PUBLIC VERSION

CT-2016-015

THE COMPETITION TRIBUNAL

IN THE MATTER OF the *Competition Act*, R.S.C. 1985, c. C-34, as amended;

AND IN THE MATTER OF certain conduct of Vancouver Airport Authority relating to the supply of in-flight catering at Vancouver International Airport;

AND IN THE MATTER OF an application by the Commissioner of Competition for one or more orders pursuant to section 79 of the *Competition Act*.

BETWEEN:

COMMISSIONER OF COMPETITION

Applicant

—and—

VANCOUVER AIRPORT AUTHORITY

Respondent

MOTION RECORD OF VANCOUVER AIRPORT AUTHORITY
Volume 1 of 2
(Respondent's Motion for Further Productions)

April 9, 2018

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CT-2016-015

THE COMPETITION TRIBUNAL

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BETWEEN:

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Applicant

—and—

VANCOUVER AIRPORT AUTHORITY

Respondent

NOTICE OF MOTION
(VAA's Motion for Further Productions)

TAKE NOTICE that the Respondent, Vancouver Airport Authority ("VAA"), will make a motion to the Competition Tribunal on a date during the week of April 30, 2018, such date to be fixed by the Tribunal, pursuant to the Order Amending the Scheduling Order of Mr. Justice Gascon, dated March 21, 2018. The estimated duration of the motion is one day.

THIS MOTION IS FOR:

1. an Order requiring the Commissioner to produce to VAA the following documents listed in Schedule C of the Commissioner's Consolidated Amended Affidavit of Documents, which the Commissioner refuses to produce on the basis of litigation privilege:

    - Record #s: 3-7; 9-23; 25-29; 31-97; 115-123; 147-151; 153-166; 172; 174-176; 189-190; 194; 197; 201-203; 216; 228; 233; 259-260; 264-265; 287; 317; 409; and 446;

2. an Order requiring the Commissioner to produce to VAA the following documents listed in Schedule C of the Commissioner's Supplemental Affidavit of Documents No. 5, which the Commissioner refuses to produce on the basis of litigation privilege:

    - Record #s: 1-5; and 20-21;

3. in the alternative to #1 above, in respect of certain documents listed in Schedule C of the Commissioner's Consolidated Amended Affidavit of Documents, an Order requiring the Commissioner to advise as to the identity of the "Market Participant" in question, such Order to be in respect of the following documents:

    - Record #s: 6-7; 9-11; 14; 16-17; 21; 25-26; 28; 31; 33-35; 37-38; 70; 72; 74; 77; 79; 83; 88; 96-97; 115-116; 119-120; 122-123; 150-151; 153; 155; 157;-160; 163-164; 172; 216; 259; 264; 265; and 409;

4. VAA's costs of this motion; and

5. such further and other relief as the Tribunal deems just.

THE GROUNDS FOR THE MOTION ARE:

The Proceedings

1. The Commissioner began this proceeding by Notice of Application, dated September 29, 2016, seeking relief against VAA pursuant to section 79 of the *Act*.

2. Broadly speaking, the proceeding relates to VAA's decision to permit only two in-flight catering service providers to operate on-site at the Vancouver International Airport (the "Airport"). The Commissioner's application is based upon, among other things, allegations that VAA controls the market for "Galley Handling" at the Airport, that it acted with an anti-competitive purpose, and that the effect of its policy decision was a "substantial prevention or lessening of competition", resulting in "higher prices, dampened innovation and lower service quality".

3. VAA is statutorily mandated to operate the Airport in a safe and efficient manner, to generate economic development for Vancouver and, more broadly, for British Columbia and the rest of Canada.

4. VAA delivered its Response on or about November 14, 2016. Among other things, VAA asserted that, given the small (and declining) market for in-flight catering of fresh meals, the entry of additional catering firms would imperil the continued viability of the operations of the two existing catering firms at the Airport, thereby adversely affecting VAA's ability to attract and retain flights in furtherance of its public interest mandate.

5. VAA further pleaded that the Airport's ability to ensure the availability of a competitive choice of freshly prepared meals is very important to its efforts to attract new airlines and routes and retain existing flights and routes at the Airport. VAA also denied that it substantially controls the relevant market (which it stated is broader than the Airport, owing to the fact that airlines can meet their "Galley Handling" needs through self-supply or double catering) and also denied that its conduct has substantially lessened or prevented competition.

6. All of the foregoing allegations are denied by the Commissioner.

The Commissioner's Affidavits of Documents

7. Over the course of the proceeding, the Commissioner delivered six affidavits of documents prior to January 15, 2018. Specifically, the Commissioner delivered:

- an affidavit of documents, affirmed February 14, 2017;
- an amended affidavit of documents, affirmed March 21, 2017;
- a supplemental affidavit of documents No. 1, affirmed April 27, 2017;
- a supplemental affidavit of documents No. 2, affirmed July 12, 2017;
- a supplemental affidavit of documents No. 3, affirmed September 29, 2017; and
- a supplemental affidavit of documents No. 4, affirmed January 12, 2018.

8. Each of those affidavits of documents included as “Schedule C” a list of documents over which the Commissioner claimed various privileges, including public interest privilege. For those documents in respect of which public interest privilege was claimed, virtually no information related to the document was provided, beyond the document’s date, the type of document in question and, for those documents that were created by Competition Bureau employees, the identity of the author.

9. In a Judgment dated January 24, 2018, the Federal Court of Appeal ruled that the Commissioner was not entitled to claim public interest privilege on a “class” basis.

10. Following the release of the Court of Appeal’s Judgment, the Commissioner delivered a Consolidated Amended Affidavit of Documents, affirmed February 21, 2018. In that Consolidated Amended Affidavit of Documents, the Commissioner abandoned his claims for public interest privilege on all but five documents. For the documents in respect of which he had abandoned his claim for public interest privilege, the Commissioner provided significant additional information, including information disclosing, among other things, the titles of the various documents and their respective authors.

11. On March 29, 2018, the Commissioner served his Supplemental Affidavit of Documents No. 5.

12. In the Consolidated Amended Affidavit of Documents and in the Supplemental Affidavit of Documents No. 5, the Commissioner asserts litigation privilege over a number of documents that are not, in fact, protected by litigation privilege. Those documents can be grouped into the following categories:

(a) notes of interviews conducted by Competition Bureau personnel with representatives of Newrest Group Holdings S.A., Optimum Strategies Inc., Strategic Aviation Holdings Ltd., Gate Gourmet Canada Inc., CLS Catering Services Ltd., Jazz Aviation LP, Air Transat A.T. Inc., Air Canada and WestJet;

This category comprises approximately 80 documents.

(b) notes of interviews conducted by Competition Bureau personnel with persons identified only as “Market Participants”;

This category comprises approximately 50 documents

(c) two documents prepared by one or more persons employed by Jazz Aviation LP; and

(d) five documents prepared by Competition Bureau personnel described as “Research Notes”.

13. The Commissioner acknowledges that all of the foregoing documents are relevant. However, he refuses to produce the documents on the basis that they are protected by litigation privilege.

14. However, the documents are not, in fact, protected by litigation privilege – an assertion in respect of which the Commissioner bears the burden of proof.

15. The documents should accordingly be produced.

16. Rules 34, 60 and 61 of the *Competition Tribunal Rules*, SOR/2008-141, as amended.

17. Rule 240 of the *Federal Court Rules*, SOR/98-106, as amended.

18. Such further and other grounds as counsel may advise.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of the motion:

(e) affidavit of Monique Allen, sworn April 9, 2018;

(f) the Amended Affidavit of Documents of the Commissioner of Competition, affirmed March 21, 2017;

(g) the Consolidated Amended Affidavit of Documents of the Commissioner of Competition, affirmed February 20, 2018;

(h) the Supplemental Affidavit of Documents No. 5 of the Commissioner of Competition, affirmed March 23, 2018;

(i) the pleadings and proceedings herein; and

(j) such further and other evidence as counsel may advise and the Tribunal may permit.

DATED at Toronto, Ontario this 9th day of April, 2018

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Counsel for Vancouver Airport Authority

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CONFIDENTIAL

CT-2016-015

THE COMPETITION TRIBUNAL

IN THE MATTER OF the *Competition Act*, R.S.C. 1985, c. C-34, as amended;

AND IN THE MATTER OF certain conduct of Vancouver Airport Authority relating to the supply of in-flight catering at Vancouver International Airport;

AND IN THE MATTER OF an application by the Commissioner of Competition for one or more orders pursuant to section 79 of the *Competition Act*.

BETWEEN:

COMMISSIONER OF COMPETITION

Applicant

—and—

VANCOUVER AIRPORT AUTHORITY

Respondent

AFFIDAVIT OF MONIQUE ALLEN
(Sworn April 9, 2018)

I, Monique Allen, of the City of Toronto, **MAKE OATH AND SAY:**

1. I am a law clerk employed by the firm Goodmans LLP, lawyers for the Vancouver Airport Authority, the Respondent in this matter, and as such have knowledge of the matters to which I depose in this affidavit.

2. Attached as Exhibit "A" is a copy of an email sent by Jonathan Hood to Julie Rosenthal on March 2, 2018 at 3:52 pm.

3. Attached as Exhibit "B" is a copy of the Witness Statement of Rhonda Bishop, Jazz Aviation LP, signed November 10, 2017.

SWORN BEFORE ME at the City of Toronto, on April 9, 2018. Ryan Cookson _______________________ Commissioner for taking affidavits Ryan Cookson	Monique Allen _______________________ Monique Allen

6806151

A

Sellitto, Alejandra

From: Hood, Jonathan (IC) <jonathan.hood@canada.ca>
Sent: Friday, March 02, 2018 3:52 PM
To: Rosenthal, Julie
Cc: Goldman, Calvin; Koch, Michael; Cookson, Ryan; Olscher, Rebecca; Rydel, Katherine (IC); Antonio Di Domenico (adidomenico@fasken.com); Bergeron, Francis (IC); Caron, Ryan (IC); Rushton, Kevin (IC); Foster, Alicia (IC); Olscher, Rebecca; Cookson, Ryan
Subject: RE: Commissioner of Competition v. Vancouver Airport Authority (CT-2016-015) - Letter re: productions
Attachments: Consolidated Amended Schedule C - Revised March 2, 2018.pdf

This is Exhibit "A" referred to in the affidavit of Monique Allen sworn before me, this 9th day of April, 2018

A COMMISSIONER FOR TAKING AFFIDAVITS

Julie:

Our response has been added in blue to each of your points below.

From: Rosenthal, Julie [mailto:jrosenthal@goodmans.ca]
Sent: February-27-18 11:48 AM
To: Hood, Jonathan (IC)
Cc: Goldman, Calvin; Koch, Michael; Cookson, Ryan; Olscher, Rebecca; Rydel, Katherine (IC); Antonio Di Domenico (adidomenico@fasken.com); Bergeron, Francis (IC); Caron, Ryan (IC); Rushton, Kevin (IC); Foster, Alicia (IC); Olscher, Rebecca; Cookson, Ryan
Subject: RE: Commissioner of Competition v. Vancouver Airport Authority (CT-2016-015) - Letter re: productions

Jonathan,

Thank you for your email below.

However, we are still having difficulty evaluating your privilege claims.

(i) With respect to the documents in respect of which you are asserting a public interest privilege, could you please advise as to what the public interest is that you assert would be harmed by disclosure and further advise as to how the public interest in question would be harmed by disclosure? In addition, you state that the subject matter of the call was "an ongoing matter involving the foreign antitrust agency". Could you please advise whether the "ongoing matter" is a court or administrative proceeding that has been commenced?

This was a single conversation between the Bureau and one of its international counterparts, COFECE. The conversation concerned an ongoing case that is currently before the Mexican courts, and it was COFECE's expectation that the information it conveyed during the call about this ongoing case would not be disclosed. In light of the sensitivity of the information conveyed by COFECE during the call and their expectation that this information would not be disclosed, it is in the public interest that the Commissioner protect from disclosure the call notes. As you know, the Commissioner relies heavily on the cooperation from its international counterparts in order to administer and enforce the Competition Act. On the facts of this matter, were the information released the Bureau's relationship with its Mexican counterpart would be harmed. By consequence, this will have a detrimental impact on the Commissioner's ability to administer and enforce the Competition Act - both in instances where information sharing and cooperation with COFECE would advance the Commissioner's work and Canadians' interests but also, as the failure to protect such information would become known across the international completion law enforcement community, in instances where the Commissioner seeks the cooperation of other international law enforcement agencies.

(ii) Thank you for the additional helpful information that you have provided in your revised Schedule C. We still need additional information so that we can begin to assess your claims of privilege. To that end:

Attached is a Revised Schedule C that incorporates the specific responses below.

a. In respect of each entry entitled “Call with Market Participant”, could you please advise as to the identity of the “Market Participant(s)” who took part in the call in question.

Where the call was with a market participant that is a witness in this proceeding we have provided the identity of the market participant. Where the market participant has not been called as witness we have maintained the redaction as the identity of the market participant would reveal the Commissioner’s litigation strategy.

b. In respect of each entry entitled “Record Created by Competition Bureau for this Litigation”, could you please advise as to the actual title that appears on the document in question (whether that be the title on the hard copy of the document, or the title assigned to the document in its electronic form, or both)?
    - To the extent that the title does not provide any indication as to the subject matter covered in the document, could you please advise as to the subject matter covered in the document?
    - In addition, with respect to “Document Type” – you have described these documents as “Other Internal”. That is not very informative. Could you please provide additional information as to the nature of the document – e.g., whether it is a memo, a PowerPoint presentation, handwritten notes, etc.?

We have provided additional information. Where the title contains the name of a third party who is not a witness in this litigation we have maintained the redaction of the third party’s name for the reason identified in point a above.

c. In respect of each email, could you please advise as to the “Subject” line of the email?
    - To the extent that the “Subject” line does not provide any indication as to the subject matter covered in the email, could you please advise as to the subject matter covered in the email?

We have provided this information.

d. There are a number of documents where the author is indicated merely as being the “Competition Bureau”. Could you please advise as to the identity of the human being(s) who authored the documents in question?

We have provided additional information on the title that will allow you to assess the litigation privilege claims.

e. There are a number of documents in respect of which the “Document Type” is described as “Other External”. That description is not very informative. Could you please provide additional information as to the nature of the document – e.g., whether it is a memo, a PowerPoint presentation, handwritten notes, financial statement, graph, etc.?
    - In addition, for those documents, could you please advise as to the actual title that appears on the document in question (whether that be the title on the hard copy of the document, or the title assigned to the document in its electronic form, or both).
    - To the extent that the title does not provide any indication as to the subject matter covered in the document, could you please advise as to the subject matter covered in the document.

Given the information provided above in the title category this information is no longer necessary.

f. There are a number of documents where the author is indicated as being “Competition Bureau/Third Party”. Could you please advise as to the identity of the human being(s) who authored the documents in question, including the identity of the third party in question?

We have provided additional information on the title that will allow you to assess the litigation privilege claims.

g. There are a number of documents where the author is indicated as being "Third Party". Could please advise as to the identity of the human being(s) who authored the documents in question, including the identity of the third party in question?

Where the third party is a witness in this proceeding we have identified the third party. Where the third party has not been called as a witness we have maintained the redaction of the third party' identity for the reason identified in point a above.

h. There are a number of documents that are categorized as "Witness Statements". Could you please advise as to the identity of the witness(es) in question?

We have unredacted the title.

i. There is at least one document – item #384 – described as "Record Created by Competition Bureau for this Litigation". And yet, the "Author" is indicated as being "Third Party". Is that an error?
   - In any event, please advise as to the identity of the human being(s) who authored the documents in question, including (if applicable) the identity of the third party in question.

See information provided in revised item #384.

j. There is at least one document – item #446 – described as an "Excel Spreadsheet". Could you please advise as to the identity of the third party who authored this document?
   - In addition, could you please advise as to the actual title that appears on the document in question (whether that be the title on the hard copy of the document, or the title assigned to the document in its electronic form, or both)?
   - To the extent that the title does not provide any indication as to the subject matter covered in the document, could you please advise as to the subject matter covered in the document?

See information provided in revised item #446.

(iii) With respect to items #98 and 99 in respect of which you are claiming solicitor-client privilege, were those emails sent for the purpose of seeking legal advice? If so, could you please advise as to the identity of the client on behalf of whom the legal advice was being sought?

Items #98 and 99 were emails sent for the purpose of the Commissioner of Competition seeking legal advice from the Department of Justice

Regards,

Julie

From: Hood, Jonathan (IC) [mailto:jonathan.hood@canada.ca]
Sent: Friday, February 23, 2018 2:56 PM
To: Rosenthal, Julie
Cc: Goldman, Calvin; Koch, Michael; Cookson, Ryan; Olscher, Rebecca; Rydel, Katherine (IC); Antonio Di Domenico (adidomenico@fasken.com); Bergeron, Francis (IC); Caron, Ryan (IC); Rushton, Kevin (IC); Foster, Alicia (IC)
Subject: RE: Commissioner of Competition v. Vancouver Airport Authority (CT-2016-015) - Letter re: productions

Julie:

In response to your February 21, 2018, email requesting information related to Commissioner's affidavits of documents, in response to each of your points I can advise as follows:

(i) The five documents represent multiple versions of notes arising from a single call between representatives of the Bureau and a foreign antitrust agency. The subject matter of the call was an ongoing matter involving the foreign antitrust agency.

(ii) We have revised Schedule C which is attached to this email to provide additional information related to our litigation privilege claims.

(iii) The two documents – items 98 and 99 – are communications between Department of Justice counsel in Competition Bureau Legal Services and Transport Canada Legal Services and protected by solicitor-client privileged.

(iv) You will see in the attached revised Schedule C we have removed the redactions.

Regards,

Jonathan

From: Rosenthal, Julie [mailto:jrosenthal@goodmans.ca]
Sent: February-21-18 8:55 PM
To: Hood, Jonathan (IC)
Cc: Goldman, Calvin; Koch, Michael; Cookson, Ryan; Olscher, Rebecca; Rydel, Katherine (IC); Antonio Di Domenico (adidomenico@fasken.com); Bergeron, Francis (IC); Caron, Ryan (IC); Rushton, Kevin (IC); Foster, Alicia (IC)
Subject: RE: Commissioner of Competition v. Vancouver Airport Authority (CT-2016-015) - Letter re: productions

Jonathan,

We are in the process of reviewing your letters of February 12 and 19, 2018,r as well as the affidavit of documents that you delivered yesterday. In those letters, you state, among other things, that the Commissioner will be asserting various forms of privilege over documents that have not been produced to VAA. So that we can properly understand the affidavit of documents and evaluate the remaining claims of privilege being advanced by your client, could you please provide the following information.

(i) In respect of the claim of public interest privilege being advanced (which I believe covers five documents), could you please advise as to the basis for the claim of public interest privilege, including the particular public interest that is allegedly at issue?

(ii) In respect of many (if not most) of the documents over which you have claimed litigation privilege, no information is provided that would permit us to evaluate the claim of privilege. For example:

- Many of the documents are described as "Notebooks", with their title being given only as "Competition Bureau Record". See, e.g., item #s 6-9 and 11-12. (We contrast those entries with others that provide some indication as to the subject matter of the notes. See, e.g., item #s 3 and 4.)

- Others are described as "Other Internal", with the Title being (again) "Competition Bureau Record" and with no information given as to the subject matter of the document. See, e.g., item #s 101-109, 111-114.

- Others are described as "Interview Notes", with the Title being (yet again) "Competition Bureau Record" and with no information being provided as to who was being interviewed. See, e.g., item #s 115-116, 119-120, 123. (We contrast those entries with others that provide the identity of the party being interviewed. See, e.g., item #s 117 and 118.)

- Others are described as "Emails", "Memos" or "Letters" and, although the identity of authors and recipients is provided, no indication is given as to the subject matter of the document. See, e.g., item #s 110, 122, 170, 171 and 192. (We contrast those entries with others that provide some indication as to the subject matter of the document. See, e.g., item #s 148 and 149.)

- Others are described merely as "Records Received from Third Party", with no information being provided either as to the subject matter of the document or as to the author of the documents. See, e.g., item #s 443, 444 and 446.

We provide the foregoing list by way of illustration only.

For each of those documents in respect of which you are asserting a claim of litigation privilege, could you please provide sufficient information to allow us to assess the claim of privilege that you are advancing, including details such as the nature of the documents, the author of the documents, and the topics to which they relate?

(iii) There are two documents – items #98 and 99 – which are described as "Records Received from Third Party" in respect of which you are claiming solicitor-client privilege. Could you please advise as to the author of those documents?

(iv) There are a number of redactions in Schedule C of the Consolidated Amended Affidavit of Documents. Could you please advise as to the basis of these redactions?

Thanks in advance,

Julie

From: Hood, Jonathan (IC) [mailto:jonathan.hood@canada.ca]
Sent: Tuesday, February 20, 2018 4:51 PM
To: Rosenthal, Julie
Cc: Goldman, Calvin; Koch, Michael; Rydel, Katherine (IC); Caron, Ryan (IC); Antonio Di Domenico; Rushton, Kevin (IC); Foster, Alicia (IC); Bergeron, Francis (IC)
Subject: RE: Commissioner of Competition v. Vancouver Airport Authority (CT-2016-015) - Letter re: productions

Julie:

Momentarily I will be sending you the affidavit. It is large so I am just going to send it to you alone. Please let me know when you receive it.

Regards,

Jonathan

From: Hood, Jonathan (IC)
Sent: Monday, February 19, 2018 4:57 PM
To: Rosenthal, Julie <jrosenthal@goodmans.ca>
Cc: Goldman, Calvin <cgoldman@goodmans.ca>; Koch, Michael <mkoch@goodmans.ca>; Rydel, Katherine (IC) <katherine.rydel@canada.ca>; Caron, Ryan (IC) <ryan.caron@canada.ca>; Antonio Di Domenico <adidomenico@fasken.com>; Rushton, Kevin (IC) <kevin.rushton@canada.ca>; Foster, Alicia (IC) <alicia.foster@canada.ca>; Bergeron, Francis (IC) <francis.bergeron@canada.ca>
Subject: RE: Commissioner of Competition v. Vancouver Airport Authority (CT-2016-015) - Letter re: productions

Julie:

Please see attached. I will deliver the referenced USB key tomorrow.

Regards,

Jonathan

From: Hood, Jonathan (IC)
Sent: February-12-18 4:32 PM
To: Rosenthal, Julie
Cc: Goldman, Calvin; Koch, Michael; Rydel, Katherine (IC); Caron, Ryan (IC); Antonio Di Domenico; Rushton, Kevin (IC); Foster, Alicia (IC); Bergeron, Francis (IC)
Subject: Commissioner of Competition v. Vancouver Airport Authority (CT-2016-015) - Letter re: productions

Julie:

Please see attached. I will be bringing the USB key over momentarily. The password is Canada12345!

Regards,

Jonathan

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Counsel - Avocat
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jonathan.hood@canada.ca
Department of Justice - Ministère de la Justice
Services juridiques - Bureau de la concurrence
Competition Bureau - Legal Services
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This document is confidential and was removed from the Public Version of this Motion Record pursuant to the Confidentiality Order of Justice Gascon dated March 20, 2017.

B

CT–2016–015

THE COMPETITION TRIBUNAL

IN THE MATTER OF the *Competition Act*, R.S.C. 1985, c. C-34, as amended;

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AND IN THE MATTER OF an application by the Commissioner of Competition for one or more orders pursuant to section 79 of the *Competition Act*.

BETWEEN:

COMMISSIONER OF COMPETITION

Applicant

– and –

VANCOUVER AIRPORT AUTHORITY

Respondent

WITNESS STATEMENT OF

RHONDA BISHOP

JAZZ AVIATION LP

I, Rhonda Bishop, of the community of Fletchers Lake, of the Halifax Regional Municipality, in the Province of Nova Scotia, state as follows:

1. I am Director, Inflight Services and Onboard Product of Jazz Aviation LP ("**Jazz**"). Jazz operates the largest regional airline in Canada and is the third largest Canadian airline, based on passengers carried.

2. I have personal knowledge of the matters in this Witness Statement, except where I have otherwise indicated that I am relying on information from others, in which case I believe such information to be true.

PURPOSE OF THIS WITNESS STATEMENT

3. I make this Statement on behalf of Jazz in connection with the application by the Commissioner of Competition against Vancouver Airport Authority ("**VAA**") in proceeding CT–2016–015, relating to alleged anti-competitive conduct by VAA concerning In-flight Catering (defined in paragraphs 16-22, below) at Vancouver International Airport ("**YVR**").

4. As I describe below, Jazz conducted a competitive request-for-proposal ("**RFP**") process for its In-flight Catering requirements in 2014. The 2014 RFP evaluation presented a significant cost-savings opportunity for Jazz without sacrificing the quality or service that Jazz and its passengers expect and demand. Based on evaluating the bids received in response to the 2014 RFP, Jazz estimated that it could save approximately [redacted] per year on its In-flight Catering costs at YVR, had Jazz been able to select a competitive new-entrant alternative at the airport instead of the incumbent provider, Gate Gourmet Canada Inc. ("**Gate Gourmet**"). In 2015 alone, Jazz realized actual cost savings of $2.9 million or 16% on In-flight Catering, by switching away from Gate Gourmet at eight airports (also referred to as "**stations**") in Canada and procuring the services of new providers, specifically Newrest Holding Canada Inc. ("**Newrest**") and Sky Café Ltd., a subsidiary of Strategic Aviation Holdings Ltd. ("**Sky Café**"). Jazz would also have switched providers at YVR, were it not for VAA's refusal, unlike the

airport authorities at the eight other airports, to authorize these new providers to operate.

5. Effective 1 May 2017, Jazz assigned its In-flight Catering contracts with Sky Café, Newrest and Gate Gourmet to Air Canada (as described below). From 1 January 2015 until 31 March 2017, Jazz incurred significant forgone In-flight Catering cost savings at YVR as a result of Jazz's inability to switch to a new-entrant provider at the airport. Multiplying Jazz's actual flight volumes at YVR between 1 January 2015 and 31 March 2017 by the 2014 RFP pricing proposed by Sky Café, and comparing it with Gate Gourmet's actual pricing for the period, Jazz was forced to pay approximately [redacted] more for In-flight Catering at YVR. These forgone cost savings are even greater than Jazz could have estimated in 2014, due primarily to a change in Jazz's fleet composition at YVR.

6. Jazz's inability to switch providers of In-flight Catering at YVR led to increases in Jazz's costs of operations and negatively impacted the cost competitiveness of the rates charged to Air Canada for In-flight Catering under Jazz's Capacity Purchase Agreement ("**CPA**") with Air Canada.

PERSONAL PROFILE

7. I have 26 years of experience in the aviation industry in a number of management roles, including:

   a. Director, Inflight Services and Onboard Product, for Jazz, since 2010. In this capacity, I am responsible for the oversight of four business units: Inflight Services, Regulatory & Standards, Inflight Training, and Onboard Product. I perform the duties of Flight Attendant Manager as required under the *Canadian Aviation Regulations* ("**CARs**"), and am responsible for the operation and implementation of CARs requirements, including Subpart 705 (airline operations). I am responsible for the professional standards of cabin crews, and more generally oversee the efficient operation of the Inflight Services Department;

b. Manager, Corporate Cabin Safety and Occupational Safety & Health, for Jazz, from 2009 to 2010. In this capacity, I was responsible for integrating occupational safety and health with safety management systems, injury prevention and investigation, and safety training;

c. Regional Manager, Inflight Services – East, for Jazz, from 2005 to 2007. In this position, I was responsible for managing more than 200 flight attendants and 5 management employees; and

d. Civil Aviation Inspector, Cabin Safety & Aviation Occupational Health and Safety, for Transport Canada, in 2008.

8. More specifically, in providing oversight of Onboard Product, until 30 April 2017 I was responsible for:

- ensuring that the onboard product is aligned with cost control and customer expectations and satisfies the requirements of the CPA;
- negotiating, where possible, better products and services to reduce the cost of In-flight Catering on board Jazz's aircraft;
- overseeing the budget and billings for all In-flight Catering;
- conducting a monthly review to maintain target and costs in all areas; and
- identifying and analyzing areas of opportunity and implementing process improvements for efficiencies in terms of both process and costs. In this regard, I provided strategic direction to the In-flight Catering RFP process team with day-to-day responsibility for the 2014 RFP process.

9. As of 1 May 2017, Air Canada assumed responsibility for Onboard Product, including In-flight Catering, for Jazz's fleet. In connection with this transfer, Jazz

and Air Canada [redacted]. As of 1 May 2017, my role with regard to Onboard Product is principally limited to:

- communicating service failures to Air Canada;
- managing alcohol and bond cage licensing; and
- shared responsibility and decision-making for In-flight Catering equipment on the Jazz fleet.

OVERVIEW OF JAZZ'S BUSINESS

Business Lines

10. Jazz's principal business is the provision of passenger air transportation services to Air Canada, pursuant to the CPA.

11. Under the CPA, the term of which has been extended to 31 December 2025, Air Canada purchases the majority of Jazz's fleet capacity at pre-determined rates. Jazz operates the CPA flights on behalf of Air Canada under the "Air Canada Express" brand. Jazz provides the aircraft (including crews), airframe maintenance, flight operations and some airport operations. Jazz also contracts directly with third-party suppliers to provide certain essential services, including until 30 April 2017 In-flight Catering. 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, and is entitled to all revenues associated with the operation of the covered flights. Additional information about the CPA may be found in the 2016 Annual Information Form of Chorus Aviation Inc. ("**Chorus**"), a copy of which is attached and marked as **Exhibit 1**.

12. Pursuant to the CPA, Jazz provides service to and from lower-density markets, as well as higher-density markets at off-peak times, throughout Canada and to and from certain destinations in the United States. As of August 2017, Jazz uses a fleet of 117 aircraft to operate scheduled passenger service on behalf of Air Canada, with more than 660 departures per weekday to 70 destinations across Canada and the United States. A detailed map of the airports that Jazz serves is in included in Chorus' March 2017 Investor Relations Presentation, a copy of which is attached and marked as **Exhibit 2**.

13. In addition to its principal business with Air Canada, Jazz has three ancillary business lines. Jazz offers air transportation charter services to a variety of customers, to Canadian and international locations. Jazz's airport handling business offers passenger and ramp handling services to third-party airlines. Finally, Jazz Technical Services (JTS) performs regional jet and turboprop line maintenance, heavy maintenance and overhauls to support Jazz operations, and to third parties.

Jazz's Fleet

14. Jazz operates a fleet of Canadian-made Bombardier aircraft, consisting (as of August 2017) of:

a. 16 Dash 8-100 turboprops (37 economy seats);

b. 26 Dash 8-300 turboprops (50 economy seats);

c. 10 CRJ 200 jets (50 economy seats);

d. 16 CRJ 705 jets (65 economy seats and 10 business class seats);

e. 5 CRJ 900 jets (64 economy seats and 12 business class seats); and

f. 44 Q400 turboprops (6 with 74 economy seats and 38 with 78 economy seats).

15. As part of Jazz's fleet modernization plan, over the coming years Jazz will transition to more efficient, larger aircraft. Older, less efficient Dash 8-100s and CRJ-200s will be replaced, and CRJ 900s and Q400s will be added.

JAZZ'S PROCUREMENT OF IN-FLIGHT CATERING UNTIL 30 APRIL 2017

Products & Services Procured

16. Until 30 April 2017, Jazz purchased two general types of **In-flight Catering** products and services – **Catering**, and **Galley Handling**. The principal products and services that Jazz procured under each of these work scopes were set out by Jazz in its 2014 RFP, a copy of which is attached and marked as **Exhibit 3**.

17. For Jazz, Catering comprised the preparation of fresh meals for business class passengers on CRJ 705 aircraft. Ovens have yet to be installed in these aircraft, so the business class offering is a cold meal. In addition to fresh meals, Jazz offers a buy-on-board ("**BOB**") option to passengers on many of its flights. Non-perishable BOB snack items (such as chips and chocolate bars, which are sourced by Jazz) are offered on flights with a block time (i.e., the time from when the aircraft leaves the departure gate until it arrives at the destination gate) of 90 minutes or greater. On flights with a block time of three and one quarter hours or greater, perishable BOB items (such as sandwiches), sourced from Caterers, are also offered. Finally, Jazz procured snacks from Caterers for crew to consume onboard.

18. In addition to food, Jazz procured certain ancillary services as part of the Catering work scope. Specifically, for Jazz, Catering also included the cleaning of rotatable equipment (dishes, cutlery, trays, coffee pots, etc.) and linen management. Caterers were also responsible for controlling access to the Catering unit, security supervision and checks during food preparation, and sealing of food and/or bar trolleys and containers.

19. Jazz paid Caterers [redacted].

20. For Jazz, Galley Handling comprised trucking of Catering and **Commissary** products (non-food items and non-perishable food items, sourced by Jazz) and equipment between aircraft and the Galley Handling or Catering facility, loading/unloading of product on/from the aircraft, and transfer of products between various areas of the aircraft (such as lower cargo holds). Galley Handling also consisted of warehousing Commissary product (as well as bonded warehousing of alcohol and duty-free products), interfacing with third-party duty-free provider(s), inventory management of Jazz-supplied products (Commissary, alcohol, duty-free and galley equipment), trolley preparation (including washing), and handheld device management. Galley Handlers were responsible for procuring ice and dairy products for Jazz.

21. Jazz paid Galley Handlers [redacted].

22. Jazz had five different types of **Catering Events**, each of which is associated with a particular aircraft type and level of service:

   a. “CRA Exchange” is the service provided to a CRJ 705 or CRJ 900 aircraft when it makes a “turn” at the gate – that is, upon its arrival from a scheduled flight and prior to its departure later that same day on its next scheduled flight. On this type of service, the Galley Handler trucks to the aircraft Catering, Commissary and ancillary products, “exchanges” those items with used or soiled items, equipment and trolleys from the arriving flight, and returns the used and soiled items to the Galley Handler’s facility for cleaning or disposal.

   b. “CRA Orig” is the service provided to a CRJ 705 or CRJ 900 aircraft prior to its first scheduled flight of the day. This service is similar to a “CRA Exchange”, but is carried out over two separate trucking events to the aircraft. The Galley Handler removes used and soiled items at the end of the aircraft's service day, and makes a second trip to the aircraft in the morning to load new items prior to the first flight of the day.

c. "CRJ Exchange" is similar to a CRA Exchange, except that it occurs in respect of a smaller CRJ 200 aircraft. In addition, because a CRJ 200 has no business class seats and a limited flying time, no fresh meals or perishable BOB is loaded.

d. "DH4 Exchange" is again similar to a CRA Exchange, except that it occurs in respect of a Q400 aircraft. No fresh meals are carried, as the aircraft has no business class seats, but perishable BOB is carried, depending on block time.

e. "DH Top-Up" is a more limited type of Galley Handling service, provided in respect of Dash 8-100 and Dash 8-300 aircraft. Because these aircraft serve relatively short routes, no fresh meals or perishable BOB is offered. Instead, prior to each flight, a Galley Handling truck approaches the aircraft, whereupon a member of the flight crew provides the Galley Handler with a "pick list" of Commissary items required for the flight. The Galley Handler retrieves the required items from the truck and provides them to the flight crew.

<u>Stations at which Jazz Procured In-flight Catering</u>

23. Jazz flies to more than 50 destinations in Canada (as well as a number of U.S. destinations), with its route network and fleet largely divided on a regional basis between Western and Eastern Canada. Among these destinations, Jazz obtains In-flight Catering (other than ice, dairy and a small amount of other perishable items) at only nine stations: Halifax Stanfield International Airport ("**YHZ**"), Montréal-Pierre Elliott Trudeau International Airport ("**YUL**"), Ottawa Macdonald–Cartier International Airport ("**YOW**"), Toronto Pearson International Airport ("**YYZ**"), Winnipeg James Armstrong Richardson International Airport ("**YWG**"), Regina International Airport ("**YQR**"), Edmonton International Airport ("**YEG**"),

Calgary International Airport ("**YYC**") and YVR (collectively, the "**Nine Stations**"). In respect of each of the Nine Stations, Jazz procured In-flight Catering from among those firms that held an authorization from the relevant airport authority to provide Catering and/or Galley Handling at the airport.

24. A substantial portion of Jazz's daily traffic flows through one or more of the Nine Stations. Accordingly, in order to optimize efficiencies, Jazz concentrated its catering infrastructure and activities at the Nine Stations for over 25 years.

25. Until 30 April 2017, to ensure that flights serving airports in Canada which are not among the Nine Stations were properly provisioned with In-flight Catering, Jazz would "double cater" flights departing one of the Nine Stations that were destined for the smaller airports. That is, Jazz would transport extra Catering or Commissary products on a flight departing one of the Nine Stations for use on the second leg of the flight, which typically would be a return flight or a flight to another of the Nine Stations.

26. At YVR, In-flight Catering must be onboarded to Jazz aircraft. YVR is Jazz's busiest station in Canada by flight volumes and by Catering Events. Accordingly, Jazz maintains significant flight operations and infrastructure at YVR. Many aircraft originate from YVR, conduct flight operations to, from and between smaller airports in the region and return to YVR at the end of the day for maintenance and overnighting. Given Jazz's route structure (see **Exhibit 2**) it was not practical or efficient (e.g., would present significant logistical complexity and burden Jazz with substantial additional costs) for Jazz to procure In-flight Catering at another of the Nine Stations for flights departing YVR.

JAZZ'S 2014 IN-FLIGHT CATERING RFP

Background

27. Until the end of 2014, Jazz was a long-time In-flight Catering customer of Gate Gourmet, having contracted with Gate Gourmet (and its predecessor, Cara Operations Limited) for service at each of the Nine Stations. For many years,

Gate Gourmet was the only option at many of these airports, and so Jazz had little choice but to contract with Gate Gourmet to source In-flight Catering at the Nine Stations.

28. Over time, Jazz became [redacted] with both the level of service and the pricing of Gate Gourmet's In-flight Catering. Gate Gourmet's [redacted] pricing model for In-flight Catering resulted in Jazz being compelled to pay for each flight [redacted]. This [redacted] pricing model made it very challenging for Jazz to predict and manage its In-flight Catering costs and ultimately led to Jazz's In-flight Catering costs [redacted]. Jazz was unable to resolve these issues with Gate Gourmet.

29. In anticipation of Jazz's contract with Gate Gourmet being up for renewal at the end of 2014, Jazz considered its In-flight Catering requirements and surveyed the competitive landscape of firms that might be positioned to satisfy Jazz's needs. Jazz believed that it would be able to realize significant cost savings on In-flight Catering by [redacted].

30. In 2014, Jazz decided to go to the marketplace with a competitive RFP for In-flight Catering, with service commencing in 2015, rather than to renew its contract with Gate Gourmet.

<u>Request for Proposal</u>

31. On 28 February 2014 Jazz invited [redacted] firms to bid on its In-flight Catering RFP. Bidders were required to declare their intent to participate by March 4, and Jazz held a conference call with all potential bidders on March 5 to provide an

overview of the requirements of the RFP. The RFP called for bids to be provided to Jazz by no later than [redacted] 2014.

32. Given that Gate Gourmet is the only firm to offer In-flight Catering at each of the Nine Stations, Jazz designed the RFP to encourage new and alternative service providers to bid. Bidders were asked to provide proposed pricing [redacted]. While the RFP indicated that Jazz would [redacted].

33. Jazz ran the RFP as [redacted] After completing an initial evaluation of the bids, Jazz shortlisted certain bidders, [redacted].

34. Jazz received initial responses [redacted] to the RFP, as follows:

   a. [redacted] bid to provide [redacted] of the Nine Stations;

   b. [redacted] bid to provide [redacted] of the Nine Stations, specifically [redacted];

   c. [redacted] bid to provide [redacted];

   d. [redacted] bid to provide [redacted] of the Nine Stations;

e. [redacted] bid to provide [redacted]; and

f. [redacted] bid to provide [redacted].

35. Gate Gourmet's initial bid, a copy of which is attached and marked as **Exhibit 4**, was not compliant with the requirements of the RFP. [redacted] on 7 April 2014 Gate Gourmet submitted a bid [redacted]. In addition, while Gate Gourmet did [redacted].

36. Jazz had a series of communications with Gate Gourmet after receipt of Gate Gourmet's initial bid. On 15 April 2014, Mr. Trevor Umlah, Strategic Contracts Manger at Jazz, advised Gate Gourmet by e-mail that Gate Gourmet's proposed pricing was [redacted]. On 23 April 2014, Gate Gourmet informed Jazz by e-mail that it would not [redacted]. On 2 June 2014, Mr. Umlah informed Gate Gourmet by e-mail that it stood to lose Jazz's business at all of the Nine Stations if it did not submit [redacted]. On 6 June 2014, Gate Gourmet submitted what it called its "best and final offer", [redacted] the rates from its original proposal of 7 April 2014 ([redacted]), but continuing to maintain that [redacted]. A copy of this e-mail correspondence is attached and marked as **Exhibit 5**.

37. On 4 July 2014, Mr. Umlah informed Gate Gourmet by e-mail that Jazz intended to recommend awarding its business at eight of the Nine Stations to other firms

and requested Gate Gourmet to submit a bid for YVR only. A copy of this e-mail is attached and marked as **Exhibit 6**.

38. On 9 July 2014, and at Jazz's request, Gate Gourmet submitted revised pricing for YVR only, which reflected [redacted]. Gate Gourmet's proposed pricing continued not to [redacted]. Attached and marked as **Exhibit 7** is a copy of Gate Gourmet's 9 July proposal.

39. On 11 August 2014 Gate Gourmet submitted revised pricing for YVR only, indicating that it would increase prices at YVR by [redacted], as proposed on 9 July 2014. On 25 August 2014, Jazz awarded Gate Gourmet a [redacted] contract for YVR only, to commence 1 January 2015, at prices that reflected a [redacted]% increase over the prices Jazz paid to Gate Gourmet at YVR in 2014. This pricing formula continues not to [redacted]. Attached and marked as **Exhibit 8** is a copy of the chain of e-mail correspondence between Mr. Umlah and Gate Gourmet from 11 August to 25 August 2014 and attached and marked as **Exhibit 9** is a copy of the final pricing that Gate Gourmet submitted for YVR.

40. CLS Catering Services Ltd. ("**CLS**"), a firm providing In-flight Catering at YVR and YYZ, [redacted] in response to the RFP, [redacted]. Mr. Umlah advises me that he contacted the Managing Director of CLS, Mr. David Wainman, to discuss the RFP. Mr. Umlah further advises me that Mr. Wainman informed him that CLS was conducting labour negotiations that, once complete, would enable CLS [redacted]. On 11 June 2014, CLS submitted a bid [redacted], which, as discussed below, was not competitive.

<u>2014 RFP Bids – Evaluation</u>

41. In July 2014, Jazz evaluated the bids received in response to the 2014 RFP from a financial perspective based on [redacted]. In analyzing the RFP responses, Jazz estimated the total costs of each bid by [redacted]. Jazz compared the costs of each bid [redacted], and to Jazz's actual 2014 costs, under its then-existing arrangement with Gate Gourmet.

42. The July 2014 bid evaluation suggested that Newrest and Sky Café offered Jazz substantially lower prices than Gate Gourmet for In-flight Catering at the Nine Stations, except [redacted]. In fact, based on the bids that each firm submitted using specifications provided by Jazz ([redacted]), Jazz determined that it could save approximately [redacted] on its costs for In-flight Catering by switching away from Gate Gourmet at eight of the Nine Stations and continuing to use Gate Gourmet at YVR, in comparison to what it had been paying the incumbent, Gate Gourmet, in 2014. A copy of Jazz's 2014 bid evaluation (adjusted to reflect [redacted] (refer to paragraph 39, above)) is attached and marked as **Exhibit 10**.

43. At YVR, Jazz understands that only Gate Gourmet and CLS were authorized by YVR to provide In-flight Catering. Jazz also understands that, in connection with their responses to the 2014 RFP, one or more of the other bidders approached VAA to obtain a similar authorization but were repeatedly refused by the airport authority.

44. With only Gate Gourmet and CLS authorized by VAA to operate at YVR, and [redacted], Jazz had no choice but to contract with Gate Gourmet for In-flight Catering at YVR.

45. Based on the July 2014 RFP bid evaluation (see **Exhibit 10**), Jazz's costs for having to contract with Gate Gourmet for In-flight Catering at YVR were estimated to be approximately [redacted] greater than what Jazz would have expected to pay [redacted], a competitive new-entrant alternative, if only VAA had permitted [redacted] to operate at YVR.

46. It is important to note that Jazz could not "self-supply" its In-flight Catering requirements at YVR, as an alternative to paying the high prices of Gate Gourmet. Jazz's labour agreements are such that [redacted]. Further, Jazz would have incurred substantial up-front capital costs (e.g., equipment, etc.) to set up an In-flight Catering operation at YVR. Overall, the cost to Jazz of self-supplying In-flight Catering would have [redacted]. Moreover, Article [redacted] of the lease between VAA and Jazz, excerpted and attached and marked as **Exhibit 11**, [redacted].

47. As part of the bid evaluation process, Jazz also assessed the ability of bidders to meet Jazz's level of service requirements. Jazz conducted a station-by-station assessment of the capability of Sky Café and Newrest, as new service providers to Jazz, to meet Jazz's needs for Catering and Galley Handling, considering such factors as whether the supplier had an existing facility at a station and the size of its operations. Jazz also considered the proximity of the bidders' facilities to the airside at the Nine Stations. Specifically, Jazz considered whether those bidders whose facilities were located more distant from the airport, on land not owned by the local airport authority, would be capable of meeting Jazz's, and Air Canada's, requirements for on-time performance. Jazz was satisfied that Sky Café and Newrest, after an appropriate transition period, would be able to provide the level of service that Jazz requires, including from facilities located off-airport.

48. To assure Jazz's interests in a high level of service were protected, Jazz [redacted]

[redacted]

2014 RFP Results – Significant Cost Savings

49. After a careful analysis of the bids submitted in response to the RFP, Jazz selected the following firms to provide Catering and Galley Handling at eight of the Nine Stations (collectively, "**Switch Stations**"):

a. Newrest, at YYC, YYZ and YUL; and

b. Sky Café, at YEG, YQR, YWG, YOW and YHZ.

50. Consistent with Jazz's July 2014 bid evaluation, in absolute terms, switching the service provider at the Switch Stations translated into actual savings of $2.9 million or 16% in 2015 alone, as reported publicly in Chorus' 2015 Management's Discussion and Analysis of Results of Operations and Financial Condition, a copy of which is attached and marked as **Exhibit 12**.

51. In contrast to the Switch Stations, Jazz ultimately could not change providers of In-flight Catering at YVR, incurring significant additional costs to remain with Gate Gourmet, whose bid at YVR was not competitive (as described above, at paragraphs 35-39, 42 and 45).

2014 RFP Results – Forgone Cost Savings at YVR as a Result of Inability to Switch

52. As discussed in paragraph 45, Jazz's July 2014 bid evaluation indicated that Gate Gourmet's bid for In-flight Catering at YVR was approximately [redacted] higher than that of [redacted], a more competitive new-entrant alternative at the airport.

53. Since 2015, the deployment of Jazz's fleet has changed materially. Most importantly, at YVR, commencing in April 2016 Jazz increased CRJ 705 flight

activity and reduced Dash 8-100 and Dash 8-300 flight activity. These changes have had, and continue to have, a material impact on the cost of In-flight Catering [redacted].

54. As a result of Jazz's inability to switch to a new-entrant provider at YVR, Jazz's forgone In-flight Catering cost savings increased from 1 January 2015 to 30 April 2017 (after which Jazz assigned its contracts with Sky Café, Newrest and Gate Gourmet to Air Canada). Multiplying Jazz's actual flight volumes at YVR between 1 January 2015 and 31 March 2017 by the 2014 RFP pricing proposed by [redacted], and comparing it with Gate Gourmet's actual pricing for the period, Jazz was forced to pay approximately [redacted], more for In-flight Catering at YVR. A copy of Jazz's pricing analysis in this regard is attached and marked as **Exhibit 13**. ([redacted])

JAZZ'S ATTEMPTS TO PERSUADE VAA TO PERMIT GREATER COMPETITION

55. At the time of the 2014 RFP, representatives of Jazz communicated with VAA on many occasions in an attempt to persuade VAA to permit new-entrant firms to provide In-flight Catering at YVR.

56. After launching the RFP, Mr. Umlah advises me that on 24 April 2014 he contacted Mr. Geoff Eccott, Manager, Land Development, Leasing, for VAA. Mr. Umlah advises me that he informed Mr. Eccott that Jazz was serious about supporting the entry of new In-flight Catering firms at YVR and that Jazz would realize significant cost savings as a result. Mr. Umlah further advises me that he indicated to Mr. Eccott that [redacted], and that Gate Gourmet's proposed pricing was not competitive. Attached and marked as **Exhibit 14** is a copy of an internal e-mail that Mr. Umlah sent to colleagues at Jazz on 28 April 2014, in which Mr. Umlah summarizes his call with Mr. Eccott.

57. On 25 April 2014, Mr. Umlah wrote a letter to [redacted] for authorization to access the airside to provide In-flight Catering at YVR. [redacted] A copy of the letter is attached and marked as **Exhibit 15**.

58. On 2 May 2014, Mr. Joseph Randell, then President and CEO of Jazz (and currently CEO of Jazz), sent a letter to Mr. Craig Richmond, President and CEO of VAA. Mr. Randell indicated in his letter that Jazz was interested in competitive proposals [redacted] for Catering and Galley Handling at YVR, [redacted]. A copy of this letter is attached and marked as **Exhibit 16**.

59. On 12 May 2014, Mr. Richmond responded to Mr. Umlah's letter of 25 April 2014, by way of his own letter. Among other things, Mr. Richmond indicated in his letter, a copy of which is attached and marked as **Exhibit 17**, that:

   a. YVR, in VAA's opinion, already has two competitive In-flight Catering providers, presumably a reference to Gate Gourmet and CLS;

   b. Gate Gourmet and CLS provide a competitive, quality product at YVR; and

   c. YVR, in VAA's opinion, is not able to support the addition of a third flight kitchen operation.

60. Jazz does not agree with VAA's assessment of the In-flight Catering marketplace at YVR, as communicated in Mr. Richmond's May 12 letter. Both Mr. Umlah and Mr. Randell had previously communicated to VAA that, in Jazz's view, the marketplace for In-flight Catering is not competitive at YVR, [redacted]. Moreover, given that new-entrant providers of In-flight Catering were seeking authorization from VAA to operate at YVR, and that Jazz

wished to switch to one of these providers, it seems obvious to Jazz that YVR can support additional In-flight Catering competition.

61. I am aware from discussion with Mr. Steve Linthwaite, Vice President, Flight Operations of Jazz, that early in August 2014, Mr. Randell and Mr. Linthwaite each (individually) had telephone discussions with Mr. Richmond and/or Mr. Tony Gugliotta, then Senior Vice President, Business Development of VAA. I have been informed that, during these calls, Jazz informed VAA that it was disappointed with the bids submitted by Gate Gourmet and CLS, and again requested that VAA permit one or more of the new-entrant firms to provide In-flight Catering at YVR. I have been informed that Jazz further indicated to VAA that results from the RFP suggested Jazz would be able to realize significant savings on the cost of In-flight Catering by switching to new-entrant providers, in comparison to what Jazz was then paying Gate Gourmet.

62. On 15 November 2016, Mr. Colin Copp, President of Jazz, sent a letter to Mr. Richmond at VAA. Mr. Copp indicated in his letter Jazz's belief that there is insufficient competition for In-flight Catering services at YVR, and noted that greater competition would provide Jazz with the opportunity to improve the quality and efficiency of its service and to reduce its costs. Mr. Copp in his letter also requested that VAA [redacted]. A copy of Mr. Copp's letter is attached and marked as **Exhibit 18**.

63. To the best of my knowledge, Jazz has not had any further communication with VAA regarding the marketplace for In-flight Catering at YVR.

CONCLUDING COMMENTS

64. Jazz operates in a highly competitive marketplace for passenger air transportation services. In this context, Jazz continually evaluates its business and seeks opportunities to operate more efficiently, including by achieving cost

savings wherever possible, such as in respect of In-flight Catering. Being efficient is imperative to Jazz's success.

65. Through its 2014 RFP for In-flight Catering, Jazz discovered it could achieve significant annual cost savings by switching to more competitive providers of In-flight Catering, without sacrificing the quality or service that Jazz and its passengers expect and demand. Jazz seized upon the opportunity where it could, switching away from Gate Gourmet to new-entrant providers at the Switch Stations. Jazz also would have switched at YVR, were it not for its inability to do so as a result of VAA's refusal to authorize new-entrants to operate at the airport. As a result of Jazz's inability to switch to a more competitive new-entrant provider at YVR, Jazz's forgone In-flight Catering cost savings from 1 January 2015 to 31 March 2017 were approximately [redacted] Jazz's inability to switch providers of In-flight Catering at YVR led to increases in Jazz's costs of operations and negatively impacted the cost competitiveness of the rates charged to Air Canada for In-flight Catering under Jazz's CPA with Air Canada.

SIGNED this 10th day of November, 2017

RBishop

Rhonda Bishop
Director, Inflight Services and Onboard Product
Jazz Aviation LP

EXHIBIT

1

chorus
aviation inc.

2015

ANNUAL INFORMATION FORM

February 18, 2016

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EXPLANATORY NOTES

The information in this AIF is stated as at December 31, 2015, 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 one or more of its current and former subsidiaries. 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 and including the international operation of airlines in developing countries and areas of unrest, 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 CPA), competition, insurance issues and costs, supply issues, war, terrorist attacks, aircraft incidents, 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, the ability of Chorus to secure financing, the ability of Chorus to renew and/or replace existing contracts, employee relations, labour negotiations or disputes, pension issues, currency exchange and interest rates, leverage and restructure covenants in future indebtedness, uncertainty of dividend payments, managing growth, changes in laws, adverse regulatory developments or proceedings in countries in which Chorus and its subsidiaries operate or will operate, 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 February 18, 2016 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 with various aviation interests incorporated on September 27, 2010 pursuant to the *Canada Business Corporations Act*.

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, 2015 and the 2015 MD&A dated February 18, 2016, 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 and operating 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 each of Chorus' total consolidated assets or total consolidated operating revenues for the year ended December 31, 2015. These other subsidiaries together represented 20% or less of each of Chorus' total consolidated assets or total consolidated operating revenues for the year ended December 31, 2015.

Subsidiary	Jurisdiction of Incorporation or Registration	Percentage of shares or units directly or indirectly held by Chorus at February 18, 2016
Jazz Aviation LP	Ontario	100%
Jazz Aircraft Financing Inc. / Jazz Leasing Inc.	Canada	100%
Voyageur Aviation Corp.	Ontario	100%

THE CHORUS BUSINESS

Chorus currently operates in three sectors of the regional aviation industry.

Contract flying is Chorus' primary business and these flying operations are conducted through both its Jazz and Voyageur subsidiaries. Jazz operates scheduled service through a capacity purchase agreement with Air Canada, providing substantially all of its capacity to Air Canada under the Air Canada Express brand. Jazz also operates charter flights for a variety of customers. Voyageur Airways provides specialized contract flying, such as medical, logistical and humanitarian flights, to international and Canadian customers.

The second sector Chorus conducts business in is aircraft leasing. Through Jazz Leasing Inc., Chorus' aircraft leasing portfolio includes a fleet of Q400s and related equipment. Voyageur Airways has a small amount of leasing activity.

In addition to contract flying and aircraft leasing, Chorus also provides certain aviation industry services through both Jazz and Voyageur. Maintenance, repair and overhaul, including the sale of parts, and airport handling operations, including both passenger and ramp handling, are businesses of both main subsidiaries.

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.

2015 (including subsequent events up to and including February 18, 2016)

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. The ratification of the new collective agreement was a condition to establishing an amended CPA with Air Canada.

On February 2, 2015, Chorus announced that all terms and conditions had been met to establish an amended and restated CPA with Air Canada effective January 1, 2015 extending the CPA term to December 31, 2025 (the "January 1, 2015 Amendment"). For further information refer to "The Jazz Business - Capacity Purchase Agreement with Air Canada".

Concurrent with agreeing to the January 1, 2015 Amendment, Chorus exercised its nine remaining options to purchase new Q400s 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 Q400s and options for up to ten additional Q400s.

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 8-300s by 50% (or approximately 15 years). This agreement covers a minimum of 19 aircraft and the ESP is anticipated to begin in early 2017.

On May 1, 2015, Chorus acquired all of the outstanding shares of 519222 Ontario Limited, a holding company that owned Voyageur Airways and its related companies. Headquartered in North Bay, Ontario, Voyageur Airways, is a Transport Canada approved air operator, and an integrated provider of specialized aviation services, including contract flying operations both internationally and domestically. Voyageur also provides advanced engineering and maintenance services primarily for regional aircraft.

On June 3, 2015, Chorus announced that Jazz's dispatchers, represented by CALDA, had ratified the tentative agreement reached on May 27, 2015. The agreement expires on December 31, 2025.

On September 23, 2015, Chorus announced that Jazz's flight attendants, represented by CFAU, had ratified the tentative agreement reached on August 27, 2015. The term of the agreement expires on December 31, 2025.

On September 28, 2015, Chorus announced that an agreement had been reached with Air Canada to add ten incremental aircraft to the CPA fleet. These aircraft will be operated under the Air Canada Express brand. On February 18, 2016, Chorus received the first of five 78-seat Q400s. The remaining four 78-seat Q400s and five 75-seat CRJ705s are anticipated to be delivered in 2016 and early 2017, respectively, and will operate as Covered Aircraft until 2025. It is anticipated that the addition of these larger gauge aircraft will reduce Unit Costs and increase Chorus' market competitiveness. Once all the incremental aircraft are received, the annual Fixed Margin per Covered Aircraft and Infrastructure Fee per Covered Aircraft is expected to increase by approximately $2.0 million to $111.7 million until 2020. The five incremental Q400s will be acquired by Air Canada under operating leases and will be subleased to Jazz for CPA operations. Sourcing for the CRJ705 has not yet been finalized.

During 2015, pursuant to its purchase agreement with Bombardier Inc. for Q400s, Chorus took delivery of six new Q400s and financed each of those acquisitions with EDC Financing. For further information, refer to "Financing - Aircraft and Engine Financing".

In addition, Chorus purchased the following aircraft in 2015: five Dash 8-100s previously leased from Air Canada Capital Ltd., two Dash 8-300s and five CRJ200s previously leased from third parties, and one King Air 200 aircraft purchased from a third party.

On January 1, 2016, 519222 Ontario Limited and its subsidiaries were re-organized into three entities. Voyageur Aviation Corp. became the parent company for the group and provides common support services to its subsidiaries. Voyageur Aviation Corp. was created by the amalgamation of 519222 Ontario Limited, Hangar 6 Inc. and Voyageur Airport Services Inc. Voyageur Airways is a Transport Canada approved air operator with international and domestic contract flying operations. Voyageur Aerotech is a Transport Canada approved aircraft maintenance organization with advanced aircraft engineering and maintenance capabilities.

On February 3, 2016, Chorus took delivery of an additional King Air 200. The purchase price was approximately US $1.1 million, with additional spend of approximately $1.0 million expected for modifications to the aircraft.

On February 11, 2016, Chorus took delivery of one Q400 aircraft and drew EDC financing. The term loan is repayable by Chorus to EDC in semi-annual instalments of approximately US$0.9 million, matures in February 2028 and is secured primarily by one Q400 aircraft and two PW150A engines.

2014

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 certain airport services and employee separation programs.

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 were 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. 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 Q400s, through its leasing subsidiaries with long-term financing provided by EDC. These Q400s are leased to Jazz.

THE JAZZ BUSINESS

In Canada, Jazz operates the largest regional airline and the third largest airline, based on passengers carried. Jazz's operations provide a significant part of Air Canada's domestic and transborder network. Jazz and Air Canada are parties to the CPA under which Air Canada purchases the majority 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, 2015, Jazz operated scheduled passenger service on behalf of Air Canada with approximately 711 departures per weekday to 56 destinations in Canada and 18 destinations in the United States, using 116 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 including Cargo Services (refer to Risk Factors for a description of the risks relating to Jazz's 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 Jazz's relationship with Air Canada).

Capacity Purchase Agreement with Air Canada

Chorus derived 95% of its revenues from Air Canada during 2015 (2014 - 99%, 2013 - 99%). On February 2, 2015, Jazz announced that all terms and conditions had been met to establish an amended and restated CPA with Air Canada effective January 1, 2015 (referred to herein as the "January 1, 2015 Amendment") extending the CPA term to December 31, 2025.

Prior to the January 1, 2015 Amendment, Jazz was paid rates which were negotiated and set every three calendar years based on Jazz's projected Controllable Costs for the relevant three year period, using certain variables including Block Hours, Flight Hours, aircraft, cycles and passengers carried. Jazz 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 Jazz in providing the Scheduled Flights during that period. Once set, for CPA billing purposes, Jazz applied a mark-up (and the Compensating Mark-Up when applicable) to the rates. Jazz was also entitled to repayment of certain Pass-Through Costs, including fuel, airport and navigation fees, landing and terminal fees and certain other costs. In addition, Jazz was eligible to receive incentive payments each quarter if it achieved certain performance levels related to controllable on-time performance, controllable flight completion, PAWOBS and overall customer satisfaction.

Jazz incurs two types of costs under the CPA:

1) Controllable Costs
2) Pass-Through Costs

Under the January 1, 2015 Amendment, many costs that were formerly Controllable Costs have become Pass-Through Costs, however, Jazz will continue to be entitled to be paid rates, 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. With the exception of flight crew costs, aircraft rent, and depreciation and amortization on aircraft and parts, the rates for Controllable Costs are now set annually. Controllable Costs now consist of fewer costs than prior to January 1, 2015 and include costs such as non-crew salaries and wages, general overhead and aircraft maintenance, materials and supplies (for further detail please consult the detailed CPA cost categorization chart found on page 8).

Under the January 1, 2015 Amendment, Air Canada provides Jazz with projected annual Block Hours, Flight Hours, cycles and passengers estimated to be carried in advance of each calendar year during the term. The associated Controllable Costs are determined by Jazz and are paid by Air Canada to Jazz for the Controllable Costs through mutually agreed rates. The rate-setting process is staggered throughout the year and conducted on a rolling basis.

It is expected that annual rate setting related to Controllable Costs will decrease Chorus' cost risk as the annual rate re-set ensures those costs are reviewed in a timely manner and the corresponding rates reflect the realities of the current environment. With such visibility the accuracy of the rates is better assured in the event there are significant changes in the operation and/or the operating environment.

Pilot and flight attendant crew rates have been set for the term of the CPA to December 31, 2025 and reflect projected crew unit costs for this period. Jazz has negotiated collective agreements with its crews for the term of the January 1, 2015 Amendment which support the projected crew unit costs agreed to with Air Canada. The crew rates are adjusted if the number of Block Hours scheduled, the flow of Jazz pilots to Air Canada, and/or if the efficiency of the crew schedules delivered by Air Canada are outside certain agreed thresholds. In addition, regulatory changes that impact crew unit costs result in adjustments to the crew rates.

Pass-Through Costs are passed through to Air Canada and are fully reimbursed. These include costs such as airport and navigation fees and terminal handling fees. Services provided by Air Canada are provided at no cost to Jazz. These include Air Canada ground handling and facilities leased from Air Canada and, effective November 1, 2015, aircraft fuel (for further detail please consult the CPA cost categorization chart found on page 8).

Under the January 1, 2015 Amendment, Jazz's compensation changed from a mark-up on Controllable Costs to fixed fees. The mark-up and Compensating Mark-up concepts have been eliminated. As well, the requirement for benchmarking based on Jazz's costs in 2015 and the margin adjustment provisions contained in the CPA prior to the January 1, 2015 Amendment are no longer applicable.

Jazz is now compensated by the more industry standard approach of fixed fees. There are two fixed fees which establish the minimum level of compensation for the balance of the term of the CPA:

1) Fixed Margin per Covered Aircraft
2) Infrastructure Fee per Covered Aircraft

The Fixed Margin per Covered Aircraft does not vary regardless of network size, complexity or hours flown. The Infrastructure Fee per Covered Aircraft compensates for the additional services Jazz provides in support of Air Canada's regional flying network such as airport operations. The word "rates" for purposes of discussion relating to the January 1, 2015 Amendment does not include the Fixed Margin per Covered Aircraft or the Infrastructure Fee per Covered Aircraft.

Combined, these fixed fees based on the Covered Aircraft were set at approximately $109.7 million for 2015, and once all incremental aircraft are received the fixed fees increase to approximately $111.7 million per year until the year 2020. From the years 2021 to 2025 these fees are also fixed but at a lower annual amount. Jazz anticipates that this decrease will be partially offset by additional margin contribution from aircraft leasing under the CPA.

Jazz Leasing Inc., a subsidiary of Chorus, leases owned Q400s and engines into the Jazz operation under the CPA. Under this arrangement, Jazz earns aircraft leasing revenue under the CPA from Q400s and Q400 engines. For the year ended December 31, 2015, Jazz earned aircraft leasing revenue of $68.8 million. Annually these aircraft and engines currently generate a cash margin (after consideration of debt servicing charges) of approximately 20%.

The new Q400s being added to the Covered Aircraft fleet in 2016 are anticipated to accrue incremental cash margins comparable to those being earned on the current fleet of Q400s. As well, the movement of 19 Dash 8-300s to market lease rates post ESP events, are anticipated to accrue incremental cash margin to Jazz going forward (refer to caution regarding forward-looking statements included in "Explanatory Notes" on page 1 of this AIF).

Performance incentives will continue to be available, under the January 1, 2015 Amendment, for achieving established performance targets for the same categories identified under the CPA prior to the January 1, 2015 Amendment. The maximum annual available incentive for the years 2015 to 2020 is $23.4 million and $12.2 million for the years 2021 to 2025. (Refer to caution regarding forward-looking statements included in "Explanatory Notes" on page 1 of this AIF.)

Management believes that Chorus' risk profile is lower than other air transport operators due to the nature of the CPA. The reduced risk is reflected through:

- No direct exposure to revenue volatility associated with ticket prices and passenger traffic.
- No direct exposure to cost volatility associated with fuel, navigation fees, or airport landing and terminal fees along with certain other costs categorized as Pass-Through Costs.
- Reduced exposure to currency risk as Jazz bills Air Canada in the underlying currency related to the expenditure.
- Guaranteed minimum fleet and activity levels.

The January 1, 2015 Amendment further reduces Chorus' risk profile as it:

- Provides long-term predictable compensation levels that are anticipated to support the current dividend paid to Shareholders.
- Aligns the interests of Jazz and Air Canada and strengthens their relationship.
- Promotes Jazz's market competitiveness through cost reduction initiatives such as the modernization of its fleet and the ability to flow Jazz senior pilots to Air Canada.
- Secures long-term market competitive labour agreements with Jazz pilots, flight attendants and dispatchers.
- Reduces reliance on the Fixed Margin and Infrastructure Fee per Covered Aircraft and replaces it with growth in cash margin from aircraft leasing under the CPA.
- Secures a solid foundation from which to grow and diversify Chorus' group of companies.

The following table summarizes changes between the January 1, 2015 Amendment terms and the CPA terms in effect to the end of 2014 in cost categorizations in Controllable Costs (used to establish rates) and Pass-Through Costs and costs that will be directly borne by Air Canada.

Changes to the CPA Cost Categorization & Rate Periods by Operating Expense & Detailed Description								
CPA Cost Categorization	**CPA Prior to 2015**				**January 1, 2015 Amendment**			
	Controllable Cost	Pass-Through Cost	Cost no longer billed to Jazz	Rate Periods	Controllable Cost	Pass-Through Cost	Cost no longer billed to Jazz	Rate Periods
Salaries, wages and benefits								
- Crew wages & benefits	X			3 years	X			11 years[1]
- All others	X			3 years	X			Annually[2]
Aircraft fuel								
- All costs		X		NA			X[5]	NA
Depreciation and amortization								
- All costs	X			3 years	X			3 years
Food, beverage and supplies								
- Costs from Air Canada							X[3]	
- Costs from third parties	X			3 years		X[3]		NA
Aircraft maintenance, materials and supplies								
- All costs	X			3 years	X			Annually
Airport and navigation fees		X		NA		X		NA
Aircraft rent								
- Jazz Q400 leased through CPA	X			Lease term	X			Lease term
- Third party operating leases	X			3 years	X			3 years
- Air Canada & subsidiary leases to Jazz	X			3 years	X			3 years
Terminal handling services								
- Ground handling services from Air Canada	X			3 years			X[3]	NA
- Ground handling from third parties	X			3 years		X[3]		NA
- De-icing services from Air Canada		X		NA			X[3]	NA
- All others	X			3 years	X			Annually
Other								
- Aircraft parking	X			3 years		X[3]		NA
- Interrupted trips & baggage delivery	X			3 years		X[3]		NA
- Station supplies for processing passengers	X			3 years		X[3]		NA
-Third party facilities	X			3 years		X[4]		NA
- Air Canada facilities	X			3 years			X[3]	NA
- All others	X			3 years	X			Annually

(1) Adjusted for schedule efficiency, Block Hours, regulatory changes and pilot flow.
(2) Reset annually, subject to certain conditions.
(3) These costs transitioned in the first quarter of 2015.
(4) These costs transitioned in the second quarter of 2015.
(5) Fuel transition occurred on November 1, 2015.

Operating Plans and Scheduling

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

The CPA specifies that Air Canada and Jazz 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 Jazz will operate Scheduled Flights.
- 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).

Under the CPA Air Canada provides rolling Monthly Schedules which may vary from the final seasonal operating plan. Jazz 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 Jazz are required under the CPA to agree on changes to rates.

Passenger and Ramp Handling Services

Airport handling includes both passenger handling and ramp handling services.

As at December 31, 2015, Jazz operated to 56 airports in Canada and Jazz employees provided the passenger handling function at 35 of these airport locations and the ramp handling function at two. Jazz also provides passenger handling services to Air Canada for a fee.

Air Canada provides certain handling functions to Jazz at certain airport locations.

Facilities

Under the 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.
- Any required relocation of Jazz to comparable airport facilities reasonably acceptable to Jazz contiguous to Air Canada leased premises, ramp, gate and office space.

Return of Aircraft

The 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").

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 Jazz 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 the return of those particular Covered Aircraft and Spare Engines. If the CPA is terminated as a result of an event of default committed by Jazz, no such leases will be terminated and Jazz will remain liable for its obligations under the Covered Aircraft and Spare Engine leases. If the CPA is terminated as a result of an event of default committed by Air Canada, Jazz may terminate any such leases, which right must be exercised concurrently with termination of the CPA.

Code-Sharing

The CPA requires Jazz 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.

Other Agreements with Air Canada

Master Services Agreement

Under a master services agreement dated September 24, 2004, between Jazz and Air Canada, Air Canada provides certain services to Jazz. These services, which support Jazz's CPA operations, include information technology services, French language training and insurance claims services. The most significant services relate to information technology whereby Jazz accesses services under the agreements signed by Air Canada with certain information technology providers, 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 ramp handling services to Jazz, including baggage handling and processing, cargo and mail loading and unloading, and aircraft servicing at 10 airports in Canada.

The ground handling services must be provided by Air Canada in accordance with Jazz's procedures and instructions. Jazz may maintain a representative to supervise the services rendered by Air Canada. For passenger related handling services for charter flights operated by Jazz, Jazz and Air Canada are required to negotiate and agree on the specific services to be rendered by Air Canada and the fees payable by Jazz 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 Jazz 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. No such notice of non-renewal has been given by either party.

Jazz Ancillary Business

Charter

Jazz offers charter services to Canadian and international locations. Jazz 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 Jazz 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 February 18, 2016, Jazz operates two Dash 8-100s, two Dash 8-300s and one CRJ200 in Jazz's dedicated charter fleet. Jazz continues to target growth within its charter operation through the pursuit of ongoing and new charter programs.

Jazz has the ability to operate charter flights during the term of the CPA utilizing the Covered Aircraft (subject to the payment of a charter fee to Air Canada) or with other aircraft, provided that Jazz continues to meet its obligations under the CPA and does not market such flights as Air Canada flights. Jazz is responsible for all incremental costs and expenses associated with such flights and is entitled to all revenues. Jazz 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

Jazz offers passenger and ramp handling services to other airlines. Jazz continues to look for new opportunities to expand the airport handling business further.

Maintenance, Repair and Overhaul Operations

Jazz's technical operations team performs regional jet and turboprop line maintenance, heavy maintenance and minor aircraft modifications to support Jazz operations. The technical operations team maintains one of the largest Dash 8-100 and Dash 8-300 fleets in the world. Jazz also has considerable expertise in the repair and overhaul of CRJ100s, CRJ200s, CRJ705s and Q400s.

THE VOYAGEUR BUSINESS

Voyageur began operations in 1968 and operates out of its head office and maintenance, repair and overhaul facility located in North Bay, Ontario. Voyageur currently provides services to its customers throughout the international and Canadian regional aviation marketplace, and offers a wide range of products and services through single supplier relationships. Voyageur's current operations are structured as follows:

Voyageur Aviation Corp.

As the parent company for Voyageur Airways and Voyageur Aerotech, Voyageur Aviation Corp. provides common support services for the Voyageur group including: administrative support services, finance and accounting, human resources, payroll, commercial services, facilities, and materials management. Voyageur Aviation Corp. also operates a fixed base operation at the North Bay Airport which provides aircraft fueling and ground handling services. Voyageur Aviation Corp. owns the head office and maintenance, repair and overhaul facility in North Bay, Ontario.

Voyageur Airways Limited

Voyageur Airways is a Transport Canada approved air operator and provides specialized contract flying operations to Canadian and international customers in four primary segments: ad-hoc charter services; aircraft, crew, maintenance and insurance contract operations (ACMI contracts); aeromedical operations; and special missions. The ACMI term contracts involve medical, logistical and humanitarian flights to customers comprised primarily of government entities and international non-governmental organizations.

Voyageur Aerotech Inc.

Based out of North Bay, Ontario, Voyageur Aerotech is a maintenance, repair and overhaul provider that offers specialized engineering and maintenance services. As a Transport Canada Approved Maintenance Organization and Design Approval Organization, Voyageur Aerotech provides in-house engineering design and certification services for all levels of aircraft to international and Canadian clients. Voyageur Aerotech is also an Approved Maintenance Organization with the United States Federal Aviation Administration and the European Aviation Safety Agency. Voyageur Aerotech activities are also supported by its Transport Canada Approval for the Maintenance Certification of Aeronautical Products. Its engineering services include general technical support, facilities maintenance activities and custom design solutions including Supplemental Type Certificate approvals. In addition, Voyageur Aerotech operates a parts sales division offering parts for Bombardier regional aircraft.

RESOURCES

Fleet

The following table provides the total number of aircraft in Chorus' fleet as at December 31, 2015 and December 31, 2014.

Aircraft	December 31, 2014	2015 Fleet Changes		December 31, 2015
		Additions	Removals	
Regional Jets				
CRJ200s	26	7	(5)	28
CRJ705s	16	—	—	16
Turboprop Aircraft				
King Air 100s	—	2	—	2
King Air 200s	—	1	—	1
Dash 7-100s	—	2	—	2
Dash 8-100s	34	—	—	34
Dash 8-300s	28	6	—	34
Q400s	21	6	—	27
	125	24	(5)	144

As at December 31, 2015, Chorus' fleet included 116 Covered Aircraft under the CPA (excludes the new Q400 acquired on December 31, 2015 as this aircraft was not in operation as at December 31, 2015), 17 aircraft operated by Voyageur Airways and five aircraft utilized for Jazz charter services.

On January 15, 2016 Chorus returned a CRJ200 to the lessor. A further CRJ200 was returned on January 29, 2016. These two aircraft are included in the table above.

People

As at December 31, 2015, Chorus had 4,445 FTE employees compared to 4,130 FTE employees for 2014. The 2015 number includes 266 Voyageur FTEs.

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

- Pilots, represented by ALPA, expires on December 31, 2025.
- Flight attendants, represented by CFAU, expires on December 31, 2025.
- Flight dispatch employees represented by CALDA, expires on December 31, 2025.
- Airport services employees represented by Unifor, expires on January 13, 2017.
- Crew schedulers, represented by Unifor, expires on June 30, 2016.

On January 28, 2016, Jazz announced that a new tentative agreement had been reached with its maintenance and engineering employees represented by Unifor. The agreement is subject to a ratification vote by union members.

The CPA established 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 and to hire new pilots at industry competitive terms, 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 from this list.

FACILITIES

Chorus currently owns an office building and land in Dartmouth, Nova Scotia. Jazz leases office space from Chorus at this location. Chorus also leases a portion of the Dartmouth building to third party tenants. (See "Financing - Nova Scotia Jobs Fund Loan" for details on financing).

Jazz currently owns an operations facility located at the Halifax Stanfield International Airport, which is comprised of office and hangar space. The land on which Jazz's Halifax airport facility is located is leased from the Halifax International Airport Authority.

The following is a description of the principal facilities leased by Jazz. The first three facilities listed below are leased by Jazz from Air Canada and are provided at no cost to Jazz under the CPA.

- 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.
- Office space at Airways Centre at Mississauga.

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

Voyageur owns over 200,000 square feet of aircraft hangars, workshops and office space consisting of four buildings, located in the North Bay Aerospace Park. The land where these buildings are located is owned by Voyageur Aviation Corp. These operations facilities support the business carried out by Voyageur.

Voyageur Airways currently owns a building in New Brunswick at the Greater Moncton International Airport. This facility is comprised of office and hangar space. The land on which this facility is located is leased from the Greater Moncton Airport Authority Inc.

FINANCING

Aircraft and Engine Financing

As at December 31, 2015, Jazz Aircraft Financing Inc. had 31 separate loan agreements with EDC which provided financing for the majority of the purchase price of each of the 27 Q400s and four PW150A engines. The total financing payable at December 31, 2015 for these loans was $573.3 million. Each loan has a maturity of 12 years and bears interest at a fixed rate. At December 31, 2015, the net book value of property and equipment pledged as collateral under EDC financing was $556.1 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, 2015, the Jazz Group was in compliance with these covenants. Failure by the Jazz Group to comply with 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 a continuation of business under the CPA covenant which is specific to Jazz as the lessee of the Q400s and engines. As at December 31, 2015, Jazz was in compliance with this covenant.

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.

Capital Commitments

In connection with the January 1, 2015 Amendment, Chorus exercised its nine remaining options to purchase new Q400s under its purchase agreement with Bombardier, and amended that purchase agreement to add firm orders for four additional Q400s and options for up to ten additional Q400s. Based on the list price for the Q400s, the firm order for a total of 13 Q400s 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. Chorus had purchased six Q400s as of December 31, 2015. Chorus is committed to spend an additional $187.1 million in 2016 related to the remaining seven Q400s (US dollar amounts were converted to Canadian dollars at 1.3840, which was the exchange rate in effect at the end of day closing December 31, 2015). 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 8-300s by 50% (or approximately 15 years). 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 includes the Bombardier service bulletin and parts and anticipated labour costs to complete the service bulletin. The anticipated cost for the years 2016, 2017, 2018 and 2019 is expected to be approximately $1.4 million, $19.9 million, $29.7 million and $14.2 million, respectively (US dollar amounts were converted to Canadian dollars at 1.3840, which was the exchange rate in effect at the end of day closing December 31, 2015). Chorus has received a commitment from Air Canada to finance up to 80% of this anticipated cost.

Credit Facilities

Chorus' subsidiaries have a combined total of $36.0 million in undrawn secured revolving credit facilities and an additional US$6.0 million secured facility specifically for letters of credit (US$2.1 million have been issued). A portion of one of the revolving credit facilities can also facilitate the issuance of letters of credit (US$0.6 million has been issued).

Consideration Payable

As part of the acquisition of Voyageur, at the time of acquisition, the former owner provided Chorus with a non-interest bearing loan of $31.4 million payable over three years. This consideration payable does not bear interest.

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, 2015, the amount drawn on the interest-bearing repayable loan was $12.0 million. As at December 31, 2015, 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 and 2015, 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 in each year.

COMPETITION

Jazz's 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. Jazz competes with other Canadian regional airlines for additional capacity purchase flying for Air Canada, including Sky Regional, Air Georgian and Exploit Valley Air Services. Jazz 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 Jazz. Porter Airlines, which operates from the Billy Bishop Toronto City Airport, competes with Air Canada in various domestic and transborder market pairs operated by Jazz.

Air Canada competes against a variety of United States network airlines and their regional carriers in respect of transborder 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.

Voyageur Airways competes with a wide variety of ACMI operators from around the world when bidding on contracts. Some of these operators include: Swiftair from Spain, 748 Air Services from Kenya, UT Air from Russia, AAR Airlift from the U.S., Denim Air from the Netherlands, and Trans Capital Air from Canada. Voyageur Airways' international ACMI operations competitive advantage is based on it being a Transport Canada approved air carrier and its reputation as a safe and highly reliable operator.

LOGOS AND TRADEMARKS

Chorus owns trademarks for Chorus, Chorus Aviation and associated design marks (logos) in Canada and the United States.

Jazz™ is a trademark owned and registered by Air Canada in Canada and the United States.

Under a trademark license agreement, Air Canada granted Jazz a royalty-free, non-exclusive, non-sublicensable, non-assignable right to use the "Jazz" trademark in association with the provision of regional airline services in Canada and the United States. If the CPA is terminated or expires, that trademark licence agreement provides for a termination of the license six months later. Under a special trademark licence agreement, Jazz and Air Canada agreed that when the CPA is terminated or expires, Air Canada will transfer all rights to the "Jazz" trademark to Jazz and Jazz will discontinue its use of any other Air Canada trademarks.

Chorus also owns additional trademarks in connection with Voyageur.

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

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 Jazz and Voyageur Airways' 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 under 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.

NAV Canada, a private sector, non-share capital corporation, is responsible for providing air navigation services in Canada. All major Canadian airports are operated by Canadian airport authorities that are not-for-profit corporations.

Due to the uncertainty of long-term regulatory requirements, Chorus cannot provide assurance that it will not incur substantial costs to meet those 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, however, the sections amending the CTA are not yet in force. One of these amendments provides the Governor in Council the authority to introduce regulations which 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 February 18, 2016, no such regulations have been proposed by the Governor in Council.

On August 2, 2015, Bill C-439, *An Act Respecting the Rights of Air Passengers* died on the order paper of the previous session of Parliament. If reintroduced to a future or current session of Parliament, that Bill 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 previously proposed by Bill C-439 or otherwise.

Transborder Services

Transborder 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 transborder 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 transborder 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. However, contracts for non-United States airlines to provide aircraft and crew are permitted if, on application to the United States Department of Transportation, 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

No Chorus subsidiary currently has 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 a Chorus subsidiary would be eligible to apply for licensing and operate abroad on a reciprocal basis.

Charter Services

Jazz and Voyageur Airways both maintain 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.

The policy does not contain restrictions relating to advance booking, minimum stay requirements and one way travel. However, to preserve a distinction between charter and scheduled international services, the policy retains the requirements that the entire seating capacity of an aircraft be chartered and that charter customer be prohibited from selling seats directly to the public.

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 addition, the *Air Canada Public Participation Act* imposes 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. Jazz 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 and Safety

Chorus' first priority is the safety and security of all passengers, crew members and all employees in all aspects of its operations. Chorus strives to build a positive security culture that promotes improvement and solicits ideas from all stakeholders.

Chorus works with Transport Canada and other federal and United States agencies to continuously improve security measures and to enable innovations adopted by Chorus to maintain 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.

On August 2, 2015, Bill C-51, which included the *Secure Air Travel Act* died on the order paper of the previous session of Parliament. If reintroduced to the current or a future session of Parliament, that Act would 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 would also 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 Jazz and Voyageur Airways, 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 previously proposed by Bill C-51 or otherwise.

The *Canadian Aviation Regulations* require air operators to implement safety management systems ("SMS") in their organizations and appoint executives who are accountable for safety. 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 high safety performance of Canadian airline operators. Management cannot predict if or when future amendments to this safety legislation will be introduced or enacted. Jazz, Voyageur Airways and Voyageur Aerotech have each fully implemented a safety management system.

The President of Jazz, Colin Copp has been appointed as Accountable Executive for Jazz and Jazz's Vice President of Safety, Quality & Environment has responsibility for the implementation and ongoing management of the safety management system. Jazz's 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. Jazz is in compliance with or surpasses all regulatory requirements.

The President of Voyageur, Max Shapiro, has been appointed as Accountable Executive for Voyageur Airways and Voyageur Aerotech, and he oversees an independent department called Safety and Risk Management System ("SRMS"), dedicated to the core culture of safety. Employees are focused on incident prevention through critical self-assessment and proactive identification of potential deficiencies. Voyageur Airways and Voyageur Aerotech are in compliance with or surpasses all regulatory requirements.

Environmental Matters

In June 2012, the Government of Canada and the Canadian aviation industry released *Canada's Action Plan to Reduce Greenhouse Gas Emissions from Aviation* (the "Action Plan"). The Action Plan superseded the 2005 ATAC agreement and formed the basis for the Government of Canada's response to the International Civil Aviation Organization's ("ICAO") Assembly Resolution A37-19, which encouraged member states to submit national action plans by June 2012 setting out measures each state is taking or will take to address international aviation emissions. The Action Plan set a target to improve fuel efficiency of Canada's air carriers by 2 percent per year until 2020, from a baseline of 40.46 litres per 100 Revenue Tonne-Kilometres. The Action Plan further supports the goals of carbon neutral growth from 2020 onwards and absolute GHG emission reduction by 2050. The Action Plan identified the following measures as the greatest opportunities to improve fuel efficiency and reduce GHG emissions: fleet renewal and upgrades; more efficient air operations; and improved capabilities in air traffic management. 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 December 2015, the United Nations Climate Change Conference negotiated the Paris Agreement, a global agreement to keep climate change below 2°C. Canada was one of the 195 participating countries that committed to the Paris Agreement. The Paris Agreement will open for signature in April 2016 and will enter into force if ratified by 55 countries that account for at least 55% of global emissions. At this time, it is not known which countries or how many will ratify the agreement. If the Paris Agreement is ratified it is unknown whether this will result in a material adverse effect on Chorus' business or financial condition. This issue will be closely monitored at an executive level in the coming year.

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 environmental 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 enable 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 and each of its subsidiaries are subject to a variety of privacy laws regarding the collection, use, disclosure and protection of personal information in their course of commercial activities. The *Personal Information Protection and Electronic Documents Act* ("PIPEDA") governs federally regulated Chorus subsidiaries such as Jazz and Voyageur Airways, and provincial privacy legislation such as Ontario's *Personal Health Information Protection Act, 2004* governs Chorus subsidiaries which are not federally regulated (such as Voyageur companies other than Voyageur Airways). Whether federally or provincially regulated, applicable privacy legislation 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, applicable legislation. 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

For a detailed description of the possible risk factors associated with the industry, Chorus, Chorus' relationship with Air Canada and the Voyageur business refer to the Section entitled "Risk Factors" in Chorus' 2016 Annual MD&A dated February 18, 2016.

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 following table sets forth the price range and trading volume of the Class A Variable Voting Shares and the Class B Voting Shares as reported by the TSX for the months of January to December 2015 inclusive.

	Class A Variable Voting Shares				Class B Voting Shares			
2015	High $	Low $	Average Daily Trading Volume	Total Monthly Volume	High $	Low $	Average Daily Trading Volume	Total Monthly Volume
January	5.25	4.29	13,867	291,210	5.23	4.29	520,720	10,935,113
February	6.07	4.99	16,194	307,677	6.08	4.98	572,940	10,885,857
March	6.04	5.38	61,109	1,344,398	6.02	5.33	362,308	7,970,779
April	6.25	5.86	15,909	334,094	6.29	5.87	318,130	6,680,724
May	6.40	5.75	6,650	132,991	6.40	5.71	317,467	6,349,330
June	6.77	6.27	8,445	185,794	6.78	6.06	305,884	6,729,452
July	6.74	6.05	13,462	296,164	6.74	6.02	228,559	5,028,306
August	6.46	4.91	11,057	221,141	6.50	4.75	327,281	6,545,611
September	5.93	5.00	15,085	316,784	5.94	4.95	254,761	5,349,983
October	5.85	5.25	9,770	205,160	5.87	5.22	257,601	5,409,624
November	5.78	5.32	6,814	143,090	5.69	5.33	182,199	3,826,178
December	5.97	5.50	4,210	84,198	5.80	5.49	202,256	4,247,377

TRANSFER AGENTS AND REGISTRARS

The transfer agent and registrar for the Shares is CST Trust Company at its principal offices in Montreal, Toronto, Calgary and Vancouver.

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.

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, 2015, Chorus paid $57.4 million in dividends to Shareholders (2014 - $63.7 million, 2013 - $55.7 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 February 12, 2016, 8,185,242 Variable Voting Shares and 114,047,155 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 February 18, 2016, 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

During 2014 and 2015 Chorus granted 5,350,000 stock options with an exercise price of $4.50 and 900,000 stock options with an exercise price of $7.25, respectively, to certain executive employees (the "Executive Options"). The options are 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 are to vest entirely three years after the relevant grant date and have a five year option term.

DIRECTORS AND OFFICERS

Directors of Chorus Aviation Inc.

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 Aviation Inc. since the dates set forth opposite their respective names. Each of the directors of Chorus Aviation Inc. 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	Senior Advisory Partner, Verus Partners & Co. Inc.(2)	May 8, 2008
Karen Cramm(3) Halifax, Nova Scotia	Corporate Director	December 6, 2010
Richard D. Falconer(4) Toronto, Ontario	Senior Director, Verus Partners & Co. Inc.(2)	March 1, 2012
R. Stephen Hannahs(5) Corona Del Mar, California	CEO, Wings Capital Partners	August 10, 2015
Sydney John Isaacs(6) Westmount, Québec	Corporate Director	January 1, 2008
G. Ross MacCormack(7) Newport, Vermont, United States	Aviation Consultant	January 24, 2006
Richard H. McCoy(8) Toronto, Ontario	Corporate Director	January 24, 2006 Chairman since January 1, 2008
Marie-Lucie Morin(9) Ottawa, Ontario	Consultant / Corporate Director	February 17, 2016
Joseph D. Randell Wellington, Nova Scotia	President & 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) Verus Partners & Co. Inc. is a strategic investment advisory firm
(3) Chair of the Audit, Finance and Risk Committee and Member of the Governance and Nominating Committee
(4) Chair of the Human Resources and Compensation Committee and Member of the Audit, Finance and Risk Committee
(5) Member of the Audit, Finance and Risk Committee and Member of the Human Resources and Compensation Committee
(6) Member of the Governance and Nominating Committee and of the Human Resources and Compensation Committee
(7) Member of the Governance and Nominating Committee and of the Human Resources and Compensation Committee
(8) Chairman of the Board of Directors
(9) Member of the Governance and Nominating Committee

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, (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; and (iv) Ms. Morin who was the Executive Director for Canada, Ireland and the Caribbean at the World Bank from November 2010 to December 2013 and has been a consultant and director since December 2013.

Executive Officers of Chorus Aviation Inc. and Jazz

The following table sets out the executive officers of Chorus Aviation Inc., and of Jazz's general partner, Aviation General Partner Inc. For each such executive officer, the table below sets out the executive officer's name, municipality of residence as of February 18, 2016, position(s) with Chorus and/or Jazz and principal occupation. Each of the executive officers named below has been an executive officer with Chorus or one of its affiliates or their predecessors for more than five years. For purposes of the table below, references to Chorus means Chorus Aviation Inc.

Name and Municipality of Residence	Executive Officer Position(s)	Principal Occupation
Richard H. McCoy Toronto, Ontario	Chairman, Chorus	Corporate Director
Joseph D. Randell Wellington, Nova Scotia	President & Chief Executive Officer, Chorus and Chief Executive Officer, Jazz	President & Chief Executive Officer, Chorus and Chief Executive Officer, Jazz
Richard Flynn Dartmouth, Nova Scotia	Executive Vice President & Chief Corporate Development Officer, Chorus and Chief Corporate Development Officer, Jazz	Executive Vice President & Chief Corporate Development Officer, Chorus and Chief Corporate Development Officer, Jazz
Jolene Mahody Halifax, Nova Scotia	Executive Vice President & Chief Financial Officer, Chorus and Chief Financial Officer, Jazz	Executive Vice President & Chief Financial Officer, Chorus and Chief Financial Officer, Jazz
Colin Copp Halifax, Nova Scotia	President, Jazz	President, Jazz

As at February 12, 2016, the Directors and Officers mentioned in the above tables, as a group, owned, or had control or direction over, directly or indirectly 2,000 Variable Voting Shares representing approximately 0.02% of the outstanding Variable Voting Shares and 1,312,601 Voting Shares representing approximately 1.15% 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 four members, as follows: Karen Cramm (Chair), Gary M. Collins, Richard D. Falconer, and R. Stephen Hannahs. 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***, FCPA, FCA is a corporate director. A Chartered Accountant since 1977, Mrs. Cramm holds master's degrees in business administration (MBA) and in public administration (MPA). Mrs. Cramm was a senior partner of Deloitte & Touche ("Deloitte") in the Financial Services Group specializing in Reorganization as well as Forensic & Dispute services. While a partner of Deloitte, she served as the Managing Partner of the Halifax Office, was elected to the Canadian Deloitte Board of Directors for fourteen years and chaired the Deloitte Foundation, a registered charity focusing on corporate responsibility and giving back to communities across Canada. Mrs. Cramm has served as President of the Institute of Chartered Accountants of Nova Scotia and was elected as a Fellow of the Institute in recognition of distinguished service to the profession. She has also had extensive experience leading and serving on community-based, non-profit boards including Chair of the Boards of the Izaak Walton Killam Hospital and the Art Gallery of Nova Scotia and serving on the Boards and executive of both Dalhousie University and Mount Saint Vincent University. In April 2015, Mrs. Cramm was named to the board of Medavie Inc. and to Medavie Inc.'s Audit and Risk Management Committee.

(ii) ***Gary M. Collins*** is a Senior Advisory Partner with Verus Partners & Co. Inc., a strategic investment advisory firm. From August 2012 until May 2014, he was the President of Coastal Contacts Inc., a direct-to-customer online retailer of replacement contact lenses and eye glasses. In May 2014 Coastal was purchased by Essilor International. From April 2007 to July 2012, Mr Collins was Senior Vice President of Belkorp Industries Inc. 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, serves on the Audit Committee and is chair of the Compensation Committee of Liquor Stores N.A. Ltd. Mr. Collins is also a board member of D-Box Technologies Inc. He previously served on the board of directors and was a member of the Audit Committee of Catalyst Paper Corporation.

(iii) ***Richard D. Falconer*** is a senior partner of Verus Partners & Co. Inc., a strategic investment 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. He is also a board member of LOFT Community Services and the Dorothy Ley Hospice. Mr. Falconer is also a member of the Board of Governors of the Shaw Festival Theatre Endowment Foundation.

(iv) **R. Stephen Hannahs** is the Founder, Chief Executive Officer, and Managing Director at Wings Capital Partners. Wings Capital Partners makes targeted, non-passive equity investments in commercial aircraft, related assets parts, and aviation companies, with a focus on the mid-life narrow body commercial aircraft sector. In 1989 Mr. Hannahs co-founded Aviation Capital Group ("ACG") and served as its Chief Executive Officer and Group Managing Director until December 31, 2012. When Mr. Hannahs retired from ACG on January 1, 2013, he had built the company into a $7.0 billion enterprise and one of the top five aircraft leasing companies in the world. Between 1982 and 1989, he served as an Executive Vice President at Integrated Resources Inc. and President at Integrated Resources Aircraft Corporation. From 1980 to 1982, Mr. Hannahs was a Vice President and partner in Tanon Leasing Corporation, a partnership with the Hillman Company of Pittsburgh, where he was responsible for all of Tanon's aviation activities. From 1977 to 1980 he was employed by Itel Corporation where he was responsible for airline and aviation financing activities. He is a former officer in the United States Air Force, and holds a Bachelor of Arts and Master of Business Administration degrees in Finance from the University of Wisconsin-Madison.

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 discusses 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, 2015 and December 31, 2014 to PricewaterhouseCoopers LLP and its affiliates were $0.8 million and $0.6 million, respectively, as detailed below:

	Year ended December 31,	
	2015 **$**	**2014** **$**
Audit fees	466,500	321,097
Audit-related fees	59,600	84,268
Tax fees	256,966	173,724
	783,066	579,089

The nature of each category of fees is described below.

Audit fees. 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 fees incurred in 2015 include additional audit work related to the acquisition of Voyageur.

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.

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 Richard D. Falconer who 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 CPA (see "The Jazz Business - 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 2015 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 13, 2016. Additional financial information is provided in the Chorus Consolidated Financial Statements for the year ended December 31, 2015 and in Chorus' 2015 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 condensed consolidated 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;

"**Adjusted EBITDA**" means net income before net interest expense, income taxes, depreciation and amortization and other items such as asset impairment and foreign exchange gains or losses

"**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;

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

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

"**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;

"**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 the aircraft whose capacity Air Canada purchases from Jazz under the CPA;

"**CPA**" means the amended and restated capacity purchase agreement effective January 1, 2006, between Air Canada and Jazz, as amended on January 1, 2015 and as supplemented by the Rate Setting Agreement;

"**CRJ200**" and "**CRJ705**" means Bombardier CRJ 200 and CRJ 705 regional jet aircraft;

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

"**Dash 8-700**", "**Dash 8-100**" and "**Dash 8-300**" means De Havilland Dash 8-100, Dash 8-300 and Dash 7-100 turboprop aircraft;

"**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;

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

"**ESP**" means the agreement entered into by Chorus with Bombardier to be the launch customer for the Dash 8-300 Extended Service Program to extend the service life of the Dash-8-300s;

"**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**" means the fixed fee paid to Jazz by Air Canada for each Covered Aircraft provided by Jazz under the CPA;

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

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

"**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;

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

"**Infrastructure Fee per Covered Aircraft**" means the fixed fee paid to Jazz by Air Canada per Covered Aircraft for the additional services Chorus provides in support of Air Canada's regional flying network under the CPA;

"**Jazz**" means Jazz Aviation LP, together with its general partner, Aviation GP;

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

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

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

"**King Air 100**" and "**King Air 200**" means Beechcraft King Air 100 and 200 turboprop aircraft;

"**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;

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

"**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**" means costs incurred directly by Jazz that are passed-through to Air Canada and fully reimbursed under the CPA;

"**PAWOBs**" means passengers arriving without baggage;

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

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

"**Q400s**" means Bombardier Q400 turboprop aircraft;

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

"**Rate Setting Agreement**" means the agreement between Jazz and Air Canada to set rates effective for 2015;

"**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;

"**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.;

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

"**Voyageur**" means Voyageur Aviation Corp. (as successor by amalgamation to 519222 Ontario Limited, Hangar 6 Inc. and Voyager Airport Services Inc. under the Business Corporations Act (Ontario) on December 31, 2015) and its subsidiaries including Voyageur Airways Limited and Voyageur Aerotech Inc.;

"**Voyageur Aerotech**" means Voyageur Aerotech Inc., a corporation incorporated under the Ontario Business Corporations Act (Ontario) on July 30, 2015; and

"**Voyageur Airways**" means Voyageur Airways Limited, a corporation incorporated under the Business Corporations Act (Ontario) on January 4, 1968.

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

EXHIBIT

2

chorus aviation inc.

Investor Presentation

March 2017

CAUTION REGARDING FORWARD-LOOKING INFORMATION

CAUTION REGARDING FORWARD-LOOKING INFORMATION

Certain information in this presentation may contain ‘forward-looking information’ as defined under applicable Canadian securities legislation. Forward-looking information typically contains words such as “anticipate”, “believe”, “could”, “should”, “estimate”, “expect”, “intend”, “may”, “plan”, “predict”, “project”, “will”, “would”, and similar words and phrases, including references to assumptions. Such information may involve but is not limited to comments with respect to strategies, expectations, planned operations or future actions.

Forward-looking information relates 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 information, by its nature, is based on assumptions, including those described in this presentation, and is subject to important risks and uncertainties. Any forecasts or forward-looking predictions or statements cannot be relied upon due to, amongst other things, external events, changing market conditions 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 forward-looking statements. Factors that may cause results to differ materially from expectations in this presentation include, without limitation: risks relating to Chorus’ economic dependence on and relationship with Air Canada; risks relating to the airline industry (including the international operation of aircraft in developing countries and areas of unrest); aircraft leasing (including the financial condition of lessees, availability of aircraft, access to capital, fluctuations in aircraft market values, competition and political risks); energy prices, general industry, market, credit, and economic conditions (including a severe and prolonged economic downturn which could result in reduced payments under the Capacity Purchase Agreement (‘CPA’) with Air Canada); competition affecting Chorus and/or Air Canada; insurance issues and costs; supply issues and costs; the risk of war, terrorist attacks, aircraft incidents and accidents; epidemic diseases, environmental factors or acts of God; changes in demand due to the seasonal nature of Chorus’ business or general economic conditions; the ability of Chorus to reduce operating costs and employee counts; the ability of Chorus to secure financing; the ability of Chorus to attract and retain the talent required for its existing operations and future growth; the ability of Chorus to remain in good standing under and to renew and/or replace the CPA and other important contracts; employee relations, labour negotiations or disputes; pension issues, currency exchange and interest rates; leverage and restrictive covenants contained in debt facilities; uncertainty of dividend payments; managing growth; changes in laws, adverse regulatory developments or proceedings in countries in which Chorus and its subsidiaries operate or will operate; pending and future litigation and actions by third parties. For a further discussion of risks, please refer to Section 9 – Risk Factors in the fourth quarter and year-end 2016 MD&A. The statements containing forward-looking information in this presentation represent Chorus’ expectations as of March 20, 2017, and are subject to change after such date. However, Chorus disclaims any intention or obligation to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws.

Examples of forward-looking information in this presentation include: the outlook discussion on slide 10 “Revenue Generation under the CPA – Outlook”; the financing of and expectations for the aircraft leasing business on slide 19 “Chorus Aviation Capital Corp”; the expected aircraft deliveries on slide 20 “Launch Customer – Air Nostrum”; the market opportunity in aircraft leasing on slide 25 “Our Regional Aircraft Leasing Strategic Vision”; the projected growth of the air travel industry on slide 26 “Aviation Leasing is an Attractive Segment”; the statement regarding fleet growth on slide 30 “Regional Aircraft are a Highly Attractive Leased Asset”; and the discussion of the private placement on slide 31 “The Fairfax Investment”; and the fleet plan on slide 36 “Jazz Fleet Modernization Plan”.

CHORUS AT A GLANCE

TSX: CHR
Ticker symbol

~ 122 million
Outstanding shares (1)

~ $913 million
Market capitalization (2)

~ $1.3 billion
Operating revenue - 2016

~ $248 million
Adjusted EBITDA, excluding other items - 2016

Consistently profitable since becoming publicly traded in 2006

Focused on building additional shareholder value

Current monthly dividend of $0.04 per share

(1) Outstanding Chorus shares as of January 31, 2017 was 122,182,168.
(2) Calculated using closing price of Chorus shares of $7.47 on the TSX on March 13, 2017.

GROWTH STRATEGY – CHORUS LINES OF BUSINESS

- Focused on providing a full suite of regional airline services to customers around the world

chorus aviation inc.

- Contracted flying operations
  - AIR CANADA express – Operated by Jazz
  - Jazz charters
  - voyageurairways
- Maintenance, repair and overhaul (MRO)
  - JTS – A division of Jazz
  - voyageuraerotech
  - voyageuravparts
- Regional aircraft leasing
  - chorus aviation capital corp.

Focus area of growth and revenue diversification

CONTRACTED FLYING OPERATIONS

AIR CANADA express

Operated by Jazz

- CPA – foundation of our business
- Operates fleet of 113 regional aircraft on behalf of Air Canada
- CPA in place until 2025
- ~ 94% of Chorus' total revenue[1]

Jazz charters

- Ad hoc flying
- Various customers
  - sport teams
  - corporate clients
- Stand alone fleet of three aircraft

voyageurairways

- Based in North Bay, ON
- Specialized contract flying operations with 18 aircraft for international customers
- Air ambulance service for Ambulance New Brunswick

[1] For the 12-month period ended December 31, 2016

AIR CANADA EXPRESS - Responsibilities

Air Canada

- Purchases capacity
- Manages routes
- Sets flight schedules
- Sets ticket pricing
- Conducts marketing
- Assumes commercial risk
- Retains revenue from passenger and cargo sales
- Pays Jazz for aircraft capacity

Air Canada Express – operated by Jazz

- Provides crews, airframe maintenance, flight operations, some airport operations, and general administration
- Scope of operation
  - Over 690 daily flights
  - 72 destinations in North America
  - Fleet of 113 aircraft
- ~ 65% of Air Canada's regional seat capacity
- Three types of missions
  - Smaller markets with less demand
  - High density markets at off-peak times
  - Point-to-point services on lower density routes
- Safe, reliable and customer-friendly operation

COST MANAGEMENT UNDER THE CPA

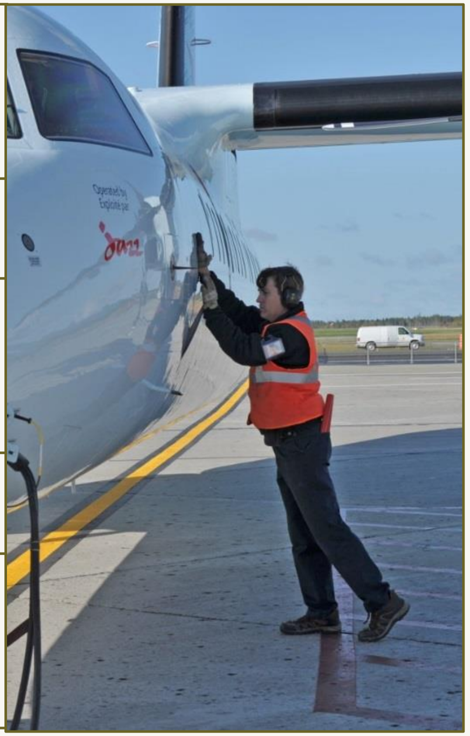
Controllable Revenue (controllable costs)

Type of costs	▪ General overhead, salaries, wages and benefits ▪ Depreciation and amortization on aircraft and parts ▪ Aircraft maintenance ▪ Materials and supplies
Rate setting	▪ Majority of costs, excluding crew rates, set annually, based on projected annual block hours, flying hours, cycles, passengers carried ▪ Associated costs determined by Chorus and resulting rates mutually agreed upon with Air Canada ▪ Annual rate setting decreases Chorus' risk profile and increases accuracy of rates
Crew rates	▪ Set for the term of the CPA and reflect projected crew unit costs ▪ Underpinned by collective agreements set for same term as CPA ▪ Can be adjusted based on certain criteria

COST MANAGEMENT UNDER THE CPA

Pass-through costs – 100% reimbursed

Pass-through costs	▪ Incurred by Chorus under the CPA ▪ Passed through to Air Canada and 100% reimbursed
Type of costs	▪ Airport fees ▪ Navigational fees ▪ Terminal handling fees
Exclusions	Services provided by Air Canada at no cost to Chorus include: ▪ Aircraft fuel ▪ Air Canada ground handling



REVENUE GENERATION UNDER THE CPA

Fixed Fees

- Minimum fleet established for term of CPA
- Fixed margin per covered aircraft
- Fixed infrastructure fee per covered aircraft
- Combined fixed fees minimum of $111.6 million[1] until 2020

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Performance Incentives

- Achieving established targets:
  - Controllable on-time performance
  - Controllable flight completion
  - Passengers arriving with luggage
  - Customer service
- Maximum available annually until 2020: $23.4 million[1]

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Aircraft Leasing

- Chorus-owned Q400 aircraft leased into Jazz's Air Canada Express operation (5 CRJ900s in Q2 2017)
- FY 2016 earned $99.0 million in CPA leasing revenue on 34 Q400 aircraft and 5 Q400 engines

[1] Refer to next slide for outlook through 2025

REVENUE GENERATION UNDER THE CPA - OUTLOOK

Revenue generation under the CPA (unaudited) (expressed in millions of Canadian dollars)	For the calendar year ended December 31, 2015	For the twelve months ended December 31, 2016	Average for calendar years 2017-2020	Average for calendar years 2021-2025
CPA Fixed Fee[(1)]	109.7	110.3	111.6	64.9
CPA Performance Incentives – Earned[(2)]	21.7	21.7	TBD	TBD
CPA Performance Incentives – Maximum available	23.3	23.6	23.4	12.2
Total CPA Revenue Earned	131.4	132.0	TBD	TBD
Total CPA Revenue Available	**133.0**	**133.8**	**135.0**	**77.1**
Aircraft Leasing Revenue Under CPA[(3)]	68.8	99.0	121.8	120.4
Total CPA & Aircraft Leasing Revenue Earned under CPA	200.2	231.0	TBD	TBD
Total CPA & Aircraft Leasing revenue available under CPA	**201.8**	**232.8**	**256.7**	**197.5**
# Aircraft Under Lease in CPA				
- Bombardier Q400	26	34	34	34
- De Havilland Dash 8-300	—	—	13	19
- CRJ 900	—	—	5	5
- Engines	4	5	5	5

(1) CPA revenue for 2016-2020 is not contingent upon fleet size while 2021-2025 has a portion adjusted downward as the remaining Dash 8 100 aircraft reach their retirement dates. The revenue amounts shown for 2015-2025 are not impacted by block hours flown and assume no material events of default or force majeure by either party to the CPA.

(2) There can be no assurance given that the 90% historical level of performance under the CPA Performance Incentives Earned will be achieved in the future.

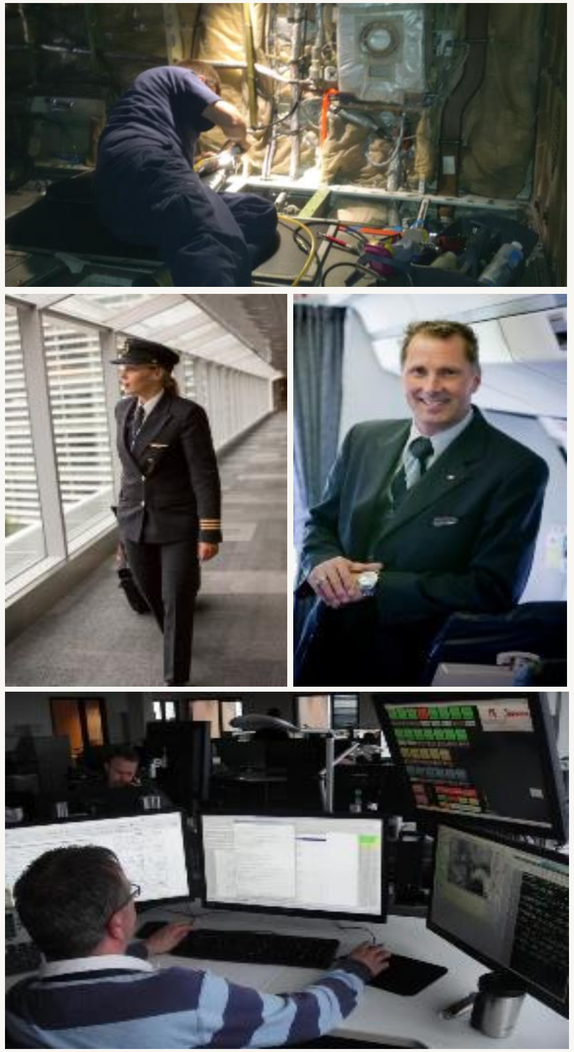
(3) Aircraft Leasing contains forward-looking information based on certain assumptions and estimates including market lease rates post retirement of current 21 Q400 debt financing based on the fleet plan. These projections may differ from actuals numbers if there are material changes in any and all of these assumptions or estimates. Foreign exchange rates used in the calculation of aircraft leasing revenue under CPA were US$:CAD$ 1.31 and US$:CAD$ 1.25 for the years 2016 and 2017-2025, respectively.

The information above includes forward-looking information (refer to slide 2 – "Caution regarding forward-looking information")

JAZZ'S COMPETITIVENESS UNDER THE CPA

Focused on increasing market competitiveness and growing services provided to Air Canada through a differentiated fleet and service offering

- Industry-leading collective agreements expire end of 2025
  - Pilots, Flight Attendants, Maintenance, Dispatchers
  - Pilots' DB pension replaced by DC pension (new hires)
  - Agreements expire in 2025 providing strong labour stability and cost visibility
- Ongoing Pilot Mobility Program with Air Canada
  - Enables senior pilots to flow to Air Canada with replacement pilots hired at industry competitive rates
  - Over 300 pilots exited Jazz since January 2015
- Modernization of Jazz fleet
  - Focused on larger, newer technology regional aircraft
  - Majority of fleet changes to be completed by 2020
  - Lower cost per available seat mile
  - Increased network flexibility and competitiveness
  - Investing in Dash 8-300 Extended Service Program



VOYAGEUR AIRWAYS

- ~ 70% of revenue generated through specialized flight operations
- Fleet of 18 owned aircraft (16 Bombardier manufactured)
- Contract flying services
  - Flight and cabin crew
  - Maintenance personnel
  - On-site manager
- Missions
  - Medical, logistical and humanitarian
  - Canada and Africa
- Flight operations
  - Voyageur’s operating certificate
  - Transport Canada approved licences and personnel

CONTRACTED FLYING OPERATIONS - SUMMARY

Long history in flying operations with strong industry relationships – competitive advantage

Jazz Aviation

- Jazz is Air Canada's primary regional supplier, providing 65% of their regional capacity
- Minimum of 96 aircraft under the CPA in 2025 with the objective to grow
- Larger Q400s and CRJ-900s decrease per-seat costs
- Air Canada's Q400 fleet consolidated into Jazz by early 2017
- Chorus owns majority of CPA aircraft – unique in Canadian regional industry
- Provides Air Canada with flexibility to respond quickly and efficiently to change
- Solidify Air Canada's brand presence at 36 airports across Canada

Voyageur Airways

- Voyageur provides specialized contracted flying services
- Flying ACMI missions around the world for over 12 years
- Blue-chip customers such as United Nations
- World-renowned reputation for superior safety standards and operational integrity
- Contracted services done with Canadian licenses, certification and designations

MAINTENANCE REPAIR AND OVERHAUL (MRO) AND PARTS

jts A division of Jazz	▪ New division under Jazz ▪ Separate profit centre ▪ Focused on traditional heavy maintenance on Bombardier aircraft	
voyageuraerotech	▪ Operating in North Bay, ON ▪ 200,000 square foot facility ▪ Highly specialized and custom MRO ▪ International clients	
voyageuravparts	▪ Newly created business ▪ Regional aircraft part sales and service ▪ Synergies with services provided by Chorus	

JAZZ TECHNICAL SERVICES

- Traditional heavy maintenance on Bombardier regional aircraft
- Five-year contract with another Air Canada Express partner
  - Heavy maintenance checks on 14 regional jets
- Contract to refurbish cabin interior of Dash 8-300 aircraft
- Two-year contract with CommutAir, a United Express® carrier
- Efficiencies gained through economies of scale

United Express® is a registered trade-mark of United Airlines, Inc.

VOYAGEUR AEROTECH

- Transport Canada Design Approved Organization
  - Dedicated engineering team developing Supplemental Type Certificates
- Aircraft modifications
- Maintenance, repair and overhaul (MRO)
  - All models of Bombardier regional aircraft
  - Worldwide customer base
  - Highly specialized MRO work
- ~ 30% of revenue generated from Aerotech with opportunities to grow (includes Avparts)

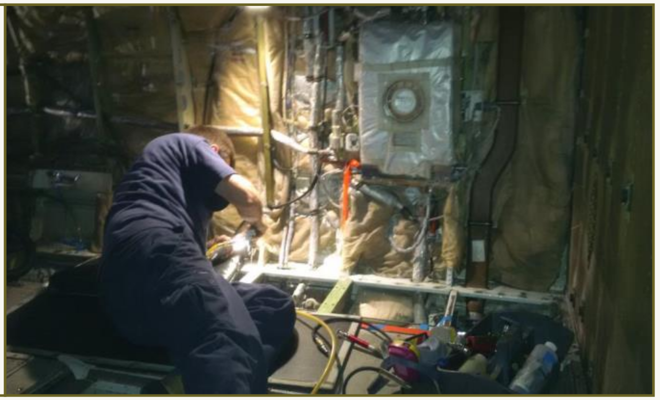
VOYAGEUR AVPARTS

- Newly created business
- Part sales and service in support of future growth
- Services
  - Consignment inventories
  - Aircraft part-outs
  - Purchase and sale of bulk/surplus inventories from third parties
  - Inventory leasing programs
- Synergies with services provided by the Chorus group of companies

MAINTENANCE REPAIR AND OVERHAUL (MRO) AND PARTS – SUMMARY

Jazz Technical Services

- Jazz Technical Services provides opportunity to grow as separate profit centre
- New, industry-leading maintenance collective agreement
- 24/7 operation enabling quick aircraft turnaround times
- Facility has capacity for additional work
- Air Georgian, CommutAir and D8-300 contracts reduce unit costs and improves cost competitiveness
- Opportunity to generate incremental revenue and strengthen bottom line



Voyageur Aerotech and Avparts

- Transport Canada, FAA and European Aviation Safety Agency approved
- Transport Canada certified Canadian Design Approval Organization
- Operating from a 200,000 square foot facility in North Bay, ON
- Supplemental Type Certificates for Dash 8-100/200/300s and Dash 7s
- Capability to conduct MRO work on all Bombardier regional aircraft
- Avparts division provides organic growth and synergies with Chorus companies
- Avparts complements MRO divisions at Voyageur and Jazz

Chorus Aviation Capital Corp

- Regional aircraft leasing is an emerging business
  - ~20% to 25% regional aircraft manufactured are leased vs. ~40% to 50% for narrow-body aircraft
  - Solid opportunity for growth
- Fairfax Financial investing $200 million in Chorus through a private placement of convertible debt units
- New subsidiary will build a global, regional aircraft leasing platform and further advance Chorus' growth and diversification strategy
- Chorus Aviation Capital led by Steven Ridolfi
- Capable of delivering a full suite of support services to customers worldwide by leveraging the expertise within Chorus' group of companies

The information above includes forward-looking information (refer to slide 2 – 'Caution regarding forward-looking information').

The $200 million private placement of convertible debt units remains subject to satisfaction of certain closing conditions.

LAUNCH CUSTOMER - AIR NOSTRUM

Chorus to purchase and lease four new CRJ1000 regional jets to Air Nostrum

- Secured letter of offer from Export Development Canada (EDC) for debt financing
- Two aircraft delivered in November/December 2016; two deliveries expected in June/September 2017
- Air Nostrum is a leading European regional carrier
  - Headquartered in Valencia, Spain
  - Operates fleet of 42 – CRJ1000s, CRJ900s, CRJ200s and ATR 72-600s
  - Network of 54 domestic and international destinations
  - Carried 4 million passengers in 2015 through its franchise with Iberia®
  - Affiliate of the oneworld® airline alliance

Iberia® is a registered trade-mark of Iberia Lineas Aereas De Espana Sociedad Anonima Operadora.

oneworld® is a registered trade-mark of oneworld Alliance LLC.

The information above includes forward-looking information (refer to slide 2 – 'Caution regarding forward-looking information').

The expected aircraft deliveries remain subject to the execution of lease agreements and the satisfaction of certain conditions under the EDC financing.

CREATING VALUE THROUGH GROWTH AND DIVERSIFICATION

Strengthening Jazz competitiveness

Growing aircraft leasing revenues inside/outside CPA

Pursuing growth opportunities for Voyageur in MRO and parts

Advancing business diversification leveraging our regional aviation expertise

CONTACT

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APPENDICES

- Regional aircraft leasing growth opportunity
- Private placement with Fairfax Financial
- Q4 2016 Income Statement
- Q4 2016 Balance Sheet
- CPA fleet modernization plan by type and year
- Jazz fact sheet
- Jazz’s network
- 2016 Jazz industry recognition
- Voyageur fleet

Regional Aircraft Leasing Growth Opportunity

OUR REGIONAL AIRCRAFT LEASING STRATEGIC VISION

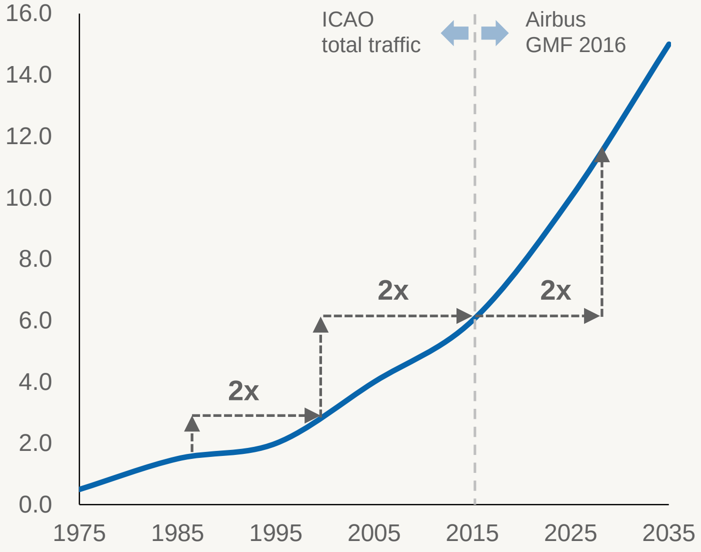
Chorus believes there is a significant opportunity to develop a large and profitable leasing platform by capitalizing on its unique expertise in the regional aircraft and airline market. Chorus is targeting the regional segment because:

1. Accelerating global passenger growth and positive airline fundamentals have created strong regional aircraft market demand
2. The regional leasing segment is currently underserved with limited competition and great potential for further penetration
3. The regional aircraft leasing segment enjoys premium yields and sector margins with favourable access to capital
4. The regional aircraft market is characterized by historically stable aircraft deliveries with limited technical obsolescence risk

The information above includes forward-looking information (refer to Slide 2 – "Caution regarding forward-looking information")

AVIATION LEASING IS AN ATTRACTIVE SEGMENT

Air Travel to Double in the Next 15 Years[1]

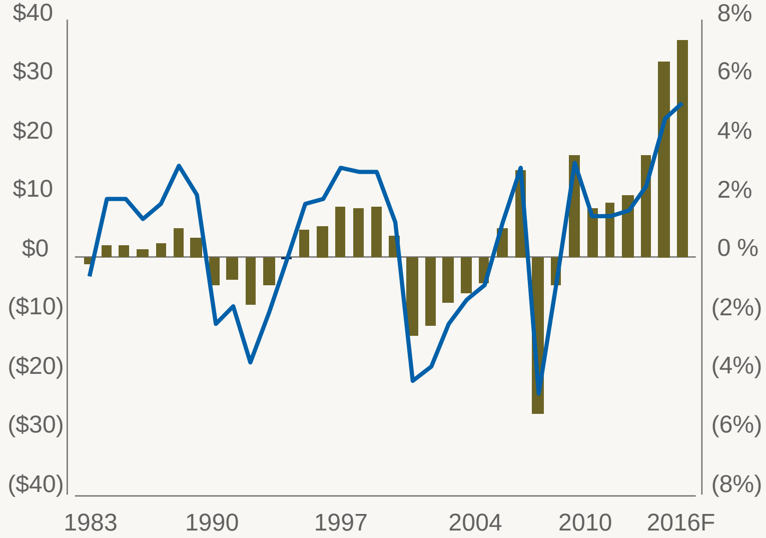


- Strong and resilient passenger traffic growth, with air volume growth having outperformed GDP growth by ~2.0x over the past 10 years[2]
- 20-year world annual traffic growth forecast of 4.5%[1]
- Supports strong growth in aircraft deliveries over the forecast horizon

Increased Use of Operating Leases[3]

- Positive dynamics in aircraft leasing, driven by increase in global fleet and proportion of leased aircraft

End Market / Airline Profitability has Recovered[4]

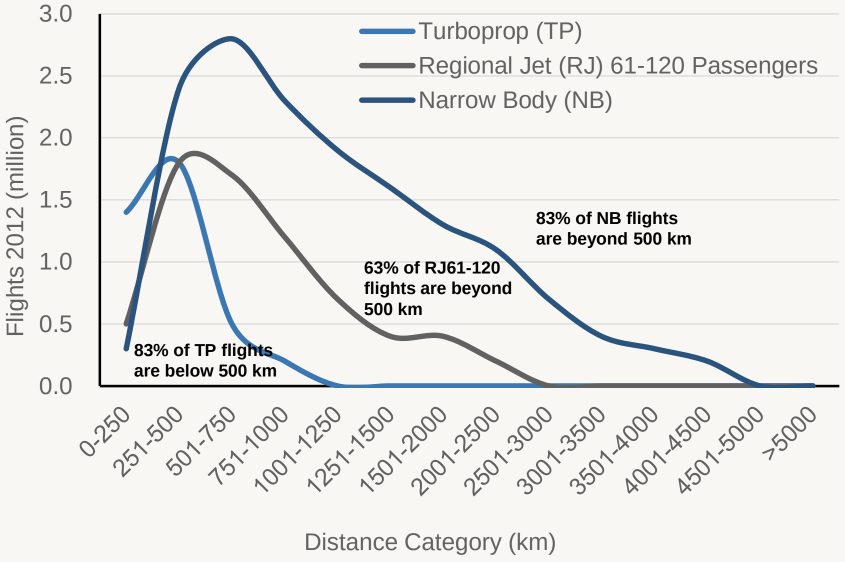


- Airlines have demonstrated increased profitability over recent years

Sources: (1) Airbus Global Market Forecast (2016), (2) IATA, Oxford Economics, (3) CAPA Fleets, AVITAS Estimates, (4) ICAO (1983 – 2013) and IATA December 2015 (2014-15)
The information above includes forward-looking information (refer to Slide 2 - "Caution regarding forward-looking information")

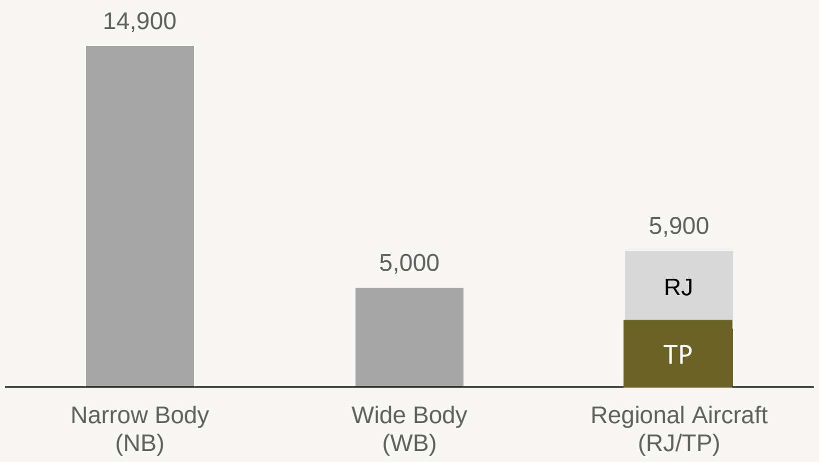
REGIONAL AIRCRAFT ARE FUNDAMENTAL TO EFFICIENT AIR TRANSPORT NETWORKS

Worldwide Flight Distribution By Aircraft Type[1]



- 50% of world passengers fly less than 500 miles
- 60% of the world's communities linked with regional aircraft

Worldwide Distribution of Aircraft by Type[2]



- Regional aircraft fleet is ~23% of total commercial fleet

Source: (1) OAG 2012, (2) Boeing / Bombardier

REGIONAL AIRCRAFT LEASING IS NOT CORE FOR MANY COMMERCIAL AIRCRAFT LESSORS

Commercial Aircraft Leasing Focus

- Focus on larger aircraft allows for faster deployment of capital
- Core OEM relationships with Airbus and Boeing
- Core customer relationship with mainline airlines
- Regional aircraft portfolios are non-core and were often established to build scale during growth stages

35+ Competitors

Note: This is not a complete list of regional aircraft lessors (for illustrative purposes only).

Non-Core Regional Presence

Transactions / Year: **Approximately 1,500 aircraft; $100bn**

Percent Leases: **Approximately 40+%**

Comments: **NB – Narrow body / WB – Wide body / Passenger Cargo**

Regional Aircraft Leasing Focus

- Smaller ticket size per aircraft
- Core OEM relationships with ATR, Bombardier and Embraer
- Core customer relationships with regional airlines
- Trading is less prevalent as leases / loans have been historically of longer tenure

Few Competitors

Note: This is not a complete list of regional aircraft lessors (for illustrative purposes only).

Transactions / Year: **Approximately 300 aircraft; $10bn**

Percent Leases: **Approximately 20% – 25%**

Comments: **TP – Turboprops / RJ – Regional Jets / 61 – 120 seats**

Source: Company websites, Airfleets, Chorus management estimates

ABILITY TO SOURCE ASSETS FROM MULTIPLE CHANNELS

Chorus is building its funnel through several sourcing channels

Direct OEM Orders

- Leveraging OEM relationships to source customers in conjunction with OEM order books

Sale-Leaseback

- Leveraging trusted peer-operator status to acquire aircraft from airlines

3rd Party Leasing Companies

- Taking advantage of regional aircraft's "non-core" status within commercial leasing players' portfolios

REGIONAL AIRCRAFT ARE A HIGHLY ATTRACTIVE LEASED ASSET

1 **Resilient Demand Expectations with a Broad User Base**

- The 70-130 seat fleet is expected to grow ~4-5% per year over the next 20 years(1)
- Operational efficiencies from regional aircraft play a key role in hub-and-spoke networks

2 **Attractive Aircraft Type for Shorter Routes**

- Regional aircraft allow airlines to optimize aircraft size and reduce per-seat cost
- ~50% of global passengers fly on trips below 500 miles and ~30% of global passengers fly on trips below 300 miles

3 **Geographically Diverse Demand Dynamics**

- Economic growth in emerging markets is expected to significantly outpace those in advanced economies
- The emergent urban middle classes in these areas present a real opportunity to expand air travel capabilities which will require the use of turboprop and regional jet aircraft

4 **Stable Supply**

- Historical deliveries of regional aircraft have been relatively consistent
- Regional aircraft projected deliveries are stable

5 **Ability to Hold Values Over Time Due to No Significant Changes to Regional Aircraft Technology**

- Values of regional jets and turboprops have proved less volatile relative to most narrow body aircraft

(1) Embraer Market Outlook 2016-2035

The information above includes forward-looking information (refer to Slide 2 – "Caution regarding forward-looking information")

THE FAIRFAX INVESTMENT

- $200 million investment in Chorus (200,000 convertible debt units at $1,000/unit)
  - $1,000 secured debenture
  - 121.21212121 warrants
- Debentures
  - Interest rate of 6.00% per annum
  - Secured by Dash 8-100 and Dash 8-300 aircraft, plus real estate; security released if Fairfax disposes of any of its debentures
  - Mature on December 31, 2024; redeemable at par any time after December 31, 2021
  - Customary repurchase obligations upon a change of control
- Warrants
  - Exercise price equal to $8.25 per share
  - Exercisable after December 31, 2019 and in the event of a Chorus change of control
  - Subject to adjustment pursuant to anti-dilution provisions
- Chorus to issue convertible debt units between January 1 and March 31, 2017
- Fairfax ownership on a post-exercise basis expected to be ~16.5% based on current Chorus shares issued and outstanding
- Fairfax commits not to dispose of convertible debt units until after December 31, 2019
- Chorus to use proceeds of Fairfax investment primarily to fund its regional aircraft leasing business

The information above includes forward-looking information (refer to slide 2 – 'Caution regarding forward-looking information').

The investment remains subject to satisfaction of certain closing conditions, including receipt of certain conditional listing approvals from the TSX. For more information, refer to Chorus' Material Change Report dated December 22, 2016 and the documents filed in connection therewith available on SEDAR at www.sedar.com.

INCOME STATEMENT – Q4 2016

(expressed in thousands of Canadian dollars, except earnings per share)	As at December 31,	
	2016	2015
	$	$
Operating revenue		
Passenger	1,251,856	1,517,365
Other	24,998	27,316
	1,276,854	1,544,681
Operating expenses		
Salaries, wages and benefits	432,921	435,521
Aircraft fuel	3,122	228,557
Depreciation and amortization	81,334	59,745
Food, beverage and supplies	13,075	12,082
Aircraft maintenance materials, supplies and services	167,547	197,258
Airport and navigation fees	160,612	174,371
Aircraft rent	91,047	103,308
Terminal handling services	39,319	57,018
Other	136,399	127,324

INCOME STATEMENT – Q4 2016 (cont'd)

	As at December 31,	
	2016	2015
(expressed in thousands of Canadian dollars, except earnings per share)	$	$
Operating income	151,478	149,497
Non-operating income (expenses)		
Interest revenue	578	2,443
Interest expense	(22,667)	(17,457)
Gain on disposal of property and equipment	394	186
Foreign exchange gain (loss)	14,331	(74,336)
Other	313	758
	(7,051)	(88,406)
Income before income taxes	144,427	61,091
Income tax expense		
Current income tax	50	(8,509)
Deferred income tax	(32,711)	(27,095)
	(32,661)	(35,604)
Net income	111,766	25,487
Earnings per share, basic	0.91	0.21
Earnings per share, diluted	0.89	0.20

BALANCE SHEET – Q4 2016

	As at	
	31-Dec-16	31-Dec-15
	$	$
Assets		
Current assets		
Cash	23,491	32,677
Restricted cash	5,671	1,829
Accounts receivable – trade and other	75,058	81,357
Inventories	49,657	45,942
Prepaid expenses and deposits	10,591	15,718
Income tax receivable	4,602	---
Total current assets	169,070	177,523
Property and equipment	1,221,487	863,992
Intangibles	2,698	3,004
Goodwill	7,150	7,150
Deferred income tax asset	19,844	19,644
Other long-term assets	42,113	36,026
	1,462,362	**1,107,339**

BALANCE SHEET – Q4 2016 (cont'd)

	As at	
	31-Dec-16	**31-Dec-15**
	$	**$**
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	173,656	177,313
Current portion of obligations under finance leases	5,099	5,432
Current portion of long-term incentive plan	6,567	5,159
Current portion of long-term debt (note 6)	84,543	54,867
Current portion of consideration payable	12,626	11,319
Dividends payable	4,889	4,889
Income tax payable	2,743	7,270
Total current liabilities	290,123	266,249
Obligations under finance leases	8,534	14,052
Long-term debt	803,954	530,390
Consideration payable	5,907	18,849
Deferred income tax liability	126,099	103,202
Other long-term liabilities	88,782	63,801
	1,323,399	996,543
Equity	138,963	110,796
	1,462,362	1,107,339

JAZZ FLEET MODERNIZATION PLAN

The Chorus fleet will transition to more efficient, larger aircraft with significant fleet simplification

- Jazz will transition to a mix of larger, newer technology regional jets (CRJ900s) and turboprops (Q400s)

Aircraft Type	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Q400	27	39	44	44	44	49	49	49	49	49	49
CRJ-200	16	13	10	10	10	0	0	0	0	0	0
CRJ-900	16	16	21	21	21	21	21	21	21	21	21
Total	**59**	**68**	**75**	**75**	**75**	**70**	**70**	**70**	**70**	**70**	**70**

- The addition of Q400s will replace older, less efficient Dash 8-100s that have a higher value in alternative uses

Aircraft Type	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Dash 8-100	28	19	16	15	15	15	12	12	4	1	0
Dash 8-300	26	26	26	26	26	26	26	26	26	26	26
Total	**54**	**45**	**42**	**41**	**41**	**41**	**38**	**38**	**30**	**27**	**26**

The information above includes forward-looking information (refer to slide 2 – 'Caution regarding forward-looking information').

JAZZ FACT SHEET

Corporate Fact Sheet	
Head office:	Halifax
Regional offices:	Vancouver Calgary Toronto Montreal Halifax (Operations Centre)
Destinations served	72 destinations across Canada and the U.S.
Number of employees	4,200 total employees
Daily flights operated	660 (approx., based on weekday operation)
Daily passengers carried	30,000 (based on weekday operation)
Annual passengers carried	10.5 million (based on 2016 figures)

Aircraft type	Number	Capacity
 Bombardier Q400 NextGen	40	74
 Bombardier CRJ-705	16	75
 Bombardier CRJ-200	13	50
 Bombardier Dash 8-300	26	50
 Bombardier Dash 8-100	16	37

JAZZ – CANADA'S REGIONAL AIRLINE

2016 JAZZ INDUSTRY RECOGNITION

- Jazz received top Airline Reliability Performance Awards for dispatch reliability:
  - Q400 Aircraft Programs for North America
  - CRJ100/200 Aircraft Programs for North America
  - CRJ700/900/1000 Aircraft Programs for North America
- Recognized in 2016 as one of North America's top five on-time performing regional airlines
- Canada's Top Employers for Young People 2016
- Canada's Best Diversity Employers 2016
- Atlantic Canada's Top 25 Employers 2016
- Nova Scotia's Top 15 Employers 2016
- APEX award for "Excellence in Publication" recognizing "Focus on Safety"

VOYAGEUR FLEET

Aircraft	Number	Aircraft Type
 Bombardier CRJ-200LR	7	Passenger charter
 Bombardier Dash 8-300	6	Passenger charter
 Bombardier Dash 8-100	2	Passenger charter
 De Havilland Dash 7	1	Passenger charter
 Beechcraft King Air 200	2	Air ambulance

EXHIBIT

3

[REDACTED AS CONFIDENTIAL]

EXHIBIT

4

[REDACTED AS CONFIDENTIAL]

EXHIBIT

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11

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EXHIBIT

12

chorus aviation inc.

2015
Management's Discussion and Analysis of Results of Operations and Financial Condition

February 18, 2016

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1 OVERVIEW

The financial and operating highlights for Chorus are as follows:

	Three months ended December 31,			Year ended December 31,		
	2015[1]	2014	Change	2015[1]	2014	Change
Operating revenue ($000)	357,368	401,298	(43,930)	1,544,681	1,666,291	(121,610)
Operating expenses ($000)	310,907	368,314	(57,407)	1,395,184	1,528,390	(133,206)
Operating income ($000)	46,461	32,984	13,477	149,497	137,901	11,596
Net income for the period ($000)	12,512	11,338	1,174	25,487	64,710	(39,223)
Adjusted EBITDA[2] ($000)	64,108	49,823	14,285	209,242	203,958	5,284
Adjusted EBITDA,[2] excluding other items ($000)	65,686	51,148	14,538	228,275	215,900	12,375
Adjusted net income[2] ($000)	32,137	23,697	8,440	96,335	95,232	1,103
Adjusted net income,[2] excluding other items ($000)	33,715	25,022	8,693	115,368	107,174	8,194
Net income per Share, basic ($)	0.10	0.09	0.01	0.21	0.53	(0.32)
Adjusted net income per Share, basic[2] ($)	0.26	0.20	0.06	0.79	0.78	0.01
Adjusted net income,[2] excluding other items per Share - basic ($)	0.28	0.21	0.07	0.95	0.88	0.07

1) As Chorus acquired Voyageur on May 1, 2015, the results of operations include revenue and expenses of Voyageur since that date (refer to Section 4 - The Chorus Business).
2) This is a non-GAAP measurement. Refer to Section 20 – Non-GAAP Financial Measures.

Chorus achieved significant milestones in 2015.

Highlights:

- Established an amended and restated CPA with Air Canada effective January 1, 2015 extending the CPA term to December 31, 2025.
- Reached collective agreements with Jazz pilots, flight attendants and dispatchers until the end of the CPA term.
- Acquired all of the outstanding shares of 519222 Ontario Limited, a holding company that owned Voyageur Airways Limited and its related companies.
- Announced that an agreement had been reached with Air Canada to add ten incremental aircraft to the CPA fleet.
- Acquired six new Q400s using EDC financing for each.
- Increased Chorus' monthly dividend payment effective with the March 2015 dividend.

Operating income for the three months ended December 31, 2015, compared to the same period 2014, increased by $13.5 million. This increase was driven by a $6.3 million contribution from the Voyageur operation while aircraft leasing operations under the CPA contributed an additional $5.2 million as a result of the addition of new Q400s in the fourth quarter and a change in the US dollar exchange rate. The remaining net increase of $2.0 million in operating income was primarily attributable to more labour and maintenance costs being capitalized on owned aircraft for major maintenance overhauls and other reductions. These increases in operating income were offset by higher stock-based compensation and the absence in this quarter of the Compensating Mark-Up.

The $14.3 million increase in Adjusted EBITDA resulted from the operating income increase previously described and a quarter-over-quarter net $0.8 million increase in depreciation and amortization expense. The increase in depreciation and amortization expense was primarily related to the purchase of additional aircraft during 2015 which accounted for $1.0 million, a $3.3 million increase in depreciation and amortization attributable to Voyageur, new finance leases accounted for a $0.3 million increase and major maintenance overhauls accounted for $0.5 million. These increases were offset by a change in the estimated economic useful lives and residual values of certain owned aircraft and flight equipment made in the first quarter of 2015 which accounted for $4.3 million.

Operating income for the year ended December 31, 2015, compared to the year ended December 2014, increased by $11.6 million. The addition of Voyageur contributed $8.5 million, while aircraft leasing operations under the CPA contributed an additional $11.8 million mainly due to a change in the US dollar exchange rate. The remaining offsetting net decrease of $8.6 million in operating income was mostly attributable to a $13.5 million one-time payment as part of the newly ratified collective agreements with ALPA and CFAU, the absence in 2015 of the Compensating Mark-Up and higher stock-based compensation. These increases in operating income were offset by lower employee separation program costs and more labour and maintenance costs being capitalized on owned aircraft for major maintenance overhauls.

The $5.3 million increase in Adjusted EBITDA resulted from the operating income increase previously described and a year-over-year net $6.3 million decrease in depreciation and amortization expense. The decrease in depreciation and amortization expense was mostly related to a change in the estimated economic useful lives and residual values of certain owned aircraft and flight equipment made in the first quarter of 2015 of $15.5 million and other depreciation reductions of $1.2 million. These decreases were offset by increased depreciation and amortization expense related to the purchase of additional aircraft during 2015 for $1.0 million, increased major maintenance overhauls of $0.4 million, new finance leases accounted for a $0.3 million increase and a $8.7 million increase was attributable to Voyageur.

2 CAPACITY PURCHASE AGREEMENT

On February 2, 2015, Chorus announced that all terms and conditions had been met to establish an amended and restated CPA with Air Canada effective January 1, 2015 (referred to herein as the "January 1, 2015 Amendment") extending the CPA term to December 31, 2025.

Prior to the January 1, 2015 Amendment, 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, aircraft, 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 Scheduled Flights during that period. Once set, for CPA billing purposes, Chorus applied a mark-up (and the Compensating Mark-Up when applicable) to the rates. Chorus was also entitled to repayment of certain Pass-Through Costs, including fuel, airport and navigation fees, 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, PAWOBS and overall customer satisfaction.

Chorus incurs two types of costs under the CPA:

1) Controllable Costs
2) Pass-Through Costs

Under the January 1, 2015 Amendment, many costs that were formerly Controllable Costs have become Pass-Through Costs; however, Chorus will continue to be entitled to be paid rates, 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. With the exception of flight crew costs, aircraft rent, and depreciation and amortization on aircraft and parts, the rates for Controllable Costs are now set annually. Controllable Costs now consist of fewer costs than prior to January 1, 2015 and include costs such as non-crew salaries and wages, general overhead and aircraft maintenance, materials and supplies (for further detail please consult the detailed CPA cost categorization chart found below).

Under the January 1, 2015 Amendment, Air Canada provides Chorus with projected annual Block Hours, Flight Hours, cycles and passengers estimated to be carried in advance of each calendar year during the term. The associated Controllable Costs are determined by Chorus and are paid by Air Canada to Chorus for the Controllable Costs through mutually agreed rates. The rate-setting process is staggered throughout the year and conducted on a rolling basis.

It is expected that annual rate setting related to Controllable Costs will decrease Chorus' cost risk as the annual rate re-set ensures those costs are reviewed in a timely manner and the corresponding rates reflect the realities of the current environment. With such visibility the accuracy of the rates is better assured in the event there are significant changes in the operation and/or the operating environment.

Pilot and flight attendant crew rates have been set for the term of the CPA to December 31, 2025 and reflect projected crew unit costs for this period. Chorus has negotiated collective agreements with its crews for the term of the January 1, 2015 Amendment which support the projected crew unit costs agreed to with Air Canada. The crew rates are adjusted if the number of Block Hours scheduled, the flow of Jazz pilots to Air Canada, and/or if the efficiency of the crew schedules delivered by Air Canada are outside certain agreed thresholds. In addition, regulatory changes that impact crew unit costs result in adjustments to the crew rates.

Pass-Through Costs are passed through to Air Canada and are fully reimbursed. These include costs such as airport and navigation fees and terminal handling fees. Services provided by Air Canada are provided at no cost to Chorus. These include Air Canada ground handling and facilities leased from Air Canada and, effective November 1, 2015, aircraft fuel (for further detail please consult the CPA cost categorization chart found below).

Under the January 1, 2015 Amendment, Chorus' compensation changed from a mark-up on Controllable Costs to fixed fees. The mark-up and Compensating Mark-up concepts have been eliminated. As well, the requirement for benchmarking based on Chorus' costs in 2015 and the margin adjustment provisions contained in the CPA prior to the January 1, 2015 Amendment are no longer applicable.

Chorus is now compensated by the more industry standard approach of fixed fees. There are two fixed fees which establish the minimum level of compensation for the balance of the term of the CPA:

1) Fixed Margin per Covered Aircraft
2) Infrastructure Fee per Covered Aircraft

The Fixed Margin per Covered Aircraft does not vary regardless of network size, complexity or hours flown. The Infrastructure Fee per Covered Aircraft compensates for the additional services Chorus provides in support of Air Canada's regional flying network such as airport operations. The word "rates" for purposes of discussion relating to the January 1, 2015 Amendment does not include the Fixed Margin per Covered Aircraft or the Infrastructure Fee per Covered Aircraft.

Combined, these fixed fees based on the Covered Aircraft were set at approximately $109.7 million for 2015, and once all incremental aircraft (refer to discussion in Section 4 - The Chorus Business) are received the fixed fees increase to approximately $111.7 million per year until the year 2020. From the years 2021 to 2025 these fees are also fixed but at a lower annual amount. Chorus anticipates that this decrease will be partially offset by additional margin contribution from aircraft leasing under the CPA.

Jazz Leasing Inc., a subsidiary of Chorus, leases owned Q400s and engines into the Jazz operation under the CPA. Under this arrangement, Chorus earns aircraft leasing revenue under the CPA from Q400s and Q400 engines. For the year ended December 31, 2015, Chorus earned aircraft leasing revenue of $68.8 million. Annually these aircraft and engines currently generate a cash margin (after consideration of debt servicing charges) of approximately 20%.

The new Q400s being added to the Covered Aircraft fleet in 2016 are anticipated to accrue incremental cash margins comparable to those being earned on Chorus' current fleet of Q400s. As well, the movement of 19 Dash 8-300s to market lease rates post ESP events, are anticipated to accrue incremental cash margin to Chorus going forward (refer to Section 3 - Introduction, "Caution regarding forward-looking information").

Performance incentives will continue to be available, under the January 1, 2015 Amendment, for achieving established performance targets for the same categories identified under the CPA prior to the January 1, 2015 Amendment. The maximum annual available incentive for the years 2015 to 2020 is $23.4 million and $12.2 million for the years 2021 to 2025.

In addition to lowering Chorus' risk profile, Chorus believes that the January 1, 2015 Amendment:

- Provides long-term predictable compensation levels that are anticipated to support the current dividend paid to Shareholders.
- Aligns the interests of Chorus and Air Canada and strengthens their relationship.
- Promotes Chorus' market competitiveness through cost reduction initiatives such as the modernization of its fleet and the ability to flow Jazz senior pilots to Air Canada.
- Secures long-term market competitive labour agreements with Jazz pilots, flight attendants and dispatchers.
- Reduces reliance on the Fixed Margin and Infrastructure Fee per Covered Aircraft and replaces it with growth in cash margin from aircraft leasing under the CPA.
- Secures a solid foundation from which to grow and diversify Chorus' group of companies.

The following table summarizes changes between the January 1, 2015 Amendment terms and the CPA terms in effect to the end of 2014 in cost categorizations in Controllable Costs (used to establish rates) and Pass-Through Costs and costs that will be directly borne by Air Canada.

Changes to the CPA Cost Categorization & Rate Periods by Operating Expense & Detailed Description								
CPA Cost Categorization	**CPA Prior to 2015**				**January 1, 2015 Amendment**			
	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[1]
- All others	X			3 years	X			Annually[2]
Aircraft fuel								
- All costs		X		NA			X[5]	NA
Depreciation and amortization								
- All costs	X			3 years	X			3 years
Food, beverage and supplies								
- Costs from Air Canada							X[3]	
- Costs from third parties	X			3 years		X[3]		NA
Aircraft maintenance, materials and supplies								
- All costs	X			3 years	X			Annually
Airport and navigation fees		X		NA		X		NA
Aircraft rent								
- Chorus Q400 leased through CPA	X			Lease term	X			Lease term
- Third party operating leases	X			3 years	X			3 years
- Air Canada & subsidiary leases to Chorus	X			3 years	X			3 years
Terminal handling services								
- Ground handling services from Air Canada	X			3 years			X[3]	NA
- Ground handling from third parties	X			3 years		X[3]		NA
- De-icing services from Air Canada		X		NA			X[3]	NA
- All others	X			3 years	X			Annually
Other								
- Aircraft parking	X			3 years		X[3]		NA
- Interrupted trips & baggage delivery	X			3 years		X[3]		NA
- Station supplies for processing passengers	X			3 years		X[3]		NA
- Third party facilities	X			3 years		X[4]		NA
- Air Canada facilities	X			3 years			X[3]	NA
- All others	X			3 years	X			Annually

(1) Adjusted for schedule efficiency, Block Hours, regulatory changes and pilot flow.
(2) Reset annually, subject to certain conditions.
(3) These costs transitioned in the first quarter of 2015.
(4) These costs transitioned in the second quarter of 2015.
(5) Fuel transition occurred on November 1, 2015.

The following table outlines the impact of these contractual changes in the different operating expense line items.

(expressed in thousands of Canadian dollars)	Three months ended Dec, 31, 2015 Contractual variances $	= 2014 Controllable Costs no longer billed $	2014 Pass-Through Costs no longer billed $	2014 Controllable Costs moved to Pass-Through Costs $	Year ended Dec. 31, 2015 Contractual variances $	= 2014 Controllable Costs no longer billed $	2014 Pass-Through Costs no longer billed $	2014 Controllable Costs moved to Pass-Through Costs $
		Contractual variance				Contractual variance		
Expenses								
Aircraft fuel	(49,921)	—	(49,921)	—	(49,921)	—	(49,921)	—
Food, beverage and supplies	(472)	(472)	—	—	(1,688)	(1,688)	—	—
Terminal handling services	(13,889)	(10,959)	(2,930)	—	(55,594)	(45,939)	(9,655)	—
Other	(2,669)	(1,960)	(709)	—	(10,599)	(7,740)	(2,859)	—
Total contractual variances	(66,951)	(13,391)	(53,560)	—	(117,802)	(55,367)	(62,435)	—
Summary								
Controllable Costs	(24,330)	(13,391)	—	(10,939)	(100,876)	(55,367)	—	(45,509)
Pass-Through Costs	(42,621)	—	(53,560)	10,939	(16,926)	—	(62,435)	45,509
Total contractual variances	(66,951)	(13,391)	(53,560)	—	(117,802)	(55,367)	(62,435)	—

3 INTRODUCTION

In this MD&A, references to Chorus or the Company refer, as the context may require, to one or more of Chorus Aviation Inc. and its current and former subsidiaries. Where this MD&A discusses the CPA, references to Chorus are exclusively intended to refer to Jazz Aviation LP ("Jazz").

This MD&A, which presents a discussion of the financial condition and results of operations for Chorus, should be read in conjunction with the accompanying audited consolidated financial statements of Chorus and the notes therein for the years ended December 31, 2015 and 2014. All financial information has been prepared in accordance with GAAP, as set out in the CPA Canada Handbook, except for any financial information specifically denoted otherwise. Except as otherwise noted or where the context may otherwise require, this MD&A is prepared as of February 18, 2016.

The earnings and cash flows of Chorus are affected by certain risks. For a description of those risks, please refer to Section 21 – Risk Factors.

Except where the context otherwise requires, all amounts are stated in Canadian dollars.

Caution regarding forward-looking information

Certain information in this MD&A may contain statements which are forward-looking statements. 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 and including the international operation of airlines in developing countries and areas of unrest, 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 CPA), competition, insurance issues and costs, supply issues, war, terrorist attacks, aircraft incidents, 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, the ability of Chorus to secure financing, the ability of Chorus to renew and/or replace existing contracts, employee relations, labour negotiations or disputes, pension issues, currency exchange and interest rates, leverage and restructure covenants in future indebtedness, uncertainty of dividend payments, managing growth, changes in laws, adverse regulatory developments or proceedings in countries in which Chorus and its subsidiaries operate or will operate, pending and future litigation and actions by third parties. For a discussion of certain risks, please refer to Section 21 - Risk Factors. Examples of forward-looking information in this MD&A include the description of incremental cash margins anticipated to accrue with respect to the additional Q400s and 19 Dash 8-300s in Section 2 - Capacity Purchase Agreement, the description of deferred cash payments to be made in connection with the acquisition of Voyageur in Section 4 - The Chorus Business, projections for Chorus' pension funding obligations from 2016 to 2020 in Section 10 - Pension Plans, projection contraction obligations and other commitments in Section 11 - Liquidity and Capital Resources, the discussion of the rates payable pursuant to the CPA in Section 15 - Critical Accounting Estimates, and the 2016 outlook discussion in Section 18 - 2016 Outlook. The forward-looking statements contained in this discussion represent Chorus’ expectations as of February 18, 2016 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.

4 THE CHORUS BUSINESS

Chorus is a holding company incorporated on September 27, 2010 pursuant to the *Canada Business Corporations Act,* with various aviation interests. Chorus' key strategies are:

- Cost control (cost savings initiatives) and sustainable cost reduction and efficiencies under the CPA with Air Canada.
- Diversification and growth of Adjusted EBITDA by leveraging Chorus’ aviation expertise.
- Enhance Shareholder value through improved liquidity and payment of dividends.

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 transborder regional network. Jazz and Air Canada are parties to the CPA under which Air Canada purchases the majority 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, 2015, Jazz operated scheduled passenger service on behalf of Air Canada with approximately 711 departures per weekday to 56 destinations in Canada and 18 destinations in the United States, using 116 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 Section 21 - Risk Factors).

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 (refer to Section 14 - Economic Dependence). 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 Section 21 - Risk Factors).

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 collective agreement is 11 years expiring on December 31, 2025. The ratification of this new collective agreement was a condition to establishing the January 1, 2015 Amendment.

In connection with the January 1, 2015 Amendment, Chorus exercised its nine remaining options to purchase new Q400s 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 Q400s and options for up to ten additional Q400s.

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 8-300s by 50% (or approximately 15 years). This agreement covers a minimum of 19 aircraft and the ESP is anticipated to begin in early 2017.

On May 1, 2015, Chorus acquired all of the outstanding shares of 519222 Ontario Limited, a holding company that owned Voyageur Airways and its related companies. Headquartered in North Bay, Ontario, Voyageur Airways is a Transport Canada approved air operator, and an integrated provider of specialized aviation services, including contract flying operations both internationally and domestically. Voyageur also provides specialized engineering and maintenance services primarily for regional aircraft. The total consideration for the acquisition is expected to approximate $85.3 million consisting of cash in the amount of $47.0 million paid at closing, and cash of $31.4 million payable over three years which has been recorded at the fair value on the date of acquisition of $29.5 million and 1,457,194 Voting Shares of Chorus valued at $8.8 million, being the fair value of the shares on the date of acquisition issued at closing to the vendor. The portion of the purchase price payable over three years includes contingent consideration in the gross amount of $2.0 million, provided certain performance targets are met in the 24 months following closing and a gross working capital adjustment estimated to be $4.4 million. The remainder of the gross consideration is payable over 36 months from closing and does not bear interest. As a result an amount of $2.0 million, determined to represent the fair value of the interest savings has been recorded as a reduction to the purchase price, calculated as imputed interest. Transaction costs totaling approximately $3.0 million have been incurred during 2014 and 2015 in connection with the acquisition and are included in other expenses. Chorus uses the acquisition method to account for business combinations. As such, the results of operations include revenue and expenses of Voyageur since May 1, 2015.

On June 3, 2015, Chorus announced that Jazz's dispatchers, represented by CALDA, had ratified the tentative agreement reached on May 27, 2015. The term of the agreement expires on December 31, 2025.

On September 23, 2015, Chorus announced that Jazz's flight attendants, represented by CFAU, had ratified the tentative agreement reached on August 27, 2015. The term of the agreement expires on December 31, 2025.

On September 28, 2015, Chorus announced that an agreement had been reached with Air Canada to add ten incremental aircraft to the CPA fleet. These aircraft will be operated under the Air Canada Express brand. On February 18, 2016, Chorus received the first of five 78-seat Q400s. The remaining four 78-seat Q400s and five 75-seat CRJ705s are anticipated to be delivered in 2016 and early 2017, respectively, and will operate as Covered Aircraft until 2025. It is anticipated that the addition of these larger gauge aircraft will reduce Unit Costs and increase Chorus' market competitiveness. The five incremental Q400s will be acquired by Air Canada under operating leases and will be subleased to Jazz for CPA operations. Sourcing for the CRJ705s has not yet been finalized.

During 2015 pursuant to its purchase agreement with Bombardier Inc. for Q400s, Chorus took delivery of six new Q400s and financed each of those acquisitions with EDC Financing (refer to Section 11 - Liquidity and Capital Resources).

In addition, Chorus purchased the following aircraft in 2015: five Dash 8-100s previously leased from Air Canada Capital Ltd.; two Dash 8-300s and five CRJ200s previously leased from third parties; and one King Air 200 purchased from a third party.

On January 1, 2016, 519222 Ontario Limited and its subsidiaries were re-organized into three entities. Voyageur Aviation Corp. became the parent company for the group and provides common support services to its subsidiaries. Voyageur Aviation Corp. was created by the amalgamation of 519222 Ontario Limited, Hangar 6 Inc. and Voyageur Airport Services Inc. Voyageur Airways is a Transport Canada approved air operator with international and domestic contract flying operations. Voyageur Aerotech is a Transport Canada approved aircraft maintenance organization with advanced aircraft engineering and maintenance capabilities.

On January 28, 2016, Chorus announced that a new tentative agreement had been reached with its maintenance and engineering employees represented by Unifor. The agreement is subject to a ratification vote by union members.

5 FOURTH QUARTER ANALYSIS

Revenue

	Three months ended December 31,		
	2015	2014	Change
(expressed in thousands of Canadian dollars)	$	$	$
Controllable Revenue	201,957	215,191	(13,234)
Aircraft leasing revenue under the CPA	19,881	14,649	5,232
Fixed Margin and Infrastructure Fee per Covered Aircraft	27,417	—	27,417
Mark-up, including Compensating Mark-Up	—	28,390	(28,390)
Incentive revenue	5,642	5,746	(104)
CPA Pass-Through Revenue	84,688	133,413	(48,725)
Charter and other contract flying revenue	9,970	1,227	8,743
Passenger revenue	349,555	398,616	(49,061)
Other revenue	7,813	2,682	5,131
	357,368	401,298	(43,930)

Operating revenue decreased from $401.3 million to $357.4 million, representing a decrease of $43.9 million or 10.9%. For CPA contractual variances refer to the table in Section 2- Capacity Purchase Agreement

Controllable Revenue

Controllable Revenue decreased by $13.2 million or 6.1%. Certain items provided to Chorus by Air Canada, such as ground handling at major hubs and facilities have been removed from Controllable Revenue. Other items, such as third party ground handling services and catering and commissary, have been re-classified as Pass-Through Costs and removed from Controllable Revenue. The Controllable Revenue reduction related to these changes was $24.3 million. As well, rate decreases under the CPA resulted in a $1.3 million decrease in the quarter and decreased CPA Billable Block Hours accounted for a $0.1 million decline in Controllable Revenue. These decreases were offset by a change in the US dollar exchange rate which resulted in a $12.5 million increase in the quarter.

Aircraft leasing revenue under the CPA

Aircraft leasing revenue under the CPA increased by $5.2 million. The increase was related to a change in the US dollar exchange rate of $2.6 million and additional Q400s added in the fourth quarter of 2015 of $2.6 million. Aircraft leasing revenue under the CPA is generated from the Q400s and Q400 engines owned by Jazz Leasing Inc. and leased to Jazz. The Q400s leasing revenue under the CPA is reflected in revenue, and is designed to provide compensation to Chorus based on market lease rates.

Fixed Margin and Infrastructure Fee per Covered Aircraft and mark-up, including Compensating Mark-Up

Under the CPA, as amended by the January 1, 2015 Amendment, Chorus' compensation changed from a mark-up on Controllable Cost rates to a fixed fee arrangement. The mark-up and Compensating Mark-Up concepts have been eliminated. Based on the fleet plan agreed to as of the January 1, 2015 Amendment, compensation for 2015 was contractually set at $109.7 million annually, or $27.4 million quarterly.

In 2014, the Compensating Mark-Up formula contained in the CPA was applied and the Controllable Mark-Up was increased to compensate Chorus for reduced operating margin and increased Unit Costs resulting from the reduced Block Hours. As a result, Chorus recorded $1.2 million in Compensating Mark-Up in the fourth quarter of 2014 as an increase in operating revenue.

Incentive revenue

Incentives earned under the CPA decreased $0.1 million or 1.8%. For the three months ended December 31, 2015, Chorus earned $5.6 million (2014 - $5.7 million) in performance incentives, or 96.7% (2014 - 96.5%) of the maximum available under the CPA as amended by the January 1, 2015 Amendment.

CPA Pass-Through Revenue

Pass-Through Revenue decreased by $48.7 million or 36.5%, from $133.4 million to $84.7 million. Compensation for aircraft fuel (effective November 1, 2015), deicing and certain other costs provided to Chorus by Air Canada are no longer billed. Other costs, such as third party ground handling services and catering and commissary, have been re-classified to Pass-Through Costs and removed from Controllable Costs. These changes decreased Pass-Through Revenue by $42.6 million. In addition a decline in jet fuel prices prior to the transition on November 1, 2015 decreased Pass-Through Revenue by $7.9 million. These decreases were offset by a change in the US dollar exchange rate which resulted in a $1.5 million increase in the quarter.

Charter and other contract flying revenue

Charter and other contract flying revenue increased by $8.7 million. New contract revenue from the Voyageur operation accounted for $9.4 million; offset by decreased Jazz charter revenue of $0.7 million.

Other revenue

Other revenue increased by $5.1 million primarily related to new revenue from the Voyageur operation, which includes leasing and maintenance repair and overhaul.

Expenses

(expressed in thousands of Canadian dollars)	Three months ended December 31, 2015 $	2014 $	Change $
Operating expenses			
Salaries, wages and benefits	107,199	99,231	7,968
Aircraft fuel	22,782	79,945	(57,163)
Depreciation and amortization	17,647	16,839	808
Food, beverage and supplies	2,977	4,249	(1,272)
Aircraft maintenance materials, supplies and services	43,420	45,023	(1,603)
Airport and navigation fees	43,543	41,490	2,053
Aircraft rent	25,391	23,816	1,575
Terminal handling services	14,045	28,984	(14,939)
Other	33,903	28,737	5,166
	310,907	368,314	(57,407)

Operating expenses decreased from $368.3 million to $310.9 million, a decrease of $57.4 million. Under the CPA as amended by the January 1, 2015 Amendment, certain items provided to Chorus by Air Canada, such as ground handling services, facilities, deicing and effective November 1, 2015 aircraft fuel are no longer billed. These costs were $nil in the period compared to $67.0 million for the same period last year. Additional information regarding operating expenses is provided below. For CPA contractual variances refer to the table in Section 2 - Capacity Purchase Agreement

Salaries, wages and benefits

(expressed in thousands of Canadian dollars)	Three months ended December 31, 2015 $	2014 $	Change $
Adjusted salaries, wages and benefits	105,766	96,712	9,054
Stock-based compensation	2,777	2,468	309
Employee separation program costs	1,578	1,325	253
Capitalized major maintenance overhaul labour	(2,922)	(1,274)	(1,648)
	107,199	99,231	7,968

Salaries, wages and benefits increased by $8.0 million from $99.2 million to $107.2 million. Adjusted salaries, wages and benefits increased $9.1 million primarily as a result of the Voyageur operation and increased pension costs. Stock-based compensation increased primarily as a result of fluctuations in Chorus' share price. Employee separation program costs paid during the quarter were $1.6 million compared to $1.3 million in the same period of 2014. Salaries and wages were also affected by more labour costs being capitalized on owned aircraft for major maintenance overhauls of $1.6 million, on a period-over-period comparison.

Aircraft fuel

Aircraft fuel cost decreased by $57.2 million from $79.9 million to $22.8 million. Costs for aircraft fuel provided to Chorus by Air Canada are no longer billed effective November 1, 2015. These Air Canada costs were $nil in November and December compared to $49.9 million for the same period in 2014. The remaining decrease was primarily attributable to a decline in jet fuel prices for the month of October which accounted for approximately $7.9 million. These decreases were offset by increases related to the Voyageur operation of $0.6 million.

Depreciation and amortization

Depreciation and amortization expense increased by $0.8 million from $16.8 million to $17.6 million. Depreciation expenses related to Voyageur were $3.3 million and the purchase of additional aircraft during 2015 accounted for $1.0 million. As well, depreciation associated with capitalized major maintenance overhauls increased depreciation expense by $0.5 million and new finance leases accounted for $0.3 million. During the three months ended March 31, 2015, Chorus reviewed the estimated useful economic lives and residual values of certain owned aircraft and flight equipment. As a result, the expected estimated useful lives of these assets have been extended. The change in estimate reduced depreciation expense by approximately $4.3 million in the quarter.

Food, beverage and supplies

Food, beverage and supplies decreased by $1.3 million from $4.2 million to $3.0 million. Costs for certain services provided to Chorus by Air Canada are no longer billed. These Air Canada costs were $nil in the period compared to $0.5 million for the same period last year. Chorus negotiated new contracts in late 2014 for catering and commissary services which resulted in decreased costs of $0.5 million. The remaining difference resulted from decreased activity.

Aircraft maintenance materials, supplies and services

Aircraft maintenance expense decreased by $1.6 million from $45.0 million to $43.4 million. The Voyageur operation accounted for a $3.3 million decrease (includes $6.1 million related to the return of previously expensed maintenance reserve deposits associated with the purchase of five CRJ200s which were previously under operating lease by Voyageur). In addition, other maintenance costs decreased by $4.3 million and more maintenance costs being capitalized as a result of increased major maintenance overhauls accounted for a $1.1 million decrease. These decreases were offset by a change in the US dollar exchange rate on certain maintenance material purchases which accounted for a $5.5 million increase and increased engine overhauls which accounted for $1.6 million.

Airport and navigation fees

Airport and navigation fees increased by $2.1 million from $41.5 million to $43.5 million. The increase related to rate changes as a result of changes in aircraft deployment and rate increases at certain airports.

Aircraft rent

Aircraft rent increased by $1.6 million from $23.8 million to $25.4 million. The increase was mainly due to a change in the US dollar exchange rate and the Voyageur operation. These increases were offset by the return of four CRJ200s in the quarter.

Terminal handling services

Terminal handling costs decreased by $14.9 million from $29.0 million to $14.0 million. Costs for certain services provided to Chorus by Air Canada, such as ground handling and deicing at major hubs are no longer billed. These Air Canada costs were $nil in the period compared to $13.9 million for the same period last year. In addition, deicing costs decreased by $0.6 million and decreased flying activity accounted for $0.4 million.

Other

Other expenses increased by $5.2 million from $28.7 million to $33.9 million. The increase was due to increased costs from the Voyageur operation of $3.5 million, increased crew costs related to training and travel of $2.4 million, and general overhead increases of $2.0 million. Costs for certain services provided to Chorus by Air Canada, such as facilities at major hubs are no longer billed. These Air Canada costs were $nil in the period compared to $2.7 million for the same period last year.

Non-operating income (expenses)

(expressed in thousands of Canadian dollars)	Three months ended December 31, 2015 $	2014 $	Change $
Non-operating income (expenses)			
Net interest expense	(4,442)	(3,058)	(1,384)
Gain on disposal of property and equipment	4	42	(38)
Foreign exchange loss	(18,617)	(10,564)	(8,053)
Other	258	—	258
	(22,797)	(13,580)	(9,217)

Non-operating expenses increased by $9.2 million from $13.6 million to $22.8 million.

Net interest expense increased by $1.4 million. Interest expense related to long-term debt increased by $0.9 million due to a change in the US dollar exchange rate and $0.3 million related to interest on consideration payable.

The weakening of the Canadian dollar for the three months ended December 31, 2015 contributed to a foreign exchange loss of $18.6 million, compared to a foreign exchange loss of $10.6 million in the previous year. The US dollar exchange rate at December 31, 2015 was $1.3840 while the US dollar exchange rate at September 30, 2015 was $1.3345. The US dollar exchange rate at December 31, 2014 was $1.1601 while the US dollar exchange rate at September 30, 2014 was $1.1200. These rates are based on the closing day rate from the Bank of Canada.

6 YEAR-TO-DATE ANALYSIS

Revenue

(expressed in thousands of Canadian dollars)	Year ended December 31, 2015 $	2014 $	Change $
Controllable Revenue	805,886	867,149	(61,263)
Aircraft leasing under the CPA	68,750	56,944	11,806
Fixed Margin and Infrastructure Fee per Covered Aircraft	109,657	—	109,657
Mark-up, including Compensating Mark-Up	—	116,958	(116,958)
Incentive revenue	21,704	22,583	(879)
CPA Pass-Through Revenue	476,666	582,121	(105,455)
Charter and other contract flying revenue	34,702	7,961	26,741
Passenger revenue	1,517,365	1,653,716	(136,351)
Other revenue	27,316	12,575	14,741
	1,544,681	1,666,291	(121,610)

Operating revenue decreased from $1,666.3 million to $1,544.7 million, representing a decrease of $121.6 million or 7.3%. For CPA contractual variances, refer to the table in Section 2 - Capacity Purchase Agreement

Controllable Revenue

Controllable Revenue decreased by $61.3 million or 7.1%. Certain items provided to Chorus by Air Canada, such as ground handling at major hubs and facilities, have been removed from Controllable Revenue. Other items, such as third party ground handling services and catering and commissary, have been re-classified as Pass-Through Costs. The Controllable Revenue reduction related to these changes was $100.9 million. In addition, decreased Billable Block Hours accounted for a $5.4 million reduction in Controllable Revenue. These decreases were offset by a change in the US dollar exchange rate which resulted in a $43.8 million increase in the year and rate increases under the CPA accounted for approximately $1.2 million.

Aircraft leasing revenue under the CPA

Aircraft leasing revenue under the CPA increased by $11.8 million. This increase was related to a change in the US dollar exchange rate of $9.2 million and additional Q400s added in the fourth quarter of 2015 of $2.6 million. Aircraft leasing revenue under the CPA is generated from the Q400s and Q400 engines owned by Jazz Leasing Inc. and leased to Jazz. The Q400s leasing revenue under the CPA is reflected in revenue, and is designed to provide compensation to Chorus based on market lease rates.

Fixed Margin and Infrastructure Fee per Covered Aircraft and mark-up, including Compensating Mark-Up

Under the CPA, as amended by the January 1, 2015 Amendment, Chorus' compensation changed from a mark-up on Controllable Cost rates to a fixed fee arrangement. The mark-up and Compensating Mark-Up concepts have been eliminated. Based on the fleet plan agreed to as of the January 1, 2015 Amendment, compensation for 2015 was contractually set at $109.7 million annually, or $27.4 million quarterly.

In 2014, the Compensating Mark-Up formula contained in the CPA was applied and the Controllable Mark-Up was increased to compensate Chorus for reduced operating margin and increased Unit Costs resulting from the reduced

Block Hours. As a result, Chorus recorded $5.0 million in Compensating Mark-Up in 2014 as an increase in operating revenue.

Incentive revenue

Incentives earned under the CPA decreased $0.9 million or 3.9%. For the year ended December 31, 2015, Chorus earned $21.7 million (2014 - $22.6 million) in performance incentives, or 93.0% (2014 - 92.9%) of the maximum available under the CPA as amended by the January 1, 2015 Amendment.

CPA Pass-Through Revenue

Pass-Through Revenue decreased by $105.5 million or 18.1%, from $582.1 million to $476.7 million. Compensation for aircraft fuel (effective November 1, 2015), deicing and certain other costs provided to Chorus by Air Canada are no longer billed. Other costs, such as third party ground handling services and catering and commissary, have been re-classified to Pass-Through Costs and removed from Controllable Costs. These changes decreased Pass-Through Revenue by $16.9 million. In addition, a decline in jet fuel prices, prior to the transition on November 1, 2015, decreased Pass-Through Revenue by $92.1 million. These decreases were offset by a change in the US dollar exchange which rate resulted in a $7.9 million increase in the year.

Charter and other contract flying revenue

Charter and other contract flying revenue increased $26.7 million. New contract flying revenue from the Voyageur operation accounted for $29.6 million; offset by decreased Jazz charter revenue of $2.8 million.

Other revenue

Other revenue increased by $14.7 million primarily related to new revenue from the Voyageur operation which includes leasing and maintenance repair and overhaul.

Expenses

	Year ended December 31,		
	2015	2014	Change
(expressed in thousands of Canadian dollars)	$	$	$
Operating expenses			
Salaries, wages and benefits	435,521	410,401	25,120
Aircraft fuel	228,557	372,345	(143,788)
Depreciation and amortization	59,745	66,057	(6,312)
Food, beverage and supplies	12,082	17,692	(5,610)
Aircraft maintenance materials, supplies and services	197,258	169,288	27,970
Airport and navigation fees	174,371	168,550	5,821
Aircraft rent	103,308	93,350	9,958
Terminal handling services	57,018	109,184	(52,166)
Other	127,324	121,523	5,801
	1,395,184	1,528,390	(133,206)

Operating expenses decreased from $1,528.4 million to $1,395.2 million, a decrease of $133.2 million or 8.7%. Under the CPA, as amended by the January 1, 2015 Amendment, certain items provided to Chorus by Air Canada, such as ground handling services, facilities, deicing and effective November 1, 2015 aircraft fuel are no longer billed. These

Air Canada costs were $nil in the period compared to $117.8 million for the same period last year. Additional information regarding operating expenses is provided below. For CPA contractual variances, refer to the table in Section 2 - Capacity Purchase Agreement

Salaries, wages and benefits

	Year ended December 31,		
(expressed in thousands of Canadian dollars)	2015 $	2014 $	Change $
Adjusted salaries, wages and benefits	417,121	397,165	19,956
One-time signing bonuses	13,500	—	13,500
Stock-based compensation	12,368	8,929	3,439
Employee separation program costs	3,454	11,942	(8,488)
Capitalized major maintenance overhaul labour	(10,922)	(7,635)	(3,287)
	435,521	410,401	25,120

Salaries, wages and benefits increased by $25.1 million from $410.4 million to $435.5 million. Adjusted salaries, wages and benefits increased by $20.0 million as a result of the Voyageur operation and increased pension costs. As part of the newly ratified collective agreements with ALPA and CFAU, Chorus incurred a $13.5 million one-time payment in 2015. Stock-based compensation increased primarily as a result of Chorus' increased share price. Employee separation program costs paid during the year were $3.5 million compared to $11.9 million from the same period of 2014. Salaries and wages were also affected by more labour costs being capitalized on owned aircraft for major maintenance overhauls of $3.3 million on a year-over-year comparison.

Aircraft fuel

Aircraft fuel costs decreased by $143.8 million from $372.3 million to $228.6 million. Effective November 1, 2015, costs for aircraft fuel provided to Chorus by Air Canada are no longer billed. These Air Canada costs were $nil in November and December compared to $49.9 million for the same period last year. The remaining decrease was primarily attributable to a decline in jet fuel prices which accounted for approximately $92.1 million, and a decrease in the volume of fuel consumed due to decreased CPA Block Hours, which accounted for $3.4 million. These decreases were offset by increases related to the Voyageur operation of $1.6 million.

Depreciation and amortization

Depreciation and amortization expense decreased by $6.3 million from $66.1 million to $59.7 million. During the three months ended March 31, 2015, Chorus reviewed the estimated useful economic lives and residual values of certain owned aircraft and flight equipment. As a result, the expected estimated useful lives of these assets have been extended. The change in estimate reduced depreciation expense for the year ended December 31, 2015 by approximately $15.5 million, compared to 2014. In addition, other depreciation reductions accounted for $1.2 million. These decreases were offset by increased depreciation related to the Voyageur operation of $8.7 million, the purchase of additional aircraft in 2015 for $1.0 million and new finance leases of $0.3 million. Also, depreciation associated with capitalized major maintenance overhauls increased depreciation expense by $0.4 million.

Food, beverage and supplies

Food, beverage and supplies decreased by $5.6 million from $17.7 million to $12.1 million. Certain food services provided to Chorus by Air Canada are no longer billed. These Air Canada costs were $nil for the year ended December 31, 2015 compared to $1.7 million in 2014. Chorus negotiated new contracts in late 2014 for catering and commissary services which resulted in decreased costs of $2.9 million. The remaining difference resulted from decreased activity.

Aircraft maintenance materials, supplies and services

Aircraft maintenance expense increased by $28.0 million from $169.3 million to $197.3 million. A change in the US dollar exchange rate on certain maintenance material purchases accounted for a $22.7 million increase, increased engine overhauls accounted for $6.9 million and the Voyageur operation accounted for $3.5 million (includes $6.1 million related to the return of previously expensed maintenance reserve deposits associated with the purchase of five CRJ200s which were previously under operating lease by Voyageur). These increases were offset by decreased Block Hours which accounted for $1.2 million, more maintenance costs being capitalized as a result of increased major maintenance overhauls accounted for a $3.1 million decrease and other maintenance costs accounted for $0.8 million.

Airport and navigation fees

Airport and navigation fees increased by $5.8 million from $168.6 million to $174.4 million. The increase related to rate changes as a result of changes in aircraft deployment and rate increases at certain airports.

Aircraft rent

Aircraft rent increased by $10.0 million from $93.4 million to $103.3 million. The increase was mainly due to a change in the US dollar exchange rate and increased costs related to the Voyageur operation. These increases were offset by the return of five CRJ200s in 2015.

Terminal handling services

Terminal handling costs decreased by $52.2 million from $109.2 million to $57.0 million. Ground handling and deicing provided to Chorus by Air Canada at the major hubs, are no longer billed. These Air Canada costs were $nil for the year ended December 31, 2015 compared to $55.6 million in 2014. Also, decreased flying activity accounted for $1.3 million. These decreases were offset by increased deicing costs of $0.7 million and increased rates as a result of changes in aircraft deployment of $1.1 million. In addition, the outsourcing of passenger handling services resulted in an increase of $2.9 million.

Other

Other expenses increased by $5.8 million from $121.5 million to $127.3 million. The increase was due to increased costs from the Voyageur operation of $9.6 million and increased crew costs related to training and travel of $5.5 million, and general overhead increases of $1.3 million. Offsetting these increases were costs for certain services provided to Chorus by Air Canada that are no longer billed. These Air Canada costs were $nil for the year ended December 31, 2015 compared to $10.6 million in 2014.

Non-operating income (expenses)

(expressed in thousands of Canadian dollars)	Year ended December 31, 2015 $	2014 $	Change $
Non-operating income (expenses)			
Net interest expense	(15,014)	(15,748)	734
Gain on disposal of property and equipment	186	249	(63)
Foreign exchange loss	(74,336)	(28,384)	(45,952)
Other	758	500	258
	(88,406)	(43,383)	(45,023)

Non-operating expense increased by $45.0 million from $43.4 million to $88.4 million.

In 2014, Chorus redeemed all of the Debentures, which accounted for a decrease in interest expense of $3.2 million for the year ended December 31, 2015. Interest expense related to long-term debt increased by $1.4 million related to a change in the US dollar exchange rate for the year ended December 31, 2015. In addition, interest expense increased by $0.7 million related to interest on consideration payable.

The weakening of the Canadian dollar for the year ended December 31, 2015 contributed to a foreign exchange loss of $74.3 million, compared to a foreign exchange loss of $28.4 million in the previous year. The US dollar exchange rate at December 31, 2015 was $1.3840 while the US dollar exchange rate at December 31, 2014 was $1.1601. The US dollar exchange rate at December 31, 2014 was $1.1601 while the US dollar exchange rate at December 31, 2013 was $1.0636. These rates are based on the closing day rate from the Bank of Canada.

7 FLEET

The following table provides the total number of aircraft in Chorus' fleet as at December 31, 2015 and December 31, 2014.

Aircraft	December 31, 2014	2015 Fleet Changes		December 31, 2015
		Additions	Removals	
Regional Jets				
CRJ200s	26	7	(5)	28
CRJ705s	16	—	—	16
Turboprop Aircraft				
King Air 100s	—	2	—	2
King Air 200s	—	1	—	1
Dash 7-100s	—	2	—	2
Dash 8-100s	34	—	—	34
Dash 8-300s	28	6	—	34
Q400s	21	6	—	27
	125	24	(5)	144

As at December 31, 2015, Chorus' fleet included 116 Covered Aircraft under the CPA (excludes the new Q400 acquired on December 31, 2015 as this aircraft was not in operation as at December 31, 2015), 17 aircraft operated by Voyageur Airways and five aircraft utilized for Jazz charter services.

On January 15, 2016, Chorus returned a CRJ200 to the lessor. A further CRJ200 was returned on January 29, 2016. These two aircraft are included in the table above.

8 SUMMARY OF FINANCIAL RESULTS

The following table summarizes quarterly financial results and major operating statistics of Chorus for the previous eight quarters.

	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Chorus								
Total revenue ($000)	357,368	412,157	400,055	375,101	401,298	432,576	417,836	414,581
Net income (loss) ($000)	12,512	6,320	31,411	(24,756)	11,338	11,252	36,498	5,622
Adjusted net income(1) ($000)	32,137	31,443	23,834	8,921	23,697	29,004	22,197	20,334
Adjusted net income(1), excluding other items ($000)	33,715	35,199	25,454	21,000	25,022	32,281	26,698	23,173
Adjusted EBITDA(1) ($000)	64,108	65,079	52,064	27,991	49,823	56,153	50,663	47,319
Adjusted EBITDA(1), excluding other items ($000)	65,686	68,835	53,684	40,070	51,148	59,430	55,164	50,158
Net income (loss) per Share, basic ($)	0.10	0.05	0.26	(0.21)	0.09	0.09	0.30	0.05
Net income (loss) per Share, diluted ($)	0.10	0.05	0.25	(0.21)	0.09	0.09	0.29	0.05
Adjusted net income(1) per Share, basic ($)	0.26	0.26	0.20	0.07	0.20	0.24	0.18	0.17
Adjusted net income(1), excluding other items per Share - basic ($)	0.28	0.29	0.21	0.17	0.21	0.27	0.22	0.19
FTE employees (end of period)(2)	4,445	4,473	4,467	4,132	4,130	4,216	4,320	4,344
Number of Aircraft (end of period)(3)	144	143	141	125	125	125	125	125
Jazz								
Departures	61,650	68,842	65,190	59,983	62,535	68,532	65,539	61,912
Block Hours	87,617	97,135	90,362	85,691	87,957	96,168	91,032	89,088
Billable Block Hours	89,365	98,209	91,559	89,104	89,674	96,776	91,770	92,643
Number of Covered Aircraft (end of period)	116	120	120	122	122	122	122	122

(1) This is a non-GAAP measurement. Refer to Section 20 – Non-GAAP Financial Measures.
(2) Includes FTEs for Voyageur Airways as follows: Q4 2015 - 266; Q3 2015 - 273 and Q2 2015 - 283.
(3) In Q4, Q3 and Q2 2015, number includes 17 aircraft for Voyageur Airways and five aircraft for Jazz charter.

Under the CPA, Chorus has historically experienced 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, principally as a result of the high number of leisure travelers and their preference for travel during the summer months. The operations of Voyageur are not generally affected by seasonality. Seasonality also has little effect on the other lines of business operated by Chorus. The Company 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.

9 SELECTED ANNUAL INFORMATION

The following table provides selected annual information for Chorus for the years 2013 through to 2015.

	Year ended December 31,		
(expressed in thousands of Canadian dollars, except per Share amounts)	2015 $	2014 $	2013 $
Revenue	1,544,681	1,666,291	1,672,060
Operating income	149,497	137,901	124,262
Net income	25,487	64,710	61,866
Cash	32,677	114,578	159,901
Total assets	1,107,339	903,343	976,925
Total long-term liabilities	730,294	508,363	454,842
Dividends declared	57,814	54,454	50,880
Cash provided by operating activities	138,914	202,769	160,617
Per Share			
Operating income	1.23	1.14	1.01
Net income, basic	0.21	0.53	0.50
Net income, diluted	0.20	0.52	0.50
Dividends declared	0.48	0.45	0.41

2015 Compared to 2014

The 2015 results compared to the 2014 results are discussed throughout this MD&A.

Revenue decreased mainly as a result of changes related to the January 1, 2015 Amendment. Certain items provided to Chorus by Air Canada, such as ground handling at major hubs, facilities and effective November 1, 2015 aircraft fuel, are no longer billed and as such, they have been removed from revenue. As well, a reduction in Billable Block Hours contributed to a decrease. These decreases were partially offset by increased revenue related to the Voyageur operation.

Operating income increased mainly as a result of the Voyageur operation and increased leasing revenue under the CPA primarily related to a change in the foreign exchange rate. These increases were offset by a one-time payment as part of the newly ratified collective agreements with ALPA and CFAU.

Net income decreased primarily related to a foreign exchange loss due to a change in the foreign exchange rate.

Cash decreased primarily as a result of the acquisition of Voyageur on May 1, 2015, the purchase of aircraft (see next paragraph for further detail) and deposits made for new Q400s and the ESP.

Total assets increased as a result of the Voyageur acquisition as well as the purchase of aircraft (which consisted of five Dash 8-100s, two Dash 8-300s, one King Air 200, five CRJ200s and six Q400s). This increase was offset by decreased cash as discussed above.

Total long-term liabilities increased as a result of the Voyageur acquisition, new long-term borrowing related to the acquisition of Q400s, new finance leases and a change in the foreign exchange rate on long-term debt.

2014 Compared to 2013

Revenue decreased as a result of a reduction in Billable Block Hours and Pass-Through Revenue. These decreases were offset by rate increases pursuant to the CPA, a change in the US dollar exchange rate, increased aircraft leasing under the CPA, and increased CPA compensation. These increases in revenue were the main factors contributing to the rise in operating income and net income.

Cash decreased as a result of the redemption of the Debentures, deposits made for additional Q400s, and the repurchase of Shares under the normal course issuer bid ("NCIB"). These decreases were offset by positive cash flows from operations.

At December 31, 2014, the pilot defined benefit pension plan was in a liability position versus an asset position at December 31, 2013. This was primarily as a result of a decrease in the applicable discount rate.

Total assets decreased as a result of decreased cash, decreased accounts receivable and decreased other assets, which reflects the change in the pilot defined benefit pension plan.

Total long-term liabilities increased as a result of the change mentioned above regarding the pilot defined benefit pension plan.

10 PENSION PLANS

Projected pension funding obligations

The table below provides projections for Chorus' pension funding obligations from 2016 to 2020:

(expressed in thousands of Canadian dollars)	2016 $	2017 $	2018 $	2019 $	2020 $
Defined benefit pension plans, current service	27,000	24,300	21,000	18,000	16,900
Defined benefit pension plan, past service	9,200	9,200	9,200	9,200	9,200
Defined contribution pension plans	12,300	12,000	13,200	14,100	14,800
Projected pension funding obligations	48,500	45,500	43,400	41,300	40,900

The estimated pension funding obligations shown in the above table are in respect of the defined benefit and defined contribution pension plans sponsored by Chorus. Defined benefit pension plans include the Jazz pilots' registered defined benefit pension plan ("Pilot DB Plan") as well as an unregistered defined benefit supplemental executive retirement plan ("SERP DB Plan") that Chorus sponsors for eligible employees. Defined contribution pension plans include a number of defined contribution pension arrangements that Chorus contributes to for its eligible employees.

The funding requirements for the Pilot DB Plan are based on the January 1, 2015 financial position of the plan for funding purposes and an estimate of the pilot payroll over the projection period. The estimated funding requirements for the SERP DB Plan are based on a funding policy adopted by Chorus and the January 1, 2015 financial position of the plan for funding purposes.

The solvency deficiency for the Pilot DB Plan as at January 1, 2015 was $50.3 million. The January 1, 2015 financial position of the Pilot DB Plan for funding purposes applies an average of the solvency ratio over a three year period. The actual funding obligation for 2016 will be determined based on the January 1, 2016 valuation which will be completed in the first half of 2016. Several factors may impact required contributions, including regulatory developments, assumptions and methods used and changes in the economic conditions, the return on fund assets and changes in interest rates. There can be no assurance that required contributions will be in line with preliminary estimates provided. These funding projections are updated annually.

The foregoing contains forward-looking information and actual pension funding obligations may vary. These projections are based on certain assumptions including actuarial determinations, market interest rates, management's best estimate of salary escalation and retirement ages and life expectancy of employees, and are subject to certain risks including changes in economic conditions, investment returns generated by the plan assets and interest rates, each of which may impact the financial position of the pension plans sponsored by Chorus and future required contributions. Please refer to Section 3 - Introduction, “Caution regarding forward-looking information”, Section 15 - Critical Accounting Estimates, and Section 21 - Risk Factors for further risks related to this forward-looking information. The current estimated pension funding obligations differ from previous estimates as a result of, among other things, the factors listed above.

11 LIQUIDITY AND CAPITAL RESOURCES

Chorus continues to generate positive operating income and cash flows from operations. At December 31, 2015, Chorus had $32.7 million in cash and $1.8 million of restricted cash (letters of credit), for a total of $34.5 million, a decrease of $83.3 million from December 31, 2014. This decrease is primarily attributable to the net cash consideration of $45.5 million ($47.0 million used at closing, net of $1.5 million available at Voyageur covering the performance obligation assumed on acquisition related to the deferred revenue recognized on certain contracts) used in connection with the acquisition of Voyageur on May 1, 2015, deposits made for additional Q400s and the ESP of $26.2 million, and the purchase of additional aircraft of $40.6 million.

Chorus' current liquidity needs are primarily related to meeting obligations associated with the following: planned capital expenditures, including acquisitions for purposes of business diversification, ongoing operations, covenants in aircraft and engine financing agreements, repayment and interest costs related to long-term debt and generating sufficient cash flow to fund dividends (which are declared at the discretion of the Board of Directors).

The airline business is capital intensive and highly sensitive to uncertain external circumstances (refer to Section 3 - Introduction, "Caution regarding forward-looking information" and Section 21 - Risk Factors). As a result, Chorus' main objectives when managing capital are to provide a strong capital base to maintain Shareholder, creditor and market confidence and to sustain future development of the business. Chorus manages its capital structure and makes adjustments to it in light of changes in economic conditions and Chorus' risk profile.

Cash balances are monitored daily and fluctuations are primarily tied to the CPA payment schedule. The CPA payment schedule allows for a gradual draw-down of cash throughout the month and funds are refreshed in two payment tranches. The January 1, 2015 Amendment resulted in some expenses moving to Pass-Through Costs that were previously Controllable Costs and some costs now being borne by Air Canada. As a result, there was an impact on timing of payments by Air Canada. Controllable Revenue is still paid in advance on the first business day of the month. Pass-Through Revenue is now paid on the 23rd of the month or the business day prior, if the 23rd is a non-business day. Revenue associated with fuel has been eliminated with Air Canada now paying for all CPA fuel directly. The reconciliation of Controllable Revenue continues to be paid on the 30th of the month or the business day prior, if the 30th is a non-business day. This payment timing means that Chorus typically has its highest cash balances at the beginning of the month and the lowest cash balance is the end of the month. Fuel was transitioned to Air Canada on November 1, 2015. This change does not adversely impact Chorus' cash flow and minimum cash positions.

Sources and uses of cash

The following table provides information on Chorus' cash flows for the three months and year ended December 31, 2015 and December 31, 2014.

	Three months ended December 31,			Year ended December 31,		
(expressed in thousands of Canadian dollars)	2015 $	2014 $	Change $	2015 $	2014 $	Change $
Sources of Cash:						
Cash provided by operating activities before net changes in non-cash balances related to operations	57,711	49,161	8,550	183,744	196,259	(12,515)
Net changes in non-cash balances related to operations	—	—	—	—	6,510	(6,510)
Restricted cash related to aircraft financing	—	—	—	7,192	—	7,192
Long-term borrowings	119,054	—	119,054	142,779	—	142,779
Other	1,255	85	1,170	1,634	292	1,342
Total sources	**178,020**	**49,246**	**128,774**	**335,349**	**203,061**	**132,288**
Uses of Cash:						
Net changes in non-cash balances related to operations	(25,212)	(1,239)	(23,973)	(44,830)	—	(44,830)
Repayment of long-term debt and obligations under finance leases	(12,186)	(8,860)	(3,326)	(43,635)	(33,100)	(10,535)
Redemption of convertible debentures	—	—	—	—	(80,201)	80,201
Repurchase of Shares under normal course issuer bid	—	(1,015)	1,015	—	(9,372)	9,372
Dividends	(14,667)	(13,537)	(1,130)	(57,432)	(63,731)	6,299
Business acquisition, net of cash acquired	—	—	—	(45,474)	—	(45,474)
Additions to property and equipment	(144,997)	(45,823)	(99,174)	(230,941)	(65,545)	(165,396)
Total usage	**(197,062)**	**(70,474)**	**(126,588)**	**(422,312)**	**(251,949)**	**(170,363)**
Effect of foreign exchange on cash	**1,314**	**295**	**1,019**	**5,062**	**3,565**	**1,497**
Net change in cash during the periods	**(17,728)**	**(20,933)**	**3,205**	**(81,901)**	**(45,323)**	**(36,578)**
Cash – Beginning of periods	**50,405**	**135,511**	**(85,106)**	**114,578**	**159,901**	**(45,323)**
Cash – End of periods	**32,677**	**114,578**	**(81,901)**	**32,677**	**114,578**	**(81,901)**

Sources of cash

Sources of cash for the three months ended December 31, 2015 were $178.0 million, an increase of $128.8 million. The increase was mainly the result of long-term borrowings related to the acquisition of Q400s and a higher cash flow from operating activities.

Sources of cash for the year ended December 31, 2015 were $335.3 million, an increase of $132.3 million. The increase was mainly the result of long-term borrowings related to the acquisition of Q400s and the return of restricted cash for the release of security related to Q400 financing.

Uses of cash

Uses of cash for the three months ended December 31, 2015 was $197.1 million, an increase of $126.6 million. Capital expenditures were $145.0 million, compared to $45.8 million in the same period of 2014. The increase related to the purchase of aircraft (which consisted of four Dash 8-100s, five CRJ 200s and five Q400s), increased major maintenance overhauls and increased expenditures for ongoing spare part replacements for the fleet, equipment and leasehold improvements. Refer to the table below, entitled capital expenditures, for further detail. Additional uses of cash consisted of negative changes in non-cash working capital and increased payments of $3.3 million related to long-term debt and obligations under finance leases. In the fourth quarter of 2014, Chorus repurchased Shares under the NCIB in the amount of $1.0 million. There was no active NCIB as at December 31, 2015.

Uses of cash for the year ended December 31, 2015 was $422.3 million, an increase of $170.4 million. On May 1, 2015, Chorus acquired Voyageur for net cash consideration of $45.5 million. For the year ended December 31, 2015 there were capital expenditures of $230.9 million, compared to $65.5 million in 2014. The increase was related to the purchase of aircraft (which consisted of five Dash 8-100s, two Dash 8-300s, one King Air 200, five CRJ200s and six Q400s), deposits made for additional aircraft, increased major maintenance overhauls and increased expenditures for ongoing spare part replacements for the fleet, equipment and leasehold improvements. Refer to the table below, entitled capital expenditures, for further details. Additional uses of cash consisted of negative changes in non-cash working capital and increased payments of $10.5 million related to long-term debt and obligations under finance leases. In 2014, Chorus redeemed Debentures in the amount of $80.2 million and repurchased Shares under the NCIB of $9.4 million. Neither of these occurred during the year ended December 31, 2015.

Contractual obligations and other commitments

The table below summarizes Chorus' principal and interest cash debt repayments, consideration payable payments and future minimum lease payments under operating leases for flight equipment and base facilities for the years 2016 through to 2020 and thereafter.

(expressed in thousands of Canadian dollars)	Payments Due by Period						
	Total $	2016 $	2017 $	2018 $	2019 $	2020 $	After 5 years $
Long-term debt	689,075	74,190	74,157	74,124	74,091	74,057	318,456
Finance leases(1)	21,015	6,062	5,681	3,322	3,322	2,628	—
Consideration payable	31,439	12,439	13,000	6,000	—	—	—
Operating leases(1)							
Air Canada and its subsidiary(2)	532,791	84,982	75,428	71,504	71,504	71,504	157,869
Other	62,279	12,295	10,362	9,868	9,334	8,008	12,412
	1,336,599	189,968	178,628	164,818	158,251	156,197	488,737

(1) A significant portion of lease payments are payable in US dollars and have been converted using a foreign exchange rate of $1.3840.

(2) Certain of the aircraft lease agreements have been entered into by Air Canada Capital Ltd., or Air Canada with head lessors, and subleased to Chorus. These leases are included in the above table under the heading "Air Canada and its subsidiary". For further discussion, refer to Section 14 - Economic Dependence.

The foregoing contains forward-looking information and actual contractual obligations and other commitments may vary. These projections are based on certain assumptions including foreign exchange rates and current contractual terms. Please refer to Section 3 - Introduction "Caution regarding forward-looking information" and Section 21 - Risk Factors for risks related to this forward-looking information. The current projections differ from previous projections as a result of new borrowing or leasing, the acquisition of Voyageur, and a change in the foreign exchange rate, among other things.

Long-term debt

Long-term debt consists of the following:

(expressed in thousands of Canadian dollars)	December 31, 2015 $	December 31, 2014 $
Term loans - purchased aircraft(1)	564,222	383,872
Term loans - purchased engines(2)	9,035	8,186
Term loan - Halifax facility(3)	12,000	12,000
	585,257	404,058
Less: Current portion	54,867	35,376
	530,390	368,682

(1) 27 individual term loans, repayable in semi-annual instalments, ranging from $1.1 million to $1.4 million, bearing fixed interest at a weighted average rate of 3.371%, maturing between May 2023 and December 2027, each secured primarily by one Q400 and two PW150A engines. At December 31, 2015, the total Q400 financing payable in US dollars was US$407.7 million (December 31, 2014 - US$330.9 million), and the net book value of property and equipment pledged as collateral under Q400 financing was $548.2 million (December 31, 2014 - $406.5 million).

(2) Four individual term loans, repayable in quarterly instalments of approximately $0.1 million, including fixed interest at a weighted average rate of 4.867%, maturing between December 2024 and October 2025, each secured primarily by one PW150A engine. At December 31, 2015, the total Q400 engine financing payable in US dollars was US$6.5 million (December 31, 2014 - US$7.1 million) and the net book value of property and equipment pledged as collateral under Q400 engine financing was $7.9 million (December 31, 2014 - $8.2 million).

(3) Nova Scotia Jobs Fund loan, with a maximum contribution of $12.0 million, bearing interest at a fixed rate of 3.33% annually. Principal repayments of $1.0 million are payable annually commencing on August 31, 2016. Maturing on August 31, 2027, the loan may be repaid in full or in part at any time without bonus or penalty and is secured by a first security interest in the land and office building located at 3 Spectacle Lake Drive, Dartmouth, Nova Scotia and the assignment of the building tenant leases.

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, 2015, the Jazz Group was in compliance with these covenants. Failure by the Jazz Group to comply with 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 a continuation of business under the CPA covenant which is specific to Jazz as the lessee of the Q400s and engines. As at December 31, 2015, Jazz was in compliance with this covenant.

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.

Consideration payable

As part of the acquisition of Voyageur, the former owner provided Chorus with a non-interest bearing loan upon acquisition of $31.4 million, payable over three years. This consideration payable does not bear interest. As a result, an imputed interest rate of 3.5% was used to calculate fair value of interest savings of $2.0 million and record the loan at its fair value of $29.5 million.

Off balance sheet arrangements and guarantees

Chorus enters into real estate leases, or operating agreements, which grant a license to Chorus to use certain premises and/or operate at certain airports in the majority of the cities that it serves. It is common in such commercial lease transactions for Chorus, as the lessee, to agree to indemnify the lessor and other related third parties for tort liabilities arising out of or relating to Chorus' use or occupancy of the leased or licensed premises. In certain cases, this indemnity extends to related liabilities arising from the negligence of the indemnified parties, but generally excludes any liabilities caused by their gross negligence or wilful misconduct. Chorus also typically indemnifies such parties for any environmental liability arising out of or relating to its use or occupancy of the leased or licensed premises.

In aircraft financing or leasing agreements, Chorus typically indemnifies the financing parties, trustees acting on behalf of such financing parties and other related parties and/or lessors against liabilities that arise from the manufacture, design, ownership, financing, use, operation and maintenance of the aircraft and for tort liability, whether or not these liabilities arise out of or relate to the negligence of these indemnified parties, except for their gross negligence or wilful misconduct. In addition, in aircraft financing or leasing transactions, including those structured as leveraged leases, Chorus typically provides indemnities in respect of certain tax consequences.

When Chorus, as a customer, enters into technical service agreements with service providers, primarily service providers who operate an airline as their main business, Chorus from time to time agrees to indemnify the service provider against liabilities that arise from third party claims, whether or not these liabilities arise out of or relate to the negligence of the service provider, but excluding liabilities that arise from the service provider's gross negligence or wilful misconduct.

Chorus has indemnification obligations to its directors and officers. Pursuant to such obligations, Chorus indemnifies these individuals, to the extent permitted by law, against any and all claims or losses (including amounts paid in settlement of claims) incurred as a result of their service to Chorus.

The maximum amount payable under the foregoing 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). Chorus expects that it would be covered by insurance for most tort liabilities and certain related contractual indemnities described above.

Capital commitments

In connection with the January 1, 2015 Amendment, Chorus exercised its nine remaining options to purchase new Q400s under its purchase agreement with Bombardier, and amended that purchase agreement to add firm orders for four additional Q400s and options for up to ten additional Q400s. Based on the list price for the Q400s, the firm order for a total of 13 Q400s 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. Chorus had purchased six Q400s as of December 31, 2015. Chorus is committed to spend an additional $187.1 million in 2016 related to the remaining seven Q400s (US dollar amounts were converted to Canadian dollars at 1.3840, which was the exchange rate in effect at the end of day closing December 31, 2015). Chorus has received commitments from EDC to finance up to 80% of the net purchase price for all firm 13 orders.

On February 11, 2016, Chorus took delivery of one Q400 aircraft and drew EDC financing. The term loan is repayable by Chorus to EDC in semi-annual instalments of approximately US$0.9 million, matures in February 2028 and is secured primarily by one Q400 aircraft and two PW150A engines.

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 8-300s by 50% (or approximately 15 years). 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 includes the Bombardier service bulletin and parts and anticipated labour costs to complete the service bulletin. The anticipated cost for the years 2016, 2017, 2018 and 2019 is expected to be approximately $1.4 million, $19.9 million, $29.7 million and $14.2 million, respectively (US dollar amounts were converted to Canadian dollars at 1.3840, which was the exchange rate in effect at the end of day closing December 31, 2015). Chorus has received a commitment from Air Canada to finance up to 80% of this anticipated cost.

On February 3, 2016 Chorus took delivery of an additional King Air 200. The purchase price was approximately US $1.1 million, with additional spend of approximately $1.0 million expected for modifications to the aircraft.

Credit facilities

Chorus' subsidiaries have a combined total of $36.0 million in undrawn secured revolving credit facilities and an additional US$6.0 million secured facility specifically for letters of credit (US$2.1 million have been issued). A portion of one of the revolving credit facilities can also facilitate the issuance of letters of credit (US$0.6 million has been issued).

Capital expenditures

The following table provides a breakdown of capital expenditures on a quarter over quarter and year over year basis.

	Three months ended December 31,			Year ended December 31,		
(expressed in thousands of Canadian dollars)	2015 $	2014 $	Change $	2015 $	2014 $	Change $
Capital expenditures, excluding finance leases, aircraft acquisitions and ESP	4,389	3,800	589	13,035	12,693	342
Capitalized major maintenance overhauls	7,443	2,028	5,415	24,029	12,857	11,172
Finance leases	12,288	—	12,288	19,479	—	19,479
Aircraft acquisitions and ESP	137,965	40,343	97,622	199,877	40,343	159,534
Total capital expenditures[1]	162,085	46,171	115,914	256,420	65,893	190,527

(1) Includes non-cash transactions of $12.3 million and $19.5 million for finance leases and $4.8 million and $6.0 million for other aircraft purchases for the three months and year ended December 31, 2015, respectively.

The 2015 actual capital expenditures of $256.4 million was in line with the guidance previously provided for anticipated capital expenditures of $257.0 million to $269.0 million.

Shares

At February 12, 2016, the issued and outstanding Shares of Chorus were as follows:

	February 12, 2016	December 31, 2015
Issued and outstanding Shares		
Class A Variable Voting Shares	8,185,242	8,228,804
Class B Voting Shares	114,047,155	114,003,593
Total issued and outstanding Shares	122,232,397	122,232,397
Shares potentially issuable		
Stock-based compensation plans	3,317,406	3,317,406
Total outstanding and potentially dilutive shares	125,549,803	125,549,803

Dividends

For the three months and year ended December 31, 2015, Chorus declared dividends of $14.7 million and $57.8 million respectively (2014 - $13.5 million and $54.5 million respectively). For the three months and year ended December 31, 2015, Chorus paid dividends of $14.7 million and $57.4 million respectively (2014 - $13.5 million and $63.7 million respectively).

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. Chorus' Board of Directors evaluates the dividend on a regular basis and dividends are declared at the discretion of the Board.

12 RELATED PARTY TRANSACTIONS

As at December 31, 2015, Chorus had no transactions with related parties as defined in the CPA Canada Handbook, except those pertaining to transactions with key management personnel in the ordinary course of their employment or directorship arrangements.

13 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Chorus' financial instruments consist of cash, restricted cash, accounts receivable, ABCP, accounts payable and accrued liabilities, dividends payable, obligations under finance leases, consideration payable and long-term debt.

Chorus has exposure to the following risks from its use of financial instruments: interest rate risk, credit risk, liquidity risk and currency risk.

Interest rate risk

Investments included in Chorus' cash earn interest at prevailing and fluctuating market rates, as Chorus' objective is to maintain these balances in highly liquid investments.

The 31 term loans with EDC and the Nova Scotia Jobs Fund loan bear fixed interest rates and the consideration payable does not bear interest. The debt is therefore not subject to interest rate volatility.

A 1% change in the interest rate would not have a significant impact on the net income of Chorus.

Credit risk

Credit risk arises from cash, restricted cash, deposits, as well as credit exposure to customers, including outstanding receivables. Chorus manages the credit risk on cash by ensuring that the counter-parties are governments, banks and corporations with high credit-ratings assigned by international credit-rating agencies. In accordance with its investment policy, Chorus invests excess cash in Government of Canada treasury bills, short-term Canadian and provincial government debt, bankers' acceptance notes, term deposits of Schedule 1 Banks and Schedule 2 Banks rated R-1 high, and commercial paper rated R-1 high.

The maximum exposure to credit risk for cash, restricted cash, deposits and trade and other receivables approximate the amount recorded on the statement of financial position.

With the exception of trade receivables, Chorus has no financial assets past due. As at December 31, 2015, the total amount of trade receivables was $56.6 million (2014 - $52.6 million), net of allowances for doubtful accounts, which has been estimated by management based on prior experience and its assessment of the current economic environment and the specific debtor. The amount of this allowance was $0.8 million (2014 - $nil). At December 31, 2015, trade receivables of $52.3 million (2014 - $52.3 million) were not past due or impaired; $5.1 million (2014 - $0.3 million) were past due, but not impaired, and $nil (2014 - $nil) were impaired. Chorus continues to work with the entities from which it holds past due receivables to recover the full amount outstanding. Approximately $42.9 million (2014 - $51.3 million) of the total receivables are with one company, Air Canada. Accordingly, Chorus is directly affected by the financial and operational strength of Air Canada. Chorus does not believe it is subject to any significant concentration of credit risk other than with Air Canada.

Liquidity risk

Chorus' objective is to maintain sufficient liquidity to meet liabilities when due. Chorus monitors its cash balances and cash flows generated from operations to meet its liquidity requirements. Cash flow forecasting is performed in respect of each operating entity of Chorus and then aggregated. Chorus monitors rolling forecasts of Chorus' liquidity requirements. Such forecasts take into consideration Chorus' operational cash flow requirements, debt financing plans and compliance with internal balance sheet ratio targets.

Currency risk

Chorus receives revenue and incurs expenses in US and Canadian currency, and as a result, is subject to fluctuations as foreign exchange rates fluctuate. Chorus manages its exposure to currency risk by billing for services in the underlying currency related to the expenditure. Accordingly, the primary exposure results from balance sheet fluctuations of US denominated cash, accounts receivable, accounts payable, and, in particular, obligations under finance leases, and long-term debt, which are long-term and subject to larger unrealized gains or losses. Chorus mitigates this currency risk by maintaining a balance of US dollars which is used to pay down US denominated liabilities and replenishes the balance through US denominated revenues. The amount of US denominated assets was $40.4 million and US denominated liabilities was $475.8 million at December 31, 2015. A 1¢ change in the US exchange rate would result in a change in the unrealized gain or loss of approximately $4.4 million.

Fair value of financial instruments

The carrying amounts reported in the statement of financial position for cash, restricted cash, accounts receivable, accounts payable and accrued liabilities and dividends payable approximate fair values based on the immediate or short-term maturities of these financial instruments. Assets and liabilities, such as commodity taxes and deferred lease inducements, that are not contractual and that arise as a result of statutory requirements imposed by governments, do not meet the definition of financial assets or financial liabilities and are therefore excluded. The methods and assumptions used in estimating the fair value of other financial assets and liabilities are as follows:

- ABCP

  The ABCP is a financial security that currently has no active trading market. Valuation is done based on limited available market information, maturity dates and expected return of capital on a discounted basis. During the year ended December 31, 2015, a valuation gain of $0.3 million (2014 - $nil) was recorded.

- Long-term debt

  At December 31, 2015, the fixed rate term loans had a fair value of $587.6 million. The fair values were calculated by discounting the future cash flow of the respective long-term debt at the estimated yield to maturity of similar debt instruments.

- Finance leases

  The repayment terms that Chorus is committed to make have been discounted at the relevant market interest rates applicable at year-end. Interest rates used to calculate fair value are based on the change in the risk-free rate at December 31, 2015, compared to the risk-free rates at the inception of the leases. Chorus determined there was no difference between carrying value and fair value as the leases were recently entered into and the interest rates used at the inception of the leases was, on average, not materially different from the year-end interest rate.

- Consideration payable

  At December 31, 2015, consideration payable had a fair value of $30.2 million. The fair value was calculated by discounting the payable at the relevant market interest rates applicable at year-end.

14 ECONOMIC DEPENDENCE

The CPA

Chorus provides capacity for a significant portion of Air Canada's domestic and transborder regional network. Chorus is economically and commercially dependent upon Air Canada and certain of its subsidiaries, as, in addition to being Chorus' primary source of revenue, these entities currently provide significant services to Chorus. Chorus and Air Canada are parties to the CPA under which Air Canada currently purchases the greater part of Chorus' fleet capacity on Covered Aircraft at predetermined rates.

On February 2, 2015, Chorus announced that it had reached a long-term agreement for an amended and restated CPA with Air Canada. The agreement was retroactively effective January 1, 2015 and is in effect until December 31, 2025. (Refer to Section 2 - Capacity Purchase Agreement with Air Canada for further discussion).

Chorus has a significant amount of transactions with Air Canada and its subsidiary. Air Canada and its subsidiary represented 95.4% of Chorus' operating revenues for the year ended December 31, 2015 (98.6% for the year ended December 31, 2014). Approximately 6.8% and 10.2% of Chorus' operating expenses for the years ended December 31, 2015 and 2014 respectively were incurred with Air Canada and one of its subsidiaries.

15 CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make estimates, judgments and assumptions that management believes are reasonable based upon the information available. These estimates, judgments and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, estimates and judgments may change in light of new facts and circumstances in the internal and external environment and actual results can differ from those estimates (refer to Section 3 – Introduction, “Caution regarding forward-looking information”). The significant accounting policies of Chorus are described in note 3 of the audited consolidated financial statements of Chorus for the year ended December 31, 2015.

Other Future Employee Benefits

Chorus' significant policies related to the Pilot DB Plan, and the SERP DB Plan (collectively referred to as "Pension Benefits"), and the Other Future Employee Benefits are as follows:

- The cost of Pension Benefits earned by employees is actuarially determined using the projected benefit method prorated on service, market interest rates, management's best estimate of salary escalation and retirement ages and life expectancy of employees. Obligations are attributed to the period beginning on the date the employee joins the plan and ending on the earlier of the date of termination, death or retirement. Actuarial gains and losses on the pension benefits are recognized in full in the period in which they occur in other comprehensive income and retained earnings without recycling to the statement of income in subsequent periods. Current service cost, the recognized element of any past service cost, the interest income on plan assets and the interest arising on the pension liability are included in salaries, wages and benefits in the statement of income.
- Other Employee Benefits consist of two categories of benefits:
    - Medical and dental benefits provided to employees while on long-term disability, and Worker's Compensation and Workers Safety Insurance Board benefits in respect of Ontario employees, are collectively referred to as other long-term benefits. The actuarial gains and losses for this component of Other Employee Benefits are charged to operating expense in the year they occur.
    - Sick leave benefits are paid to certain employees upon or just prior to retirement. The actuarial gains and losses on this component of other employee benefits are charged to other comprehensive income in the year they occur.
- The cost of the Other Employee Benefits is actuarially determined using the projected benefit method prorated on service (where applicable), market interest rates, and management's best estimate of retirement ages of employees, health care cost inflation, salary escalation and general inflation, as applicable to each of the categories of benefits.
- Past service costs arising from plan amendments of the defined benefit pension plan and the supplemental executive retirement plan and other employee benefit plans are recognized immediately in income.
- The registered pension plan is subject to certain minimum funding requirements. The liability, where applicable, in respect of the minimum funding requirement is determined using the projected minimum funding requirements based on actuarial forecasts. The liability in respect of the minimum funding requirement and any subsequent re-measurement of that liability is recognized in other comprehensive income without subsequent reclassification to income.
- The measurement date of each of the plans' assets and obligations is December 31. Pension obligations are attributed to the period beginning on the employee's date of joining the plan and ending on the earlier of the

date of termination, death or retirement. The obligations relating to other employee benefits plans are attributed to the period beginning on the employee's date of joining the plan or disablement (whichever applicable) and ending on the earlier of retirement or end of disablement or age 65 (whichever applicable).

- Chorus also maintains several defined contribution pension plans. The cost of defined contribution pension plans is charged to expense as the contributions become payable.

The following assumptions were used in valuing the benefit obligations under the plans and the employer's net periodic pension or benefit cost:

- The discount rate used to determine the pension and benefit obligation and the interest income on assets was determined by reference to market interest rates, as of the measurement date, on high quality debt instruments with cash flows that approximately match the timing and amount of expected benefit payments. It is reasonably possible that these rates may change in the future as a result of changes in market interest rates.
- The health care inflation used to determine cost of Other Future Employee Benefits costs is based on recent industry experience and long-term expectations. The weighted average health care inflation assumption used for the health care plans is 6.1% per annum for 2015 and 4.5% per annum for 2029 and later years.
- Actual experience that differs from assumptions made by management will result in a net actuarial gain or loss, which is recognized each period through other comprehensive income.

The following table contains assumptions used in valuing the benefit obligations under this plan and the employer's net periodic pension or benefit cost:

	Fiscal year ended December 31,	
	2015	**2014**
Weighted average assumptions used to determine accrued benefit obligation		
- Discount rate	3.4% - 3.9%	3.5% - 4.1%
- Rate of compensation increase	2.0% - 4.5%	2.0% - 4.5%
- Health care inflation - Select	6.0%	6.1%
- Health care inflation - Ultimate	4.5%	4.5%
- Year ultimate trend reached	2029	2029
Weighted average assumptions used to determine pension and benefit costs		
- Discount rate	3.5% - 3.8%	4.4% - 5.0%
- Rate of compensation increase	2.0% - 4.5%	2.3% - 4.5%
- Health care inflation - Select	6.1%	6.3%
- Health care inflation - Ultimate	4.5%	4.5%
- Year ultimate trend reached	2029	2029

Depreciation of long-lived assets

Management makes estimates and judgements about the expected useful life and the expected residual value of long-lived assets. Depreciation methods for long-lived assets are based on management's judgment of the most appropriate method to reflect the pattern of an asset's future economic benefit. Useful life and residual values are based on estimates of future fair values and can vary significantly from actual. Management revises depreciation estimates and patterns regularly and makes any changes on a prospective basis. A 25% reduction to the residual values of aircraft would result in an increase of $5.6 million to annual depreciation expense.

In the first quarter of 2015, Chorus reviewed the estimated useful economic lives of its owned aircraft and flight equipment. As a result, the expected estimated useful economic lives of certain of these assets have been extended and there was no significant impact related to the residual values. The effect of these changes was a reduction to depreciation expense for the three months and year ended December 31, 2015 of approximately $9.8 million and $27.6 million respectively. The impact of this change was offset by flight equipment acquired in 2014 and 2015 for a net reduction in depreciation period-over-period and year-over-year of approximately $4.3 million and $15.5 million respectively.

Operating revenue

In accordance with the terms of the CPA, Chorus and Air Canada agreed on detailed rates applicable to the period commencing on January 1, 2015 and ending on December 31, 2015. The new rates are retroactive to January 1, 2015. Chorus and Air Canada have reconciled amounts already recorded in 2015 to these new rates. As a result, Chorus recorded a reduction in CPA operating revenue of $0.8 million related to the year 2015 in the fourth quarter of 2015.

Business combination

Chorus applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of an entity is equal to the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the group. Under the acquisition method, the acquiring company adds to its statement of financial position the estimated fair value of the acquired company's assets and assumed liabilities. There are various assumptions made when determining the fair value of the acquired company's assets and assumed liabilities. The most significant assumptions and those requiring the most judgment involve the estimated fair values of intangible assets.

Consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Any contingent consideration to be transferred by Chorus is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability are recognized in profit or loss.

The initial recognition of intangible assets acquired that require critical accounting estimates are customer relationships and trade name. To determine the fair value of these customer based intangible assets, significant assumptions were made, which include, among others, the determination of projected revenues, cash flows, customer retention rates, discount rates and anticipated average income tax rates.

16 ACCOUNTING POLICIES

The significant accounting policies of Chorus are described in note 3 of the December 31, 2015 consolidated financial statements of Chorus.

Accounting standards issued but not yet applied

The IASB issued IFRS 9 (2014), "Financial Instruments" ("IFRS 9 (2014)") effective for annual periods beginning on or after January 1, 2018. IFRS 9 (2014) includes finalized guidance on the classification and measurement of financial assets. The final standard also amends the impairment model by introducing a new expected credit loss model for calculating impairment, and new general hedge accounting requirements. Chorus has already early adopted all previous iterations of IFRS 9 (2009 through 2013). Chorus is currently evaluating the impact of IFRS 9 (2014) on its consolidated financial statements.

The IASB issued IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15") effective for annual periods beginning on or after January 1, 2018. IFRS 15 establishes a new control-based revenue recognition model and replaces IAS 18, "Revenue", IAS 11, "Construction Contracts", and some revenue related interpretations. The new standard is intended to enhance disclosures about revenue, provide more comprehensive guidance for transactions that were not previously addressed and improve guidance for multiple-element arrangements. Chorus is currently evaluating the impact of the new standard on its consolidated financial statements.

The IASB issued IFRS 16, "Leases" ("IFRS 16") effective for annual periods beginning on or after January 1, 2019 with early adoption permitted for entities that have also adopted IFRS 15. IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It supersedes IAS 17, "Leases". This will impact Chorus' statement of financial position and statement of income. Qualifying leases will be recorded on the balance sheet as an asset under property and equipment, and will have a corresponding liability with both current and long-term portions. Chorus is currently evaluating the financial impact of these amendments on its consolidated financial statements.

The IASB issued amendments to IAS 12, "Income Taxes" regarding the recognition of deferred tax assets for unrealized losses, effective for annual periods beginning on or after January 1, 2017. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. Chorus has no debt instruments measured at fair value at December 31, 2015. Chorus is currently evaluating the impact of these amendments on its consolidated financial statements.

17 CONTROLS AND PROCEDURES

Disclosure controls and procedures and internal control over financial reporting

Chorus' disclosure controls and procedures ("DC&P") have been designed to provide reasonable assurance that information required to be disclosed in any public filings is recorded, processed, summarized and reported on a timely basis. Chorus' internal controls over financial reporting ("ICFR") have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. They were both designed based on the framework established in the Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

In accordance with National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings, our certifying officers have limited the scope of their design of DC&P, and our Company's ICFR to exclude controls, policies and procedures relating to the acquisition of Voyageur (as it was acquired in the second quarter of 2015) and they have not yet performed sufficient procedures to include it in our certifications. National Instrument 52-109 permits a business that an issuer acquires not more than 365 days before the issuer's financial year-end be excluded from the scope of the certifications to allow it sufficient time to perform adequate procedures to ensure controls, policies and procedures are effective. Voyageur will be included in Chorus's certification processes in 2016. Summary financial information for Voyageur includes revenue of $15.5 million and $46.8 million and Adjusted EBITDA of $9.6 million and $17.2 million for the three months ended December 31, 2015 and the period May 1, 2015 to December 31, 2015 respectively. Information concerning assets and liabilities acquired is provided in note 5 of the audited consolidated financial statements of Chorus for the year ended December 31, 2015.

An evaluation of the design and effectiveness of Chorus' DC&P and ICFR has been conducted by management, under the supervision of the Chief Executive Officer (CEO) and Chief Financial Officer (CFO). Based on this evaluation, the CEO and CFO have concluded that, as of December 31, 2015, Chorus' disclosure controls and procedures and internal control over financial reporting, as defined by National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings, are operating effectively.

Because of inherent limitations, ICFR and DC&P can provide only reasonable assurances and may not prevent or detect misstatements. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

There has been no change in Chorus' internal control over financial reporting that occurred during the year ended December 31, 2015 that has materially affected, or is reasonably likely to materially affect, Chorus' ICFR.

The Audit, Finance and Risk Committee of the Board of Directors of Chorus reviewed this MD&A, and the consolidated financial statements of Chorus for December 31, 2015, and Chorus' Board of Directors approved these documents prior to their release.

18 2016 OUTLOOK

The discussion that follows represents forward-looking information (refer to Section 3 - Introduction, "Caution regarding forward-looking information"). This outlook is provided for the purpose of providing information about current expectations for 2016 and includes Voyageur. This information may not be appropriate for other purposes.

Effective January 1, 2015, Billable Block Hours no longer directly affect CPA compensation, but remain relevant for rate setting on Controllable Costs. Based on the 2015 - 2016 winter schedule, the summer 2016 schedule and updated planning assumptions received from Air Canada, Billable Block Hours are expected to be between 349,000 and 359,000 based on 116 Covered Aircraft as at December 31, 2016. The actual number of Billable Block Hours for 2016 may vary from this anticipated range due to a number of factors. See Section 21 - Risk Factors.

Capital expenditures for 2016, excluding those for the acquisition of finance leases, aircraft and the ESP, and including capitalized major maintenance overhauls, are expected to be between $35.0 million and $41.0 million. The increase in 2016 reflects additional spend for Voyageur and lower anticipated major maintenance overhauls.

		Actual	
(expressed in thousands of Canadian dollars)	Planned 2016 $	Year ended December 31, 2015(1) $	Year ended December 31, 2014 $
Capital expenditures, excluding finance leases, aircraft acquisitions and ESP	19,000 to 22,000	13,035	12,693
Capitalized major maintenance overhauls	16,000 to 19,000	24,029	12,857
Finance leases	—	19,479	—
Aircraft acquisitions and ESP(2)	185,000 to 195,000	199,877	40,343
	220,000 to 236,000	256,420	65,893

(1) Includes non-cash transactions of $12.3 million and $19.5 million for finance leases and $4.8 million and $6.0 million for other aircraft purchases for the three months and year ended December 31, 2015 respectively.
(2) Includes the acquisition of one King Air 200, seven Q400s and ongoing deposits for the Q400s and ESP. All amounts have been converted using a foreign exchange rate of $1.3840.

19 ADDITIONAL INFORMATION

Additional information relating to Chorus, including Chorus' Annual Information Form, is available on SEDAR at www.sedar.com or on Chorus' website at www.chorusaviation.ca, under Reports.

20 NON-GAAP FINANCIAL MEASURES

Chorus uses certain non-GAAP financial measures, described below, to evaluate and assess performance. These non-GAAP measures are generally numerical measures of a company's financial performance, financial position or cash flows, that include or exclude amounts from the most comparable GAAP measure. As such, these measures are not recognized for financial statement presentation under GAAP, do not have a standardized meaning, and are therefore not likely to be comparable to similar measures presented by other public entities.

EBITDA and Adjusted EBITDA

EBITDA is defined as earnings before net interest expense, income taxes, and depreciation and amortization and is a non-GAAP financial measure. Adjusted EBITDA (net income before net interest expense, income taxes, depreciation and amortization and other items such as asset impairment and foreign exchange gains or losses) is a non-GAAP financial measure used by Chorus, and commonly by other regional airlines in the industry, as a supplemental financial measure of operational performance. Management believes Adjusted EBITDA assists investors in comparing Chorus' performance on a consistent basis without regard to depreciation and amortization, which are non-cash in nature and can vary significantly depending on accounting methods and factors such as historical cost. Adjusted EBITDA should not be used as an exclusive measure of cash flow because it does not account for the impact of working capital growth, capital expenditures, debt repayments and other sources and uses of cash, which are disclosed in the statements of cash flows, forming part of Chorus' financial statements. While the one-time signing bonuses, CPA advisory fees and employee separation program costs have been included within our definition of adjusted EBITDA, it is shown separately below to facilitate transparency and comparability.

	Three months ended December 31,			Year ended December 31,		
	2015	2014	Change	2015	2014	Change
(expressed in thousands of Canadian dollars)	$	$	$	$	$	$
Net income	12,512	11,338	1,174	25,487	64,710	(39,223)
Add:						
Net interest expense	4,442	3,058	1,384	15,014	15,748	(734)
Income tax expense	11,152	8,066	3,086	35,604	29,808	5,796
Depreciation and amortization	17,647	16,839	808	59,745	66,057	(6,312)
EBITDA	**45,753**	**39,301**	**6,452**	**135,850**	**176,323**	**(40,473)**
Gain on disposal of property and equipment	(4)	(42)	38	(186)	(249)	63
Foreign exchange loss	18,617	10,564	8,053	74,336	28,384	45,952
Other	(258)	—	(258)	(758)	(500)	(258)
Adjusted EBITDA	**64,108**	**49,823**	**14,285**	**209,242**	**203,958**	**5,284**
Other items:						
One-time signing bonuses	—	—	—	13,500	—	13,500
CPA advisory fees	—	—	—	2,079	—	2,079
Employee separation program	1,578	1,325	253	3,454	11,942	(8,488)
Adjusted EBITDA, excluding other items	*65,686*	*51,148*	*14,538*	*228,275*	*215,900*	*12,375*

Adjusted Net Income

Adjusted net income and Adjusted net income per Share are used by Chorus to assess performance without the effects of unrealized foreign exchange gains or losses on long-term debt and finance leases related to aircraft. Chorus manages its exposure to currency risk on such long-term debt by billing the lease payments within the CPA in the underlying currency (US dollars) related to the aircraft debt. These items are excluded because they affect the comparability of our financial results, period-over-period, and could potentially distort the analysis of trends in business performance. Excluding these items does not imply they are non-recurring due to ongoing currency fluctuations between the Canadian and US dollar. While the one-time signing bonuses, CPA advisory fees and employee separation program costs have been included within our definition of adjusted net income, it is shown separately to facilitate transparency and comparability.

(expressed in thousands of Canadian dollars, except per Share amounts)	Three months ended December 31,			Year ended December 31,		
	2015 $	**2014 $**	**Change $**	**2015 $**	**2014 $**	**Change $**
Net income for the periods	12,512	11,338	1,174	25,487	64,710	(39,223)
Unrealized foreign exchange loss	19,625	12,359	7,266	70,848	30,522	40,326
Adjusted net income	**32,137**	**23,697**	**8,440**	**96,335**	**95,232**	**1,103**
Adjusted net income per Share - basic	**0.26**	**0.20**	**0.06**	**0.79**	**0.78**	**0.01**
Other items:						
One-time signing bonuses	—	—	—	13,500	—	13,500
CPA advisory fees	—	—	—	2,079	—	2,079
Employee separation program	1,578	1,325	253	3,454	11,942	(8,488)
Adjusted net income, excluding other items	*33,715*	*25,022*	*8,693*	*115,368*	*107,174*	*8,194*
Adjusted net income, excluding other items per Share - basic	*0.28*	*0.21*	*0.07*	*0.95*	*0.88*	*0.07*

Return on Invested Capital

Return on Invested Capital is a non-GAAP measure commonly used to assess the efficiency with which a company allocates its capital to generate returns. Return is calculated based on Chorus' earnings before tax, excluding special items, finance costs and implied interest on off-balance sheet aircraft leases for aircraft for which Chorus holds the head lease. Invested capital includes average long-term debt, average finance lease obligations, average Shareholders' equity and off-balance sheet aircraft operating leases for aircraft for which Chorus holds the head lease.

	Trailing twelve months ended		
(expressed in thousands of Canadian dollars)	December 31, 2015 $	December 31, 2014 $	Change $
Income before income taxes	61,091	94,518	(33,427)
Unrealized foreign exchange loss	70,848	30,522	40,326
Income before income taxes (and unrealized foreign exchange loss)	131,939	125,040	6,899
Add:			
Finance costs	17,457	16,895	562
Implicit interest in operating leases(1)	4,657	3,816	841
	154,053	145,751	8,302
Invested capital:			
Average long-term debt(2)	494,658	442,696	51,962
Average obligations under finance leases(3)	11,418	4,891	6,527
Average consideration payable(4)	15,084	—	15,084
Average Shareholders' equity	120,428	158,021	(37,593)
Off-balance sheet aircraft leases(5)	66,529	54,514	12,015
	708,117	660,122	47,995
Return on invested capital(6)	21.8%	22.1%	(0.3)%

(1) Interest implicit in operating leases is equal to 7.0 percent of 7.5 times the trailing 12 months of aircraft lease expense. 7.0 percent is a proxy and does not necessarily represent actual for any given period.
(2) Average long-term debt includes the current portion and long-term portion.
(3) Average obligations under finance leases include the current portion and long-term portion.
(4) Average obligations under consideration payable include the current portion and long-term portion.
(5) Off-balance sheet aircraft leases are calculated by multiplying the annual aircraft leasing expense by 7.5 only for aircraft which Chorus holds the head lease. For the trailing twelve months ended December 31, 2015 and December 31, 2014, these aircraft lease expenses totaled $8.9 million and $7.3 million respectively.
(6) Aircraft rent was $103.3 million and $93.4 million for the trailing twelve months ended December 31, 2015 and December 31, 2014 respectively. The majority of Chorus' aircraft under operating leases are subleased from Air Canada, or its subsidiary, who hold the head lease or own the aircraft. Aircraft rent related to these aircraft of $94.5 million and $86.1 million for the trailing twelve months ended December 31, 2015 and December 31, 2014 respectively, have been removed from the calculation due to Air Canada's offsetting liability under the CPA for rental payments and return condition obligations. If these Air Canada operating leases were included, return on invested capital would be 14.1% and 14.6% respectively.

Adjusted net debt

The following table reflects Chorus' adjusted net debt balances as at December 31, 2015 and as at December 31, 2014:

(expressed in thousands of Canadian dollars)	December 31, 2015 $	December 31, 2014 $	Change $
Long-term debt, finance leases	604,741	407,410	197,331
Consideration payable	30,168	—	30,168
Total long-term debt and finance leases (including current portion)	634,909	407,410	227,499
Less: Cash	(32,677)	(114,578)	81,901
Net debt	602,232	292,832	309,400
Capitalized operating leases	66,529	54,514	12,015
Adjusted net debt	668,761	347,346	321,415

Adjusted net debt is a non-GAAP financial measure used by Chorus and may not be comparable to measures presented by other public companies. Adjusted net debt is a key component of capital management by Chorus and provides management with a measure of its net indebtedness. Chorus includes capitalized operating leases which is a measure commonly used in the airline industry to ascribe a value to obligations under operating leases. Common industry practice is to multiply annualized aircraft rent by 7.5. This definition of capitalized operating leases is used by Chorus and may not be comparable to similar measures presented by other public companies. Aircraft rent was $103.3 million and $93.4 million for the trailing twelve months ended December 31, 2015 and December 31, 2014 respectively. The majority of Chorus' aircraft under operating leases are subleased from Air Canada, or its subsidiary, which hold the head lease or own the aircraft. Aircraft rent related to these aircraft of $94.5 million and $86.1 million for the trailing twelve months ended December 31, 2015 and December 31, 2014 respectively, have been removed from the calculation due to Air Canada's offsetting liability under the CPA for rental payments and return condition obligations. If these Air Canada operating leases were included in the above definition, adjusted net debt would be $1,377.0 million and $993.0 million respectively.

As at December 31, 2015, adjusted net debt increased from $347.3 million to $668.8 million, representing an increase of $321.4 million or 92.5% from December 31, 2014. This increase was a result of a higher US dollar exchange rate which increased long-term debt by approximately $69.1 million, new debt and finance leases of $162.3 million, consideration payable related to the Voyageur acquisition of $30.2 million, net cash used for the Voyageur acquisition of $45.5 million, cash to make the $13.5 million one-time signing bonuses in 2015, $2.1 million related to advisory fees for the January 1, 2015 Amendment and deposits made on additional Q400s and the ESP of $26.2 million. These increases were offset by debt repayments of $39.2 million.

21 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 Industry

Economic 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. 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 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.

Competition in the regional airline industry

Chorus' ability to provide regional air service is limited by existing relationships that 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.

Interruptions or disruptions in airport facilities

Chorus' business is significantly dependent upon its ability to operate without interruption at a number of key airports, including Toronto Pearson International Airport. 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.

Cyber-attacks and 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, cyber-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 could materially and adversely affect Chorus' operations and could have a material adverse effect on Chorus' business, results from operations and financial condition.

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 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.

Terrorist attacks and other geopolitical instability

The occurrence of a terrorist attack (whether international or domestic and whether involving 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 Chorus' flights. Geopolitical instability in various areas of the world could have the effect of reducing demand for air travel. Any such negative effect on demand could have a material adverse effect on Chorus' business, results from operations and financial condition.

Third party war risk insurance

Prior to January 1, 2016, the Government of Canada had provided Canadian air carriers with an indemnity for third party war risk liability that satisfied the air carriers' aircraft lessors and lenders. That coverage expired December 31, 2015 and the replacement indemnity that the Government of Canada put in place was not satisfactory to the air carriers' aircraft lessors and lenders. As well, the replacement indemnity was only for the period until June 30, 2016 and the Government of Canada has announced that it will not continue to provide the indemnity after that date. As a result, effective January 1, 2016, Jazz has acquired replacement coverage for this risk to the extent coverage is currently available in commercial insurance markets, and which coverage satisfies Jazz's obligations to its aircraft lessors and lenders.

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 Chorus aircraft or 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 Chorus' aircraft or aircraft of another carrier maintained or repaired by Chorus, could significantly harm its reputation for safety, which could have a material adverse effect on Chorus' business, results from operations and financial condition.

Regulation and potential legislative changes

The airline industry is subject to extensive Canadian and foreign government regulations relating to, among other things, security, safety, licensing, competition, the environment (including noise levels) 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 Competition Bureau and/or Competition Tribunal, the Canadian Transportation Agency or other local, 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 foreign 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.

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.

On August 2, 2015, Bill C-439, *An Act Respecting the Rights of Air Passengers*, died on the order paper of the previous session of Parliament. If reintroduced to the current or a future session of Parliament, the Bill 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.

Also on August 2, 2015, Bill C-51, which included the *Secure Air Travel Act* died on the order paper of the previous session of Parliament. If reintroduced to the current or a future session of Parliament, that Act would 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 would also 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 Jazz and Voyageur Airways, 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 previously proposed by Bill C-51 or otherwise**.**

Risks Relating to Chorus

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 CPA that will undermine Chorus' financial performance.

The majority of Chorus employees are unionized. Jazz's current agreements with its pilots, represented by ALPA, its flight attendants, represented by CFAU, and its flight dispatch employees, represented by CALDA, do not expire until the end of the CPA in 2025 and contain no-strike clauses. On January 28, 2016, Chorus announced that a new tentative agreement had been reached with Jazz maintenance and engineering employees represented by Unifor. The agreement is subject to a ratification vote by union members. Jazz crew schedulers and airports customer service employees, also represented by Unifor, have Collective Agreements in place until June 30, 2016 and January 13, 2017 respectively.

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 management's 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.

Current global financial conditions have been characterized by high levels of volatility and several financial institutions have faced significant liquidity and other issues in recent years. Access to new public financing has been negatively impacted by these events, which 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 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 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 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 Section 13 - Financial Instruments and Risk Management.

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, if such insurance coverage was 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 of new Q400s 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.

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.

Risks Relating to Chorus’ 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, despite recent lows, continues to 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.
- 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 from time to time issues new equity, enters into or amends credit facilities and seeks 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 the Covered Aircraft. During 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 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.
- 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.

If 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 the Q400s and Dash 8-100s and certain Dash 8-300s. 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. Any inability to redeploy these aircraft could have a material adverse effect on Chorus' business, results from operations and financial condition.

If the CPA is terminated as a result of Chorus' default, Air Canada has the option to purchase certain of Chorus' Q400s subject to certain terms and conditions specified in the CPA. If Air Canada were to exercise such option, there can be no assurance that Chorus would be able to purchase replacement Q400s 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.

Early termination of the CPA constitutes an event of default under Chorus' financing arrangements with EDC in respect of the Q400s. 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 CPA

The basis for compensation under the CPA fundamentally changed effective January 1, 2015. Chorus is now 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 from 2015 to 2020, and set at a lower level for the period from 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 2021 to 2025 period.

- *Labour Rate Risks* - Labour costs constitute a significant percentage of Chorus' total operating costs. Under the CPA, flight crew and cabin crew labour rates have been set until December 31, 2025. All other labour rates payable to Chorus under the CPA are set annually, and subject to certain escalators. Labour costs significantly in excess of those anticipated by Chorus in agreeing to the CPA rates could have an adverse effect on Chorus' business, results from operations and financial condition.

- *Controllable Cost Risks, excluding labour* - With respect to the Controllable Costs, excluding labour, Air Canada is obligated to pay amounts based, in part, on pre-determined rates. These rates are generally pre-determined on an annual basis but may vary from the actual expenses incurred in delivering the associated services. To the extent that Chorus incurs expenses that are greater than the pre-determined reimbursement amounts payable by Air Canada, this could have an adverse effect on Chorus' business, results from operations and financial condition.

- *Pass-Through Cost Risks* - Under the CPA, Air Canada is obligated to pay Chorus costs that are defined as Pass-Through costs, the actual amount of the cost (or alternatively, pay the cost directly) without any markup. Under the CPA, Air Canada is directly responsible for many costs formerly incurred by Chorus, and certain expenses formerly defined as Controllable Costs are now Pass-Through Costs. Chorus has no risk with respect to these costs.

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

Impact of competition on Air Canada's profit margin and fixed costs

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 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 operates a fleet of Q400s across Canada and Air Canada has capacity purchase agreements with other smaller regional carriers to operate a number of regional routes including transborder routes.

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 CPA.

Seasonal nature of the business, other factors and prior performance

Under the CPA, Chorus has historically experienced 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, principally as a result of the high number of leisure travelers and their preference for travel during the summer months. 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 CPA, Chorus is paid by Air Canada through rates based on a variety of different metrics and Chorus' estimated Controllable Costs in the applicable period plus certain predetermined fixed fees during the remaining term of the 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.

Pilot Mobility

Jazz has entered a pilot mobility agreement with Air Canada. Air Canada expects to be in need of pilots as it continues to grow and face increased pilot retirements. Air Canada has agreed to source at least 80% of its new pilot hires from Jazz pilots named on the pilot mobility list (discussed in Section 2 - Capacity Purchase Agreement with Air Canada). As Air Canada hires Jazz pilots, Jazz will have to replace such pilots, which it anticipates it will be able to do on similar wage rates and pension and benefit terms as agreed to in the ALPA collective agreement. If Jazz were to have to pay costs materially above those in the new collective agreement, it could have a material adverse effect on Chorus' business, results from operations and financial condition.

Force Majeure

If 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 minimum average daily utilization guarantee 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, de-icing 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 were 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 be certain that any future Air Canada collective bargaining agreement will not contain similar, or more severe, restrictions potentially affecting 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. 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).
- 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.

Leasing risk related to Q400s

Chorus derives a significant portion of its revenues under the CPA from leasing Q400s. Chorus is paid a Fixed Margin per Covered Aircraft for an agreed number of Q400s during the term of the CPA. When the 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 the Voyageur business

International operations and doing business in foreign countries

Voyageur's operations include international contract flying. As a result, Chorus is exposed to increased operational complexity and new regulatory requirements. In addition, operating in diverse international regions increases the risk of Chorus being exposed to political instability and military and/or civil conflict. Should Chorus not be able to effectively mitigate the impact on its business of these complexities, regulatory requirements and other risks, this may have an adverse effect on Chorus' business, results of operations and financial condition.

Renewal of customer agreements and competition

There can be no assurance that any of Voyageur's agreements with customers can or will be renewed on the same terms and conditions, or in the same amounts as are currently in effect. If such agreements are renewed, the terms and conditions will be subject to negotiation between Voyageur and each customer at the time of renewal. Voyageur competes for this business with contract air carriers from around the world. Should Voyageur not be able to renew such agreements or is not able to renew or replace such contracts on terms and conditions at least as favourable as current terms, this may have an adverse effect on Chorus' business, results of operations and financial condition.

22 GLOSSARY OF TERMS

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

"**ABCP**" means asset backed commercial paper;

"**Billable Block Hours**" mean actual Block Hours flown and Block Hours related to weather and air traffic control cancellations, and commercial cancellations and commercial ferry flights;

"**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 next again returned to the wheels of the aircraft, divided by 60;

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

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

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

"**Chorus**" references herein to Chorus or the Company in this MD&A refer to, as the context may require, one or more of Chorus Aviation Inc. and its current and former subsidiaries;

"**Compensating Mark-Up**" has the meaning formerly given in the CPA before the January 1, 2015 CPA Amending Agreement;

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

"**Controllable Revenue**" means revenue earned by Jazz from Air Canada for rates established under the CPA in respect of certain Controllable Costs;

"**Covered Aircraft**" means the aircraft whose capacity Air Canada purchases from Jazz under the CPA;

"**CPA**" means the amended and restated capacity purchase agreement effective January 1, 2006, between Air Canada and Jazz, as amended on January 1, 2015 and as supplemented by the Rate Setting Agreement;

"**CPA Canada Handbook**" means the Chartered Professional Accountants of Canada Handbook - Accounting - Part 1, which incorporates IFRS as issued by the IASB;

"**CRJ200**" and "**CRJ705**" means Bombardier CRJ 200 and CRJ 705 regional jet aircraft;

"**Dash 8-100**", "**Dash 8-300**" and **"Dash 7-100"** means De Havilland Dash 8-100, Dash 8-300 and Dash 7-100 turboprop aircraft;

"**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;

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

"**ESP**" means the agreement entered into by Chorus with Bombardier to be the launch customer for the Dash 8-300 Extended Service Program to extend the service life of the Dash-8-300s;

"**Extended Hub Airport**" has the meaning given in the CPA;

"**Fixed Margin per Covered Aircraft**" means the fixed fee paid to Jazz by Air Canada for each Covered Aircraft provided by Jazz under the CPA;

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

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

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

"**GAAP**" means generally accepted accounting principles in Canada after the adoption of IFRS;

"**IASB**" means the International Accounting Standards Board;

"**IFRS**" means International Financial Reporting Standards;

"**Infrastructure Fee per Covered Aircraft**" means the fixed fee paid to Jazz by Air Canada per Covered Aircraft for the additional services Chorus provides in support of Air Canada's regional flying network under the CPA;

"**Jazz**" means Jazz Aviation LP, a limited partnership established under the laws of the Province of Ontario on November 18, 2010;

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

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

"**King Air 100**" and "**King Air 200**" means Beechcraft King Air 100 and 200 turboprop aircraft;

"**Maintenance Capital Expenditures**" represent expenditures incurred to sustain operations or Chorus' productive capacity, which excludes Q400s and engine purchases;

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

"**Non-Compete Geographic Area**" has the meaning given in the CPA;

"**Operating Aircraft**" means the aircraft in Chorus' fleet, less aircraft which have not yet entered commercial service;

"**Pass-Through Costs**" means costs incurred directly by Jazz that are passed-through to Air Canada and fully reimbursed under the CPA;

"**Pass-Through Revenue**" means revenue earned from Air Canada under the CPA in payment of Pass-Through Costs;

"**PAWOBs**" means passengers arriving without baggage;

"**Q400s**" means Bombardier Q400 turboprop aircraft;

"**Rate Setting Agreement**" means the agreement between Jazz and Air Canada to set rates effective for 2015;

"**Shareholders**" mean holders of Shares;

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

"**Unit Costs**" has the meaning given in the CPA; and

"**Voyageur**" means Voyageur Aviation Corp. (as successor by amalgamation to 519222 Ontario Limited, Hangar 6 Inc. and Voyager Airport Services Inc. under the Business Corporations Act (Ontario) on December 31, 2015) and its subsidiaries including Voyageur Airways Limited and Voyageur Aerotech Inc.;

"**Voyageur Aerotech**" means Voyageur Aerotech Inc., a corporation incorporated under the Ontario Business Corporations Act (Ontario) on July 30, 2015; and

"**Voyageur Airways**" means Voyageur Airways Limited, a corporation incorporated under the Business Corporations Act (Ontario) on January 4, 1968.

EXHIBIT

13

[REDACTED AS CONFIDENTIAL]

EXHIBIT

14

[REDACTED AS CONFIDENTIAL]

EXHIBIT

15

[REDACTED AS CONFIDENTIAL]

EXHIBIT

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[REDACTED AS CONFIDENTIAL]

EXHIBIT

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[REDACTED AS CONFIDENTIAL]

EXHIBIT

18

[REDACTED AS CONFIDENTIAL]

PUBLIC VERSION

CT-2016-015

THE COMPETITION TRIBUNAL

IN THE MATTER OF the *Competition Act*, R.S.C. 1985, c. C-34, as amended;

AND IN THE MATTER OF certain conduct of Vancouver Airport Authority relating to the supply of in-flight catering at Vancouver International Airport;

AND IN THE MATTER OF an application by the Commissioner of Competition for one or more orders pursuant to section 79 of the *Competition Act*.

BETWEEN:

COMMISSIONER OF COMPETITION

Applicant

—and—

VANCOUVER AIRPORT AUTHORITY

Respondent

MOTION RECORD OF
VANCOUVER AIRPORT AUTHORITY
Volume 1 of 2
(Respondent's Motion for Further Productions)

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