect on Chorus' business, results from operations and financial condition if Air Canada were unable to meet its obligations under the amended CPA.

Terrorist attacks

The occurrence of a terrorist attack (whether domestic or international and whether involving Air Canada, Chorus, another carrier or no carrier at all) and increasingly restrictive security measures, such as the restrictions on the content of carry-on baggage, could have a material adverse effect on passenger demand for air travel and on the number of passengers traveling on Air Canada's and Chorus' flights. Any such negative effect on demand could have a material adverse effect on Chorus' business, results from operations and financial condition if Air Canada were unable to meet its obligations under the amended CPA.

Epidemic diseases

The spread of contagious diseases could have a material adverse effect on passenger demand for air travel and the number of passengers traveling on Air Canada and Chorus flights, especially in the event travel related restrictions are imposed. Any such event could have a material adverse effect on Chorus' business, results from operations and financial condition.

Interruptions or disruptions in service

Chorus' business is significantly dependent upon its ability to operate without interruption at a number of key airports, including Toronto Pearson. An interruption or stoppage in service at a key airport could have a material adverse effect on Chorus' business, results from operations and financial condition.

Dependence on technology

Chorus relies in part on technology, including computer and telecommunications equipment and software to increase revenues, reduce costs, and operate its business. Proper implementation and operation of technology initiatives is fundamental to Chorus' ability to operate a profitable business. Chorus continuously invests in new technology initiatives to remain competitive, and its continued ability to invest sufficient amounts to enhance technology will affect Chorus' ability to operate successfully. An inability to invest in technological initiatives would have a material adverse effect on Chorus' business, results from operations and financial condition.

Chorus' technology systems may be vulnerable to a variety of sources of failure, interruption or misuse, including by reason of natural disasters, terrorist attacks, telecommunications failures, computer viruses, hackers and other security issues. While Chorus maintains and continues to invest in technology security initiatives and disaster recovery plans, these measures may not be adequate or implemented properly. Any failure in technology employed by Chorus or technology employed by Air Canada to provide services to Chorus, including by reason of power, telecommunication or Internet interruptions, could materially and adversely affect Chorus' operations and could have a material adverse effect on Chorus' business, results from operations and financial condition.

Seasonal nature of the business, other factors and prior performance

Chorus experiences greater demand for its services in the second and third quarters of the calendar year and lower demand in the first and fourth quarters of the calendar year. Chorus has substantial fixed costs that do not meaningfully fluctuate with passenger demand in the short-term. Chorus' revenues do not fluctuate significantly with passenger load factors.

Demand for air travel is also affected by factors such as economic conditions, war or the threat of war or terrorist attacks, fare levels and weather conditions. Due to these and other factors, operating results for an interim period are not necessarily indicative of operating results for an entire year, and operating results for a historical period are not necessarily indicative of operating results for a future period.

Under the amended CPA, Chorus is paid fees by Air Canada on a variety of different metrics based on Chorus' estimated Controllable Costs in the applicable period plus certain predetermined fixed fees during the remaining term of the amended CPA. However, Chorus' actual quarterly results could differ from those contemplated by the target margin based on a variety of factors, including the timing of capital expenditures and changes in operating expenses, such as personnel and maintenance costs, over the course of a fiscal year.

Regulatory matters

The airline industry is subject to extensive Canadian and foreign government regulations relating to, among other things, security, safety, licensing, competition, noise levels, the environment and, in some measure, pricing. Additional laws and regulations may be proposed, and decisions rendered, from time to time which could impose additional requirements or restrictions on airline operations. The implementation of additional regulations or decisions by Transport Canada, the Canadian Transportation Agency, the Treasury Board or other domestic or foreign governmental entities may have a material adverse effect on Chorus' business, results from operations and financial condition. Chorus cannot give any assurances that new regulations or revisions to the existing legislation, or decisions, will not be adopted or rendered. The adoption of such new laws and regulations or revisions, or the rendering of such decisions, could have a material adverse effect on Chorus' business, results from operations and financial condition.

Chorus is also subject to domestic and United States laws regarding privacy of passenger and employee data, and compensation for tarmac delays. Compliance with these regulatory regimes is expected to result in additional operating costs and could have a material adverse effect on Chorus' business, results from operations and financial condition.

Environment and greenhouse gas emissions

As a participant in the airline industry, Chorus is exposed to any future regulations concerning greenhouse gas emissions by its aircraft. Chorus would be faced with additional costs necessary to comply with any such regulations, which could have a material adverse effect on Chorus' business, results from operations and financial condition.

Third party war risk insurance

The Government of Canada renewed their indemnity for third party war risk liability coverage until December 31, 2015 however there is a risk that after this date the Government of Canada may not continue to provide the indemnity which it is currently providing Chorus and certain other carriers in Canada. Any such discontinuance could have a material adverse effect on Chorus' business, results from operations and financial condition.

In the event that the Government of Canada does not continue to provide such indemnity or amends such indemnity, Chorus and other industry participants would have to seek such coverage from commercial insurance providers.

On December 9, 2014, the Aviation Industry Indemnity Act (Canada) received Royal Assent and came into force, creating a system for the Government of Canada to indemnify aviation industry participants for these types of issues as they arise.

Casualty losses

Due to the nature of its core operating business, Chorus may be subject to liability claims arising out of accidents or disasters involving aircraft on which Chorus' customers are traveling or involving aircraft of other carriers maintained or repaired by Chorus, including claims for serious personal injury or death. There can be no assurance that Chorus' insurance coverage will be sufficient to cover one or more large claims and any shortfall could be material. Additionally, any accident or disaster involving one of Air Canada's or Chorus' aircraft or an aircraft of another carrier maintained or repaired by Air Canada or Chorus, could significantly harm their reputation for safety, which would have a material adverse effect on Chorus' business, results from operations and financial condition.

Risks Relating to Current Legal Proceedings

Various lawsuits and claims that have arisen in the normal course of business are pending by and against Chorus. The provisions that have been recorded are not material. It is the opinion of management that final determination of these claims will not have a material adverse effect on the financial position or the results of Chorus.

MARKET FOR SECURITIES

The Class A Variable Voting Shares and the Class B Voting Shares are traded on the TSX under the trading symbols "CHR.A" and "CHR.B" respectively. The Debentures were traded under the trading symbol, "CHR.DB" until fully redeemed in June 2014. The following table sets forth the price range and trading volume of the Class A Variable Voting Shares, the Class B Voting Shares and the Debentures as reported by the TSX for the months of January to December 2014 inclusive.

	Class A Variable Voting Shares				Class B Voting Shares				Debentures			
2014	High $	Low $	Average Daily Trading Volume	Total Monthly Volume	High $	Low $	Average Daily Trading Volume	Total Monthly Volume	High $	Low $	Average Daily Trading Volume	Total Monthly Volume
January	4.07	3.49	13,518	297,403	4.05	3.50	308,109	6,778,392	102.00	100.35	3,869	85,110
February	3.97	3.38	14,553	276,515	3.90	3.36	275,908	5,242,256	102.99	100.55	1,096	20,830
March	4.02	3.70	11,999	251,982	3.99	3.67	242,013	5,082,268	102.75	101.60	440	9,240
April	3.82	3.51	8,586	180,313	3.81	3.45	243,370	5,110,779	102.25	101.80	198	4,150
May	4.01	3.47	17,246	362,156	4.00	3.48	288,630	6,061,235	102.10	100.40	405	8,515
June	4.30	3.94	16,932	355,571	4.25	3.95	385,803	8,101,858	100.38	100.00	285	4,280
July	4.52	4.14	12,458	274,068	4.55	4.15	240,115	5,282,530	—	—	—	—
August	4.65	4.19	8,638	172,769	4.65	4.27	249,519	4,990,385	—	—	—	—
September	4.88	4.29	21,369	448,750	4.87	4.31	235,398	4,943,360	—	—	—	—
October	4.61	3.92	17,863	392,994	4.61	3.93	265,229	5,835,037	—	—	—	—
November	4.70	4.44	4,680	93,609	4.73	4.42	278,791	5,575,817	—	—	—	—
December	4.73	4.07	5,461	114,685	4.56	4.01	275,538	5,786,297	—	—	—	—

TRANSFER AGENTS AND REGISTRARS

The transfer agent and registrar for the Shares is CST Trust Company, at its principal offices in Halifax, Montreal, Toronto, Calgary and Vancouver. The transfer agent and registrar for the Debentures was BNY Trust Company of Canada, as attorney for the Trustee, CIBC Mellon Trust Company, at its offices in Toronto.

DIVIDEND RECORD

The current dividend policy of Chorus is $0.04 per common Share per month. Dividends payable by Chorus to its Shareholders are recorded when declared. The dividend policy is subject to the discretion of the board of directors of Chorus and may vary depending on, among other things, Chorus' financial condition including earnings, financial requirements, debt covenants, the satisfaction of solvency tests imposed by the CBCA for the declaration of dividends and other conditions existing at such future time.

Commencing January 2011, Chorus paid quarterly dividends of $0.15 per Share. On May 9, 2013, Chorus reduced its quarterly dividend from $0.15 per share to $0.075 per share. On December 10, 2013, Chorus increased its quarterly dividend from $0.075 per share to $0.1125 per share. During the third quarter of 2014, Chorus changed from quarterly dividend payments to monthly dividend payments. Chorus declared monthly dividends of $0.0375 per Share which were paid in August, September, October, November and December of 2014 to Shareholders of record at the close of business on each respective month end date. On February 18, 2015, Chorus announced an increase in the monthly dividend from $0.0375 to $0.04 per Share, effective with the March dividend for Shareholders of record at the close of business on March 31, 2015, and payable on April 17, 2015.

For the year ended December 31, 2014, Chorus paid $63.7 million in dividends to Shareholders (2013 - $55.7million, 2012 - $74.4 million).

DESCRIPTION OF CAPITAL STRUCTURE

The authorized share capital of Chorus is comprised of an unlimited number of Variable Voting Shares and Voting Shares. As of March 26, 2015, 6,146,732 Variable Voting Shares and 114,628,471 Voting Shares were issued and outstanding. The following summary describes the rights, privileges, restrictions and conditions that are attached to the Variable Voting Shares and the Voting Shares. This summary does not purport to be complete and is subject to, and is qualified in its entirety by, reference to the terms of Chorus' articles of amalgamation, as amended.

Variable Voting Shares

Voting

The holders of the Variable Voting Shares are entitled to receive notice of, and to attend and vote at, all meetings of the Shareholders of Chorus, except where the holders of a specified class are entitled to vote separately as a class as provided in the CBCA. The Variable Voting Shares may only be held, beneficially owned or controlled, directly or indirectly, by persons who are not Canadians, as such term is defined in the CTA ("Qualified Canadians") and are entitled to one vote per Variable Voting Share unless (i) the number of Variable Voting Shares outstanding, as a percentage of the total number of votes attaching to all issued and outstanding voting shares, exceeds 25% (or any higher percentage that the Governor in Council may by regulation specify), or (ii) the total number of votes cast by or on behalf of holders of Variable Voting Shares at any meeting exceeds 25% (or any higher percentage that the Governor in Council may by regulation specify) of the total number of votes that may be cast at such meeting. If either of these thresholds would otherwise be surpassed at any time, the vote attached to each Variable Voting Share will decrease proportionately such that (i) the Variable Voting Shares as a class do not carry more than 25% (or any higher percentage that the Governor in Council may by regulation specify) of the aggregate votes attached to all issued and outstanding voting shares of Chorus, and (ii) the total number of votes cast by or on behalf of holders of Variable Voting Shares at any meeting do not exceed 25% (or any higher percentage that the Governor in Council may by regulation specify) of the votes that may be cast at such meeting.

The Government of Canada’s Bill C-10, the *Budget Implementation Act 2009*, provides that the provisions relating to voting securities in the CTA will be amended to provide the Governor in Council with flexibility to, by regulation, increase the foreign ownership limit from the existing 25% level to a maximum of 49%. These regulations will come into force on a date to be fixed by order of the Governor in Council made on the recommendation of the Minister of Transport. As of March 30, 2014, no such new regulations have been proposed by the Governor in Council.

Dividends

Subject to the rights, privileges, restrictions and conditions attaching to the shares of Chorus of any other class ranking senior to the Variable Voting Shares, the holders of the Variable Voting Shares shall, at the discretion of the directors, be entitled to receive, out of monies, assets or property of Chorus properly applicable to the payment of dividends, any dividends declared and payable by Chorus on the Variable Voting Shares. The Variable Voting Shares rank equally as to dividends on a share-for-share basis with the Voting Shares participating on an as-converted basis. All dividends declared in any fiscal year of Chorus shall be declared in equal or equivalent amounts per share on all Variable Voting Shares, and Voting Shares participating on an as-converted basis at the time outstanding, without preference or distinction.

Subdivision or Consolidation

No subdivision or consolidation of the Variable Voting Shares or the Voting Shares shall occur unless, simultaneously, the shares of the other class are subdivided or consolidated in the same manner, so as to maintain and preserve the relative rights of the holders of the shares of each of the said classes.

Rights upon Liquidation, Dissolution or Winding Up

Subject to the rights, privileges, restrictions and conditions attaching to the shares of Chorus ranking prior to the Variable Voting Shares, upon liquidation, dissolution or winding up of Chorus or other distribution of Chorus' assets among its Shareholders for the purpose of winding up its affairs, the holders of the Variable Voting Shares and Voting Shares shall be entitled to receive the remaining property of Chorus and shall be entitled to share equally, share for share, in all distributions of such assets.

Conversion

Each issued and outstanding Variable Voting Share shall be converted into one Voting Share, automatically and without any further act of Chorus or of the holder, if (i) such Variable Voting Share becomes held, beneficially owned and controlled, directly or indirectly, otherwise than by way of security only, by a Qualified Canadian; or (ii) the provisions contained in the CTA relating to foreign ownership restrictions are repealed and not replaced with other similar provisions.

In the event that an offer is made to purchase Voting Shares and the offer is one which must, pursuant to applicable securities legislation or the rules of a stock exchange on which the Voting Shares are then listed, be made to all or substantially all the holders of the Voting Shares in a province of Canada to which the requirement applies, each Variable Voting Share shall become convertible at the option of the holder into one Voting Share that is subject to the offer at any time while the offer is in effect and until one day after the time prescribed by applicable securities legislation for the offeror to take up and pay for such shares as are to be acquired pursuant to the offer. The conversion right may only be exercised in respect of Variable Voting Shares for the purpose of depositing the resulting Voting Shares in response to the offer.

If the Voting Shares resulting from the conversion and deposited pursuant to the offer are withdrawn by the Shareholder or are not taken up by the offeror or the offer is abandoned or withdrawn, the Voting Shares resulting from the conversion shall be re-converted automatically, and without further act from Chorus or the holder, into Variable Voting Shares.

There shall be no right to convert the Variable Voting Shares into Voting Shares or to convert Voting Shares into Variable Voting Shares, except in accordance with the conversion procedure set forth in the Chorus articles of amalgamation.

Constraints on Ownership of Shares

The Variable Voting Shares may only be held, beneficially owned or controlled, directly or indirectly, by persons who are not Qualified Canadians.

Voting Shares

Voting

The holders of the Voting Shares shall be entitled to receive notice of, and to attend and vote at, all meetings of the Shareholders of Chorus (except where the holders of a specified class are entitled to vote separately as a class as provided in the CBCA), and each Voting Share shall confer the right to one vote in person or by proxy at all meetings of Shareholders of Chorus.

Dividends

Subject to the rights, privileges, restrictions and conditions attaching to the shares of Chorus of any other class ranking senior to the Voting Shares, the holders of the Voting Shares shall, at the discretion of the directors, be entitled to receive, out of monies, assets or property of Chorus properly applicable to the payment of dividends, any dividends declared and payable by Chorus on the Voting Shares and the Voting Shares shall rank equally as to dividends on a share-for-share basis with the Variable Voting Shares participating on an as-converted basis and all dividends declared in any fiscal year of Chorus shall be declared in equal or equivalent amounts per share on all Voting Shares and Variable Voting Shares on an as-converted basis at the time outstanding, without preference or distinction.

Subdivision or Consolidation

No subdivision or consolidation of the Voting Shares or the Variable Voting Shares shall occur unless, simultaneously, the shares of the other class are subdivided or consolidated in the same manner, so as to maintain and preserve the relative rights of the holders of the shares of each of the said classes.

Rights upon Liquidation, Dissolution or Winding Up

Subject to the rights, privileges, restrictions and conditions attaching to the shares of Chorus ranking senior to the Voting Shares, upon liquidation, dissolution or winding up of Chorus or other distribution of Chorus' assets among its Shareholders for the purpose of winding up its affairs, the holders of the Voting Shares and Variable

Voting Shares shall be entitled to receive the remaining property of Chorus and shall be entitled to share equally, share for share, in all distributions of such assets.

Conversion

Unless the foreign ownership restrictions of the CTA are repealed and not replaced with other similar restrictions, an issued and outstanding Voting Share shall be converted into one Variable Voting Share, automatically and without any further act of Chorus or the holder, if such Voting Share becomes held, beneficially owned or controlled, directly or indirectly, otherwise than by way of security only, by a person who is not a Qualified Canadian.

In the event that an offer is made to purchase Variable Voting Shares and the offer is one which must, pursuant to applicable securities legislation or the rules of a stock exchange on which the Variable Voting Shares are then listed, be made to all or substantially all the holders of the Variable Voting Shares, each Voting Share shall become convertible at the option of the holder into one Variable Voting Share that is subject to the offer at any time while the offer is in effect and until one day after the time prescribed by applicable securities legislation for the offeror to take up and pay for such shares as are to be acquired pursuant to the offer. The conversion right may only be exercised in respect of Voting Shares for the purpose of depositing the resulting Variable Voting Shares in response to the offer.

If the Variable Voting Shares resulting from the conversion and deposited pursuant to the offer are withdrawn by the Shareholder or are not taken up by the offeror or the offer is abandoned or withdrawn, the Variable Voting Shares resulting from the conversion shall be re-converted automatically, and without further act from Chorus or the holder, into Voting Shares.

There shall be no right to convert the Variable Voting Shares into Voting Shares or to convert Voting Shares into Variable Voting Shares, except in accordance with the conversion procedure set forth in the Chorus articles of amalgamation.

Constraints on Ownership of Shares

The Voting Shares may only be held, beneficially owned and controlled, directly or indirectly, by Qualified Canadians.

Declaration as to Canadian Status

Chorus' articles of amalgamation, as amended, provide that: (i) the Voting Shares may only be held, beneficially owned and controlled, directly or indirectly, by persons who are Qualified Canadians; and (ii) the Variable Voting Shares may only be held, beneficially owned or controlled, directly or indirectly, by persons who are not Qualified Canadians.

Repurchase of Shares

On March 27, 2014, Chorus announced that it had received approval from the TSX to implement a normal course issuer bid to purchase for cancellation up to 12,168,157 Shares (representing 10% of the public float at the time of approval) during the period from March 31, 2014 to no later than March 30, 2015. From April 1, 2014 to March 30, 2015, Chorus purchased and cancelled 2,290,800 Shares under its normal course issuer bid at an aggregate cost of $9.4 million. In accordance with the rules and by-laws of the TSX, such Shares were purchased at prevailing market prices plus brokerage fees, or such other prices as were permitted by the rules and by-laws of the TSX.

Shareholders may obtain a copy of the notice filed with the TSX in relation to the NCIB, free of charge, by sending a request to the Corporate Secretary, Chorus Aviation Inc. at 3 Spectacle Lake Drive, Dartmouth, Nova Scotia, B3B 1W8.

Stock options

On May 20, 2014, Chorus granted 5,350,000 stock options to certain executive employees of the company (the "Executive Options"). The options were intended to further incentivize management to drive operating and strategic improvements which result in value creation for Shareholders and to recognize the extraordinary efforts required to achieve the long-term strategy. The options vest 100% after three years and have a five year option term. The options have an exercise price of $4.50. Consistent with the purpose of the option grant, the exercise price was set at a hurdle that was significantly above the $3.84 (closing) market price of the shares on the date of grant.

Convertible Debentures

Information regarding the Debentures can be found under "The Chorus Business - Debt Financing - Convertible Debentures".

DIRECTORS AND OFFICERS

Directors of Chorus

The name, municipality of residence and principal occupation of each of the directors are, as of the date hereof, as set forth below. Such individuals have served as directors of Chorus since the dates set forth opposite their respective names. Each of the directors of Chorus has been elected or appointed to serve until the end of the next annual meeting of Shareholders. The directors stand for election annually. Biographies for each of the directors are available on Chorus' website at www.chorusaviation.ca.

Name and Municipality of Residence	Principal Occupation	Director of Chorus or its predecessors since
Gary M. Collins[(1)] Vancouver, British Columbia	Corporate Director	May 8, 2008
Karen Cramm[(2)] Halifax, Nova Scotia	Corporate Director	December 6, 2010
Richard D. Falconer[(3)] Toronto, Ontario	Senior Director, Verus Partners & Co. Inc.[(4)]	March 1, 2012
Sydney John Isaacs[(5)] Westmount, Québec	Corporate Director	January 1, 2008
G. Ross MacCormack[(6)] Newport, Vermont, United States	Aviation Consultant	January 24, 2006
Richard H. McCoy[(7)] Toronto, Ontario	Corporate Director	January 24, 2006 Chairman since January 1, 2008
Joseph D. Randell Wellington, Nova Scotia	President and Chief Executive Officer, Chorus	January 24, 2006

(1) Chair of the Governance and Nominating Committee and Member of the Audit, Finance and Risk Committee
(2) Chair of the Audit, Finance and Risk Committee and member of the Governance and Nominating Committee
(3) Chair of the Human Resources and Compensation Committee and Member of the Audit, Finance and Risk Committee
(4) The principal business of Verus Partners & Co. Inc. is independent investment banking
(5) Member of the Governance and Nominating Committee and of the Human Resources and Compensation Committee
(6) Member of the Governance and Nominating Committee and of the Human Resources and Compensation Committee
(7) Chairman of the Board of Directors

Each of the foregoing directors has held the same principal occupation for the previous five years, except (i) Mr. Collins who was Senior Vice President of Belkorp Industries from April 2007 until June 2012, and President of Coastal Contacts from August 2012 until April 2014, (ii) Mr. Falconer who was Vice Chairman and Managing Director, CIBC World Markets Inc., from 1993 until he retired on January 31, 2011, and (iii) Mr. Isaacs who was Senior Vice President, Corporate Development and Chief Legal Officer of ACE Aviation Holdings Inc., from November 2004 to June 2012.

Officers of Chorus

The following table sets out, for each of the executive officers of Chorus Aviation Inc. and Jazz Aviation LP's general partner Aviation General Partner Inc., the person's name, municipality of residence as of March 30, 2015, positions with Chorus and/or Jazz, principal occupation and date of first appointment as an executive officer. Biographies for each of the executive officers are available on Chorus' website at www.chorusaviation.ca. For purposes of the table below, references to Chorus means Chorus Aviation Inc.

Name and Municipality of Residence	Position with Chorus	Principal Occupation	Executive Since
Richard H. McCoy Toronto, Ontario	Chairman	Corporate Director	January 1, 2008
Joseph D. Randell Wellington, Nova Scotia	President and Chief Executive Officer, Chorus and Jazz	President and Chief Executive Officer, Chorus and Jazz	January 1, 2001
Colin Copp Delta, British Columbia	Chief Administrative Officer, Jazz	Chief Administrative Officer, Jazz	August 1, 2004
Richard Flynn Dartmouth, Nova Scotia	Chief Financial Officer, Chorus and Jazz	Chief Financial Officer, Chorus and Jazz	May 30, 2005
Jolene Mahody Halifax, Nova Scotia	Chief Operating Officer, Jazz	Chief Operating Officer, Jazz	August 1, 2004
David Deveau Hammonds Plains, Nova Scotia	Vice President, Safety, Quality and Environment, Jazz	Vice President, Safety, Quality and Environment, Jazz	June 10, 2011
Franco Giampa London, Ontario	Vice President, Airports & System Operations Control, Jazz	Vice President, Airports & System Operations Control, Jazz	March 1, 2011
Steven Linthwaite Guelph, Ontario	Vice President, Flight Operations, Jazz	Vice President, Flight Operations, Jazz	September 3, 2007
Gary Osborne, Hammonds Plains, Nova Scotia	Vice President, Finance, Chorus and Jazz	Vice President, Finance, Chorus and Jazz	May 9, 2013
Kal Rebin Bolton, Ontario	Vice President, Maintenance and Engineering, Jazz	Vice President, Maintenance and Engineering, Jazz	October 7, 2013
Barbara Snowdon Bedford, Nova Scotia	General Counsel and Corporate Secretary, Chorus and Jazz	General Counsel and Corporate Secretary, Chorus and Jazz	June 20, 2007
Scott Tapson Bedford, Nova Scotia	Vice President, Business Development, Chorus and Jazz	Vice President, Business Development, Chorus and Jazz	August 1, 2004

Each of the foregoing officers has held an executive officer position with Chorus or Jazz or one of its predecessors for the previous five years, except: Franco Giampa, who, prior to March 1, 2011 was Director, Airports for Jazz and its predecessor from March 2003 to March 1, 2011, David Deveau, who, prior to June 13, 2011 was Director, Safety, Quality and Environment for Jazz and its predecessor from June 23, 2008 to June 13, 2011, Kal Rebin, who, prior to October 7, 2013 was Director, MOC, Engineering and Planning for Jazz and its predecessor from May 1, 2000 to August 18, 2011 and Director, Line Maintenance and Engineering for Jazz from August 18, 2011 to October 7, 2013 and Gary Osborne, who prior to May 9, 2013 was Director, Financial Planning and Systems for Jazz and its predecessor from June 5, 2006 to May 9, 2013.

As at March 26, 2015, the Directors and Officers mentioned above, as a group, owned, or had control or direction over, directly or indirectly 2,000 Variable Voting Shares representing approximately 0.03% of the outstanding Variable Voting Shares and 1,441,423 Voting Shares representing approximately 1.26% of the outstanding Voting Shares.

Audit, Finance and Risk Committee

The primary purpose of the Audit, Finance and Risk Committee is to assist the Board of Directors of Chorus in fulfilling their responsibilities of oversight and supervision of the accounting and financial reporting practices and procedures, the adequacy of internal accounting controls and procedures, and the quality and integrity of financial statements. The Audit, Finance and Risk Committee also considers other risks to the business and affairs of Chorus, in particular, risks associated with operational safety and the environment.

Charter of the Audit, Finance and Risk Committee

The charter of the Audit, Finance and Risk Committee, as approved on May 31, 2011, is set out in Schedule A to this AIF.

Composition of the Audit, Finance and Risk Committee

The Audit, Finance and Risk Committee is composed of three members, as follows: Karen Cramm (Chair), Gary M. Collins, and Richard D. Falconer. Each member of the Audit, Finance and Risk Committee is independent of each of Chorus, and its affiliates, and financially literate as required under National Instrument 52-110 - Audit Committees.

Relevant Education and Experience of the Audit Committee Members

In addition to each member's general business experience, the education and experience of each Audit Committee member that is relevant to the performance of his or her responsibilities as an Audit Committee member is as follows:

(i) ***Karen Cramm*, *FCA.*** Ms. Cramm is a corporate director. A Chartered Accountant, Mrs. Cramm holds master's degrees in business administration (MBA) and in public administration (MPA). Mrs. Cramm was a Partner of Deloitte & Touche ("Deloitte") for twenty-seven years retiring from the firm on August 31, 2009. While an active Partner of Deloitte, she practiced in the Financial Services Group with a focus on Reorganization Services and Forensic & Dispute Services and held two specialist designations: one in insolvency and restructuring (CA•CIRP) and the other in investigative and forensic accounting (CA•IFA). She was also licensed as a Trustee in Bankruptcy. Mrs. Cramm has served as President of the Institute of Chartered Accountants of Nova Scotia and was elected as a Fellow of that Institute (FCA) on December 6, 1991 in recognition of distinguished service to the profession. From September 1, 1993 to August 31, 1999, Mrs. Cramm served as the Managing Partner of the Deloitte Halifax Office. She was elected to the Canadian Deloitte Board of Directors for fourteen years and during that time she chaired and served on various committees of the Deloitte Board.

(ii) ***Gary M. Collins*** is a corporate director. He was the President of Coastal Contacts Inc., a direct-to-customer online retailer of replacement contact lenses, eye glasses and optical products from August, 2012 to May, 2014. Previously, he was Senior Vice President of Belkorp Industries Inc. from April 2007 to June 2012. Prior to that, Mr. Collins was the President and Chief Executive Officer of Harmony Airways from December 2004 until December 2006. From October 1991 to December 2004 he was a member of the British Columbia Legislative Assembly and held the portfolio of Minister of Finance from June 2001 to December 2004. Mr. Collins is a director and serves on the audit committee of Liquor Stores North America Inc. He previously served on the audit committee of Catalyst Paper Corporation. Mr. Collins is also a board member of D-Box Technologies Inc.

(iii) ***Richard D. Falconer.*** Mr. Falconer is a senior partner of Verus Partners & Co. Inc., an independent investment banking advisory firm. The majority of Mr. Falconer's career was spent with CIBC World Markets Inc., where he retired after 40 years of service as Vice Chairman and Managing Director. In addition to being responsible for senior investment banking relationships, he sat on a number of committees at the bank. Mr. Falconer's experience has spanned various industries and he has provided written and expert regulatory testimony before many utility boards across Canada. He is a member of the board of directors of Resolute Forest Products Inc. and is the chairman of the board of Jaguar Mining Inc.

Independence of External Auditors

The Audit, Finance and Risk Committee reviews and approves the nature of all non-audit services, as permitted by securities legislation and regulations, to be provided to any Chorus entity by Chorus and its affiliates' external auditor prior to the commencement of such work. In this regard, the Audit, Finance and Risk Committee prepares a report for presentation to the Shareholders quarterly or annually, as required, regarding the Audit, Finance and Risk Committee's approval of such non-audit services in the period.

The Audit, Finance and Risk Committee also requires and reviews a report from the external auditor, if deemed appropriate by the Audit, Finance and Risk Committee, of all relationships between the external auditor and its related entities and Chorus and its affiliates and their related entities, including all work performed and fees paid for such work of a non-audit nature, that in the external auditor's professional judgment may reasonably be perceived to bear on its objectivity and independence and confirming that in the external auditor's professional judgment it is independent of Chorus and its affiliates and discuss this report with the external auditor in order to evaluate the objectivity and independence of the external auditor. The Audit, Finance and Risk Committee also reviews steps taken by the external auditor to address any findings in any of the foregoing reviews.

Auditors' Fees

Fees payable for the years ended December 31, 2014 and December 31, 2013 to PricewaterhouseCoopers LLP and its affiliates were $579,089 and $588,831, respectively, as detailed below:

	Year ended December 31,	
	2014 **$**	**2013** **$**
Audit fees	321,097	313,016
Audit-related fees	84,268	69,400
Tax fees	173,724	198,675
All other fees	—	7,740
	579,089	588,831

The nature of each category of fees is described below.

<u>Audit fees</u>. Audit fees were paid for professional services rendered for the audit of Chorus and its affiliates annual financial statements, for the reviews of quarterly reporting by Chorus and for services normally provided in connection with statutory and regulatory filings or engagements.

Audit-related fees. Audit-related fees were paid for professional services related to pension plan audits, and accounting consultation.

Tax fees. Tax fees were paid for professional services rendered with respect to income taxes, including tax advice, tax planning and payroll tax consultation.

All other fees. Other fees paid in 2013 were for pension filing software and a review of the security of Chorus' information technology infrastructure.

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

The information provided in this section is current as of the date of this AIF.

Corporate Cease Trade Orders or Bankruptcies

Other than as set forth below, to the knowledge of Chorus: no director or executive officer of Chorus is, or has been in the last ten years: (i) a director, chief executive officer or chief financial officer of any company that (A) while that person was acting in that capacity, was the subject of a cease trade order or similar order, or an order that denied the relevant company access to any exemptions under the securities legislation, for a period of more than 30 consecutive days, or (B) was the subject of an order of the type referred to in (A) above that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer of that company and which resulted from an event that occurred while that person was acting in a capacity as director, chief executive officer or chief financial officer of that company; or (ii) a director or executive officer of any company, that while that person was acting as director or executive officer of that company, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceeding, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, except:

(i) Richard D. Falconer was a member of the board of Jaguar Mining Inc. when it filed for a voluntary proceeding under the CCAA on December 23, 2013.

Penalties or Sanctions

To the knowledge of Chorus, no director or executive officer of Chorus (i) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (ii) has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Personal Bankruptcies

To the knowledge of Chorus, in the last ten years, no director or executive officer of Chorus has become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or executive officer.

LEGAL PROCEEDINGS

There were and there are no material legal proceedings that Chorus was or is a party to, or that any of its property was or is the subject of, during Chorus' most recent financial year and Chorus knows of no such legal proceedings currently contemplated.

CONFLICTS OF INTEREST

Except as disclosed below and elsewhere herein no director or senior officer of the Corporation has any existing or potential material conflicts of interest with the Corporation.

INTEREST OF EXPERTS

PricewaterhouseCoopers LLP are the auditors of Chorus and have advised that they are independent with respect to Chorus within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Nova Scotia. The information provided in this section is current as of the date of this AIF.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

None of (i) the directors or senior officers of Chorus, (ii) Shareholders of Chorus that, to the knowledge of Chorus, beneficially own or control, directly or indirectly, more than 10% of any class of shares of Chorus, or (iii) any associate or affiliate of the persons referred to in (i), has or has had any material interest, direct or indirect, in any transaction within the past three years or in any proposed transaction that has materially affected or will materially affect Chorus or any of their subsidiaries.

The information provided in this section is current as of the date of this AIF.

MATERIAL CONTRACTS

Except for the amended CPA (see "The Chorus Business - Amended Capacity Purchase Agreement with Air Canada"), the particulars of each of which are described above in this AIF, all material contracts entered into by Chorus in 2014 and as of the date of this AIF were entered into in the ordinary course of business. No such other material contracts were required to be filed by Chorus under applicable securities legislation.

ADDITIONAL INFORMATION

Additional information relating to Chorus may be found on SEDAR at www.sedar.com and www.chorusaviation.ca.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Chorus' securities and securities authorized for issuance under equity compensation plans will be contained in Chorus' information circular for its annual meeting of Shareholders to be held on May 14, 2015. Additional financial information is provided in the Chorus Consolidated Financial Statements for the year ended December 31, 2014 and in Chorus' 2014 MD&A.

Chorus will, upon the delivery of a written request to the Corporate Secretary of Chorus, at 3 Spectacle Lake Drive, Dartmouth, Nova Scotia, B3B 1W8, provide to any person or entity, the documents specified below:

(a) when Chorus is in the course of a distribution of its securities under a short form prospectus, or has filed a preliminary short form prospectus in respect of a proposed distribution of its securities:
   i) one copy of Chorus' latest AIF, together with one copy of any document or the pertinent pages of any document, incorporated therein by reference;
   ii) one copy of the consolidated audited financial statements of Chorus for the most recently completed financial year for which financial statements have been filed, together with the Auditors' Report thereon, and one copy of any unaudited interim financial statements of Chorus for any period after its most recently completed financial year;

iii) one copy of the information circular of Chorus in respect of its most recent annual meeting of Shareholders that involved the election of directors of Chorus or one copy of any annual filing prepared instead of that information circular, as appropriate; and

iv) one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not required to be provided under subparagraphs (i) to (iii); or

(b) at any other time, Chorus shall provide to any person or company one copy of any of the documents referred to in subparagraphs (a)(i), (ii) and (iii) above, provided that Chorus may require the payment of a reasonable charge if the request is made by a person or company who is not a holder of Chorus' securities.

GLOSSARY OF TERMS

"**ACPA**" means the Air Canada Pilots Association;

"**Active Aircraft**" means Covered Aircraft other than aircraft being modified, undergoing scheduled maintenance or being painted;

"**AIF**" means this Annual Information Form;

"**Air Canada Ground Handling Agreement**" means the ground handling services agreement dated September 26, 2005 between Jazz Aviation LP and Air Canada, successor to ACGHS Limited Partnership;

"**Aircraft Ownership Payment**" shall have the meaning ascribed thereto under "The Chorus Business - Capacity Purchase Agreement with Air Canada";

"**ALPA**" means the Air Line Pilots Association;

"**Annual Delivered Block Hours**" has the meaning given in the CPA";

"**Annual Minimum Block Hours**" has the meaning given in the CPA;

"**ATAC**" means the Air Transport Association of Canada;

"**Available Seat Mile (ASMs)**" means a measure of passenger capacity calculated by multiplying the total number of seats available for passengers by the number of miles flown;

"**Aviation GP**" means Aviation General Partner Inc., a corporation incorporated under the *Business Corporations Act (Ontario)* on November 18, 2010 to act as the general partner of Jazz Aviation LP;

"**Block Hours**" mean the number of minutes elapsing from the time the chocks are removed from the wheels of an aircraft until the chocks are returned to the wheels of the aircraft, divided by 60;

"**Bombardier**" means Bombardier Inc.;

"**CALDA**" means the Canadian Air Line Dispatchers Association;

"**Cargo Services**" has the meaning given in the CPA;

"**CBCA**" means the *Canada Business Corporations Act*, as amended;

"**CCAA**" means the *Companies' Creditors Arrangement Act*, as amended;

"**CFAU**" means the Canadian Flight Attendants Union;

"**Chorus Airport Services Inc.**" means Chorus Airport Services Inc., a corporation incorporated under the CBCA on November 28, 2013;

"**Chorus Aviation Holdings Inc.**" means Chorus Aviation Holdings Inc., a corporation incorporated under the CBCA on November 28, 2013;

"**Compensating Mark-Up**" has the meaning given in the CPA;

"**Controllable Costs**" mean for any period, all costs and expenses incurred and paid by Chorus other than Pass-through costs;

"**Covered Aircraft**" means Chorus' aircraft subject to the CPA;

"**CPA**" means the amended and restated capacity purchase agreement effective January 1, 2006, between Air Canada and Jazz, as amended by the Rate Amending Agreements and the CPA Amending Agreements, and as may be further amended;

"**CPA Amending Agreements**" means the agreements to amend the CPA dated September 22, 2009, March 8, 2011, June 21, 2012, June 6, 2013 and January 1, 2015;

"**CTA**" means the *Canada Transportation Act* and the regulations thereunder, as amended;

"**Debentures**" mean the $80.2 million principal amount of 9.50% convertible unsecured subordinated debentures of Chorus fully redeemed during 2014;

"**Departure**" means one take off of an aircraft;

"**DOT**" means the United States Department of Transportation;

"**EDC**" means Export Development Canada;

"**Extended Hub Airport**" means collectively the Hub Airports and any airport located within 175 kilometres of the Hub Airports;

"**FAA**" means the United States Federal Administration Authority;

“**Fixed Margin per Covered Aircraft**” has the meaning given in the CPA;

"**Flight Completion**" means the percentage of flights completed from flights originally scheduled;

"**Flight Hours**" has the meaning given in the CPA;

"**Flight Services Agreement**" means the contractual flying agreement between Thomas Cook and Chorus;

"**FTE**" means full-time equivalents in respect of employee staffing levels;

"**GHG**" means green house gas;

"**Hub Airport**" means an airport bearing the International Air Transport Association code YVR, YYC, YEG, YYZ, YOW or YUL;

"**IATA**" means the International Air Transport Association;

"**ICAO**" means the International Civil Aviation Organization;

“**Infrastructure Fee per Covered Aircraft**” has the meaning given in the CPA;

"**Jazz**" means Jazz Aviation LP, together with its general partner, Aviation GP, and their respective subsidiaries and predecessors; and, in particular, reference to Jazz in respect of a time period prior to October 1, 2004 are references to the business of Jazz as carried on by Jazz Air Inc., which was liquidated on September 30, 2004, and references to Jazz in respect of the time period from October 1, 2004 until February 2, 2006 are references to the business of Jazz as carried on by the Successor Partnership, and references to Jazz in respect of the time period from February 2, 2006 until January 5, 2011 are references to Jazz Air LP, unless the context requires otherwise;

"**Jazz Air LP**" means Jazz Air LP, a limited partnership established under the laws of the Province of Québec on September 12, 2005, which carried on the regional airline business from February 2, 2006 until January 5, 2011;

"**Jazz Aircraft Financing Inc.**" means Jazz Aircraft Financing Inc., a corporation incorporated under the CBCA on November 28, 2013;

"**Jazz Aviation Holdings Inc.**" means Jazz Aviation Holdings Inc., a corporation incorporated under the CBCA on November 28, 2013;

"**Jazz Aviation LP Partnership Agreement**" means the limited partnership agreement dated November 18, 2010 pursuant to which Jazz Aviation was formed;

"**Jazz GP**" means Jazz Air Holding GP Inc., a corporation incorporated under the CBCA on August 23, 2005 to act as the general partner of Jazz Air LP;

"**Jazz Group**" is currently comprised of the Jazz Aviation LP, Jazz Aircraft Financing Inc. and Jazz Leasing Inc.;

"**Jazz Leasing Inc.**" or "**JLI**" means Jazz Leasing Inc., a corporation incorporated under the CBCA on November 28, 2013;

"**MADUG**" means minimum average daily utilization guarantee;

"**Management**" means management of Chorus;

"**Monthly Schedule**" has the meaning given in the CPA;

"**MD&A**" means Chorus' management's discussion and analysis of results of operations and financial condition;

"**MSA**" means the master services agreement dated September 24, 2004 between Jazz and Air Canada;

"**Non-Compete Geographic Area**" means within the ten provinces of Canada, any route to and from the Extended Hub Airports (as defined below) and any Air Canada routes to and from the ten provinces of Canada (for the purposes of this definition, an Air Canada route is determined based on Air Canada's schedule in effect from time to time);

"**OLA**" means the *Official Languages Act* (Canada), as amended;

"**On-time performance**" means the percentage of flights that arrive within 15 minutes of their scheduled time;

"**Operating Aircraft**" means Covered Aircraft under the CPA plus charter aircraft, less new aircraft deliveries which have not yet entered commercial service;

"**Pass-through Cost**" has the meaning given in the CPA;

"**PIPEDA**" means the *Personal Information Protection and Electronic Documents Act* (Canada);

"**Province**" means the Province of Nova Scotia;

"**Q400 aircraft**" means Bombardier Q400 NextGen turboprop aircraft;

"**Qualified Canadian**" means a "Canadian" as defined in the CTA;

"**Rate Amending Agreements**" means the agreements to amend and re-set the rates between Jazz and Air Canada dated July 6, 2009, August 6, 2012, and June 3, 2013;

"**Scheduled Flights**" has the meaning given in the CPA;

"**Shareholder**" means a holder of Shares;

"**Shares**" mean common shares of Chorus Aviation Inc., which includes Class A Variable Voting Shares and Class B Voting Shares;

"**Spare Engine**" means any spare engine used to support a Covered Aircraft;

"**Successor Partnership**" means Jazz Air Limited Partnership, a limited partnership established under the laws of the Province of Québec, which carried on the regional airline business from October 1, 2004 until February 2, 2006;

"**Thomas Cook**" means Thomas Cook Canada Inc.;

"**Toronto Pearson**" means Toronto Lester B. Pearson International Airport;

"**Trademark License Agreement**" means the trademark license agreement dated September 30, 2004 between Air Canada and Jazz;

"**TSX**" means the Toronto Stock Exchange;

"**Unit Costs**" mean "Jazz's Unit Costs" as defined in the CPA;

"**Variable Voting Shares**" mean Class A Variable Voting Shares in the capital of Chorus Aviation Inc.; and

"**Voting Shares**" mean Class B Voting Shares in the capital of Chorus Aviation Inc.

SCHEDULE "A"

CHARTER OF THE AUDIT, FINANCE AND RISK COMMITTEE

(the "Committee")

OF THE BOARD OF DIRECTORS OF CHORUS AVIATION INC.

(the "Corporation")

1. Purpose

The primary purpose of the Committee is to assist the board of directors of the Corporation (the "Board") in fulfilling applicable public Corporation obligations respecting audit committees and to assist the Board in fulfilling its oversight responsibilities with respect to financial reporting.

2. Composition and Qualification

(a) The Committee shall be comprised of three (3) or more directors as determined by the Board, all of whom shall meet the independence, experience and other membership requirements under applicable laws, rules and regulations.

(b) The members of the Committee shall be appointed by the Board to hold office from the time of their appointment until the next annual general meeting of the shareholders or until their successors are appointed. Unless a Chair is appointed by the Board, the members of the Committee may designate a Chair by a majority vote of all the Committee members. The Board may fill vacancies on the Committee by appointing another director to the Committee. The Board shall fill any vacancy if the membership of the Committee is less than three directors. Whenever there is a vacancy on the Committee, the remaining members may exercise all its power.

(c) The members of the Committee shall have no relationships with management, the Corporation, and its related entities that in the opinion of the Board may interfere with their independence. In addition, a Committee member shall not receive, other than for service on the Board or the Committee or other committees of the Board, any consulting, advisory, or other compensatory fee from the Corporation or any of its related parties or subsidiaries. The members of the Committee shall possess the mix of characteristics, experiences and skills to provide an appropriate balance for the performance of the duties of the Committee and in particular each member of the Committee shall be "financially literate".

(d) The Committee may invite, from time to time, such person as it may see fit to attend its meeting and to take part in discussion and consideration of the affairs of the Committee. However, any such persons invited may not vote at any meeting of the Committee.

(e) The Committee shall meet periodically, and more often as warranted, with the Chief Executive Officer to discuss any matters that the Committee or either of these individuals believes should be discussed privately. However, the Committee shall also meet periodically without management present.

(f) The Board, may, at any time, remove any member of the Committee at its discretion and may accept the resignation of any member of the Committee.

3. Meetings and Procedure

(a) The Committee shall meet at least quarterly, or more frequently as circumstances dictate. Such meetings may be held by telephone or by any other mean which enables all participants to communicate with each other simultaneously.

(b) The Committee may fix its own procedure at meetings and for the calling of meetings except as may be otherwise provided by the Board.

(c) A quorum for the transaction of business at a Committee meeting shall be a majority of the Committee members. All decisions and recommendations made by the Committee shall be made by a majority vote of the members present at the meeting.

(d) The Committee shall have the authority to delegate any of its responsibilities to individual members and subcommittees as the Committee may deem appropriate in its sole discretion.

(e) Notice of meetings shall be given by letter, facsimile, email or telephone not less than 24 hours before the time fixed for the meeting. Notice of meetings shall state the date, the place and the hour at which such meetings will be held. Members may waive notice of any meeting.

(f) An "in-camera" session of the members of the Committee shall be held as part of each meeting of the Committee.

(g) The minutes of the Committee meetings shall accurately record the significant discussions of, and decisions made by, the Committee, including all recommendations to be made by the Committee to the Board and shall be distributed to Committee members as well as to all the directors of the Corporation, with copies to the Chief Executive Officer of the Corporation.

(h) The Committee, through its Chairman, shall report to the Board on all proceedings and deliberations of the Committee at the first subsequent meeting of the Board, and at such other times and in such manner as the Board may require or as the Committee in its discretion may consider advisable.

(i) The Committee shall meet periodically in separate executive sessions with management (including the Chief Financial Officer) and the independent auditor, and have such other direct and independent interaction with such persons from time to time as the members of the Committee deem appropriate. The Committee may request any officer or employee of the Corporation or the Corporation's outside counsel or independent auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee. The independent auditors will have direct access to the Committee at their own initiative.

(j) Absent actual knowledge to the contrary (which shall be promptly reported to the Board), each member of the Committee shall be entitled to rely on (i) the integrity of those persons or organizations within and outside the Corporation from which it receives information, (ii) the accuracy of the financial and other information provided to the Committee by such persons or organizations and (iii) representations made by management and the external auditors as to any information technology, internal audit and other non-audit services provided by the external auditors to the Corporation and its subsidiaries.

4. Objectives

(a) The objectives of the Committee are as follows:

(i) To assist the Board in the discharge of its responsibility to monitor the Corporation's financial reporting and audit process.

(ii) To maintain and enhance the quality, credibility and objectivity of the Corporation's financial reporting and to satisfy itself and oversee management's responsibility as to the adequacy of the supporting systems of internal financial and accounting controls.

(iii) To assist the Board in its oversight of the independence, qualifications and appointment of the external auditor.

(iv) To monitor the performance of the internal financial and accounting controls and of the internal and external auditors.

(v) To provide independent communication between the Board and the internal auditor and the external auditor.

(vi) To facilitate in-depth and candid discussions between the Committee and management and the external auditor regarding significant issues involving judgment and impacting quality of controls and reporting.

5. Duties

To achieve its objectives, the Committee shall:

(a) Monitor and review the quality and integrity of the Corporation's accounting and financial reporting process through discussions with management, the external auditor and the internal auditor. This will include, prior to their release, a review of the audited and unaudited annual and quarterly financial statements and related notes and Management's Discussion and Analyses ("MD&As") to be filed with regulatory authorities and provided to shareholders, and financial statements and other financial disclosure included in prospectuses, information circulars, earnings press releases and other similar documents. The Committee shall also review the annual information form and other similar documents. These reviews will include:

(i) discussions with management and, where applicable, the external auditor and a consideration of the report by the external auditor to the Committee of matters related to the conduct of an audit;

(ii) discussions with the external auditor respecting the auditor's judgment regarding both the acceptability and quality of the financial statements including the critical accounting policies and practices used by management in their preparation, alternative treatments and disclosures of financial information within generally accepted accounting principles that have been considered by management and their ramifications, the selection of changes in significant accounting policies, the method used to account for significant unusual transactions, the effect of significant accounting policies in controversial or emerging areas, the degree of aggressiveness or conservatism, as the case maybe, of the accounting policies adopted by the Corporation, the process used by management in formulating particularly significant accounting estimates and the basis for the external auditor's conclusions regarding the reasonableness of those estimates;

(iii) a review of significant adjustments arising from an audit;

(iv) a review of disagreements with management over the application of accounting policies as well as any disclosure in the financial statements and the adequacy of the management's responses in correcting audit related deficiencies;

(v) a review of all material off-balance sheet transactions and other relationships with non-consolidated entities that may have a material current or future effect on the financial condition of the Corporation including their disclosure or lack thereof in the applicable quarterly or annual financial statements;

(vi) a review of the external auditor's suggestions for improvements to the Corporation's operations and internal controls;

(vii) a review of the nature and size of unadjusted errors of a non-trivial amount;

(viii) a review with management of the results of external audits;

(ix) a review to ascertain that various covenants are complied with;

(x) the selection of, and changes in, accounting policies and consideration of the appropriateness of such selections and changes; and

(xi) taking such other reasonable steps as it may deem necessary to satisfy itself that the audit was conducted in a manner consistent with all applicable legal requirements and auditing standards of applicable professional or regulatory bodies.

(b) Determine, based on its review and discussion, whether to recommend the approval by the Board of such audited or unaudited annual or quarterly financial statements, MD&A, and the financial disclosure in any such annual information forms, earnings press releases, prospectuses, information circulars and other similar documents.

(c) Review with management, the internal auditor and the external auditor and, if considered appropriate, approve the release of the Corporation's quarterly financial statements and related MD&A.

(d) Review with management, the external auditor and legal counsel, the Corporation's procedures to ensure compliance with applicable laws and regulations, and any significant litigation, claim or other contingency, including tax assessments, that could have a material effect upon the financial position or operating results of the Corporation and the disclosure or impact on the results of these matters in the quarterly and annual financial statements.

(e) Meet with the external auditor to review and approve their audit plan with particular emphasis on risk factors which could lead to a material misstatement of the financial statements, the scope and timing of the audit, the assumptions and decisions that have been made in developing the plan and co-ordination of work between the external auditor and the internal audit department.

(f) Review and approve estimated audit and audit-related fees and expenses for the current year. Pre-approve any significant additional audit and audit-related fees over the estimated amount. Review and approve audit and audit-related fees and expenses for the prior year. The authority for the determination and payment of fees to the external auditor rests solely and exclusively with the Committee. The Corporation shall ensure that funding is available to the Committee for payment of compensation to the external auditor.

(g) Review and pre-approve, or delegate to a member of the Committee the responsibility to review and approve and subsequently report to the Committee, the nature of all non-audit services, as permitted by securities legislation and regulations, to be provided by the external auditor prior to the commencement of such work. In this regard the Committee will prepare a report for presentation to the shareholders of the Corporation, as required by applicable law, regarding the Committee's policies and procedures for the approval of such non-audit services in the period, and implement from time to time a process in connection with non-audit services performed by the external auditor.

(h) Review annually the objectivity and independence of the external auditors. Request and review a report from the external auditor of all relationships or services involving the external auditor, the Corporation and their respective related entities, including all work performed and fees paid for such work of a non-audit nature, that may reasonably be perceived to bear on its objectivity and independence and confirming, or otherwise, that the external auditor is independent and discuss this report with the external auditor in order to evaluate the objectivity and independence of the external auditor. The Committee should specifically require the external auditor to confirm that it is a registered public accounting firm as prescribed by various applicable securities regulations. As well, at least once annually the Committee will carry out a review of the credentials of the members of the firm including without limitation the biographies of the members, whether there has been any enforcement actions, issues related to the firm and law suits, if any. A formal written report will be obtained from the external auditor outlining: the auditing firm's internal quality control procedures; any material issues raised within the preceding five years by the auditing firm's internal quality control review, peer reviews or any other inquiry or investigation by governmental or professional authority relating to any audit conducted by the firm. The Committee will also review steps taken by the auditing firm to address any findings in any of the forgoing reviews.

(i) Receive reports on any consultations between management and other public accountants respecting accounting principles to be applied in preparing the quarterly or annual financial statements, and on any incidents involving fraud or illegal acts of which management, the internal audit department or the external auditor become aware. In this regard, review the relevant control procedures with management to ensure that such matters are adequately guarded against.

(j) At least once each year:

 (i) Meet privately with management to assess the performance of the external auditor.

 (ii) Meet privately with the external auditor, amongst other things, to understand any restrictions placed on them or other difficulties encountered in the course of the audit, including instructions on the scope of their work and access to requested information and the level of co-operation received from management during the performance of their work and their evaluation of the Corporation's financial, accounting and audit personnel and systems.

(k) Ensure that external auditors are accountable to the Committee and the Board and shall report directly to the Committee and the Committee shall so instruct the external auditors. The

Committee shall evaluate the performance of the external auditors and make recommendations to the Board on the reappointment or appointment of the external auditors of the Corporation to be proposed in the Corporation's proxy circular for shareholder approval and shall have authority to terminate the external auditors. If a change in external auditors is proposed, the Committee shall review the reasons for the change and any other significant issues related to the change, including the response of the incumbent auditors, and enquire on the qualifications of the proposed auditors before making its recommendation to the Board. The Committee shall recommend to the Board the amount of the compensation to be paid to the external auditors.

(l) Regarding the services provided by the internal audit department, the Committee will:

(i) meet privately with internal audit, amongst other things, to understand any restrictions placed on them or other difficulties encountered in the course of their audits, including instructions on the scope of their work and access to requested information and the level of co-operation received from management during the performance of their work. The head of the internal audit function shall have unrestricted access to the Committee;

(ii) periodically review and approve the mandate, reporting relationships and resources of the internal audit department;

(iii) review the objectivity, qualifications, adequacy and experience of the internal audit staff;

(iv) review and approve annually the planned scope for the internal audit program, its objectives, and the resources required to attain these objectives;

(v) periodically throughout each year review the reports of the internal audit department which describe the activities of the internal audit department for the preceding period; and

(vi) review the working relationship between the internal audit department and the external auditor, and between the internal audit department and management.

(m) Obtain from both the internal audit department and the external auditor the major audit findings and internal control recommendations reported during the period under review, the response of management to those recommendations, and review the follow-up performed by management and the internal audit department in order to monitor whether management has implemented an effective system of internal accounting control.

(n) As the Committee deems necessary, oversee, review and discuss with management, the external auditors and the internal auditors:

(i) the audit function generally, the objectives, staffing, locations, co-ordination, reliance upon management and general audit approach and scope of proposed audits of the financial statements of the Corporation and its subsidiaries, the overall audit plans, the responsibilities of management and the external auditors, the audit procedures to be used and the timing and estimated budgets of the audits.

(ii) the quality, appropriateness and acceptability of the Corporation's accounting principles and practices used in its financial reporting, changes in the Corporation's accounting principles or practices including such changes recommended by management or the external auditors or which may result from proposed changes to applicable generally accepted accounting principles;

(iii) the adequacy and effectiveness of the Corporation's internal accounting and financial controls and the recommendations of management and the external auditors for the improvement of accounting practices and internal controls, any material weaknesses in the internal control environment;

(iv) all significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including the effects of alternative methods within generally accepted accounting principles on the financial statements;

(v) any reserves, accruals, provisions, estimates or management programs and policies;

(vi) the use of special purpose entities and the business purpose and economic effect of off-balance sheet transactions, arrangements, obligations, guarantees and other relationships of the Corporation and their impact on the reported financial results of the

Corporation;

(vii) the use of any "pro forma" or "adjusted" information not in accordance with generally accepted accounting principles; and

(viii) management's determination of goodwill impairment, if any, as required by applicable accounting standards.

(o) Review policies and procedures for the receipt, retention and treatment of complaints received by the Corporation from employees, shareholders and other stakeholders regarding accounting issues and financial reporting, internal controls and internal or external auditing matters. The Committee should be satisfied that sufficient controls are in place to ensure that all such complaints can be received anonymously and with an appropriate degree of confidentiality and that potential employee informants are aware of the process that is in place. The Committee should also be satisfied that processes are in place to ensure that all such complaints, regardless of significance, are presented to the Committee.

(p) Review policies for approval of senior management expenses.

(q) Review the process relative to the periodic certifications by the Chief Executive Officer and the Chief Financial Officer of the Corporation in respect of financial disclosures, the existence of any significant deficiencies in the design or operation of internal controls which could adversely affect the ability to record, process, summarize and report financial data and any significant changes in internal controls or changes to the environment in which the internal controls operate, including corrections of material deficiencies and weaknesses.

(r) Review with management the Corporation's computer systems, including procedures to keep the systems secure and contingency plans developed to deal with possible computer failures.

(s) Review and approve all related party transactions as such term is defined from time to time in Multilateral Instrument 61-101 - *Take-over Bids and Special Transactions*, as may be amended from time to time.

(t) Review risk management systems and controls, especially in relation to derivatives, foreign currency exposure, hedging and insurance.

(u) Whenever the Committee considers it appropriate to do so, retain and receive advice from experts, including independent legal counsel and independent public accountants, and conduct or authorize the conduct of investigations into any matters within the scope of the responsibility of the Committee. The Corporation shall ensure that funding is available to the Committee in respect of the aforementioned activities.

(v) Report regularly to the Board in writing on the activities, findings and conclusions of the Committee.

(w) Review the process for the rotation of the lead audit partner, the concurring partner and any other audit engagement team partner.

(x) Establish and monitor clear policies for the hiring by the Corporation of employees or former employees of the external auditors.

6. Other

(a) Pension Plans

In relation to the Corporation's pension plans, the Committee shall:

(i) On recommendation of the Chief Financial Officer, approve the investment structure for the plans, any applicable Statement of Investment Policies and Procedures ("SIPP") and other investment policies for the plans;

(ii) With the assistance of the Chief Financial Officer, periodically review for appropriateness the funding policy, SIPP, other investment policies and investment structure, and monitor overall pension funds operation, in particular plans funded status, compliance of funding practices with funding policy, and compliance of investments with the SIPP;

(iii) With the assistance of the Chief Financial Officer, periodically review and monitor the total and asset class returns for the defined benefit pension plan and the investment matters relating to the defined contribution plans:

(iv) Recommend to the Board for its approval the funding policy, the level of annual contributions, the appointment of the external auditor and the trustees/custodians of the assets of the pension plans;

(v) Approve the actuary and consultant recommended by the pension committee;

(vi) On recommendation of the pension committee, accept the actuarial assumptions and actuarial valuation reports for the pension plans; and

(vii) Approve the annual audited financial statements for the pension plans.

(b) Public Disclosure

(i) Review and approve the Public Disclosure Policy and any changes related thereto and ensure consistency with current developments and best practices.

(ii) Where practicable, management will review with the Committee or the Chair of the Committee draft news releases to be disseminated to the public related to earnings warnings or financial results forecasting which are expected by management to be material in relation to the market price of any of the Corporation's securities.

(c) Risk Identification and Management

The Committee shall make all reasonable efforts to identify and address material financial and other risks to the business and affairs of the Corporation and its subsidiaries and make recommendations in that regard to the Board. The Committee shall review and discuss with management, the internal audit department and the external auditor all major financial risk exposures and the steps management has taken to monitor/control those exposures. The Committee shall be entitled, from time to time, to retain experts and consultants to assist the Committee with the discharge of such mandate. The Committee shall have the discretion in the discharge of these duties to address risks to the Corporation's and its subsidiaries' revenues and costs, as well as potentially corrupt or other practices that may lead to loss or depreciation of business reputation.

(d) Contingent Liabilities

The Committee shall establish processes and procedures to identify and monitor contingent liabilities of the Corporation and its subsidiaries. In the discharge of these duties, the Committee shall have the discretion to retain experts and consultants and to review, without limitation, workplace safety, environmental issues and any other matters, whether of a financial nature or otherwise, that can give rise to a contingent liability. The Committee shall make recommendations, from time to time, to the Board on these matters.

(e) Corporate Authorizations Policies

(i) Periodically review and approve policies relative to the financial control, conduct, regulation and administration of subsidiary companies;

(ii) Periodically review any administrative resolutions adopted from time to time pertaining to the establishment of procedures relative to commitment and transaction authorizations, the determination of the officers or other persons by whom any instrument in writing or document is to be executed and the manner of execution thereof;

(iii) Review, monitor and approve the Donations Policy, if applicable, and any changes thereto and the annual Donations Budget; and

(iv) Review, monitor and approve any other financial expenditure policies that would affect the Corporation's and its subsidiaries' financial condition or reputation.

(f) Performance to Budget, Actuarial Valuation

(i) Review actual financial performance compared to budget;

(ii) Review and approve the actuarial valuation and related assumptions and recommend to the Board the funding contribution to the Corporation's pension funds as required;

(iii) Review and approve the appointment of the actuary; and

(iv) Monitor that all contributions, deductions, withholdings, remittances or other payments of any kind under applicable law have been made.

(g) Responsibilities

Nothing contained in the above mandate is intended to assign to the Committee the Board's responsibility to ensure the Corporation's compliance with applicable laws or regulations or to expand applicable standards of liability under statutory or regulatory requirements for the directors or the members of the Committee. Even though the Committee has a specific mandate and its members have financial experience and expertise, it is not the duty of the Committee to plan or conduct audits, or to determine that the Corporation's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. Such matters are the responsibility of management, the internal auditor and the external auditor.

(h) Other Responsibilities

The Committee shall review and reassess the adequacy of this Charter at least annually and otherwise as it deems appropriate and recommend changes to the Board. The performance of the Committee shall be evaluated with reference to this Charter annually.

The Committee shall ensure that this Charter or a summary of it which has been approved by the Committee is disclosed in accordance with all applicable securities laws or regulatory requirements.

Revised May 31, 2011