




Industry Canada Industrie Canada

**Certificate of Arrangement**

**Certificat d'arrangement**

**Canada Business Corporations Act**

**Loi canadienne sur les sociétés par actions**

CHORUS AVIATION INC.	766075-8
7503695 CANADA INC.	750369-5
<hr/> Name of CBCA corporation(s) involved - Dénomination(s) de la (des) société(s) I C S A concernée(s)	<hr/> Corporation number - Numéro de la société
I hereby certify that the arrangement set out in the attached articles of arrangement, involving the above-referenced corporation(s), has been effected under section 192 of the <i>Canada Business Corporations Act</i> .	Je certifie que l'arrangement mentionné dans les clauses d'arrangement annexées, concernant la (les) société(s) susmentionnée(s), a pris effet en vertu de l'article 192 de la <i>Loi canadienne sur les sociétés par actions</i> .
 <hr/> Marcie Girouard Director - Directeur	December 31, 2010 – le 31 décembre 2010  Date of Arrangement – Date de l'arrangement



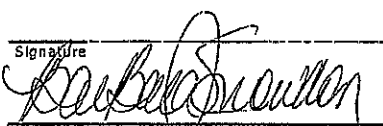
Industry Canada Industrie Canada  
 Canada Business Loi canadienne sur les  
 Corporations Act sociétés par actions

**FORM 14.1**  
**ARTICLES OF ARRANGEMENT**  
**(SECTION 192)**

**FORMULAIRE 14.1**  
**CLAUSES D'ARRANGEMENT**  
**(ARTICLE 192)**

1 -- Name of the applicant corporation(s) - Dénomination sociale de la(des) requérante(s)  <b>CHORUS AVIATION INC.</b> <b>7503695 CANADA INC.</b>	2 -- Corporation No.(s) - N°(s) de la(des) société(s)  <b>766075-8</b> <b>750369-5</b>
3 -- Name of the corporation(s) the articles of which are amended, if applicable Dénomination sociale de la(des) société(s) dont les statuts sont modifiés, le cas échéant  <b>N/A</b>	4 -- Corporation No.(s) - N°(s) de la(des) société(s)
5 -- Name of the corporation(s) created by amalgamation, if applicable Dénomination sociale de la(des) société(s) issue(s) de la(des) fusion(s), le cas échéant  <b>N/A</b>	6 -- Corporation No.(s) - N°(s) de la(des) société(s)
7 -- Name of the dissolved corporation(s), if applicable Dénomination sociale de la(des) société(s) dissoute(s), le cas échéant  <b>N/A</b>	8 -- Corporation No.(s) - N°(s) de la(des) société(s)
9 -- Name of other corporations involved, if applicable Dénomination sociale des autres sociétés en cause, le cas échéant  <b>N/A</b>	10 -- Corporation No.(s) or Jurisdiction of Incorporation N°(s) de la(des) société(s) ou loi sous le régime de laquelle elle est constituée

- 11 -- In accordance with the order approving the arrangement - Conformément aux termes de l'ordonnance approuvant l'arrangement
- a  The articles of the above named corporation(s) are amended in accordance with the attached plan of arrangement  
 Les statuts de la(des) société(s) susmentionnée(s) sont modifiés en conformité avec le plan d'arrangement ci-joint
- The name of \_\_\_\_\_ is changed to \_\_\_\_\_  
 La dénomination sociale de \_\_\_\_\_ est modifiée pour \_\_\_\_\_
- b  The following bodies corporate are amalgamated in accordance with the attached plan of arrangement  
 Les personnes morales suivantes sont fusionnées conformément au plan d'arrangement ci-joint
- c  The above named corporation(s) is(are) liquidated and dissolved in accordance with the attached plan of arrangement  
 La(les) société(s) susmentionnée(s) est(sont) liquidée(s) et dissoute(s) conformément au plan d'arrangement ci-joint
- d  The plan of arrangement attached hereto, involving the above named body(ies), corporate is hereby effected  
 Le plan d'arrangement ci-joint portant sur la(les) personne(s) morale(s) susmentionnée(s) prend effet

Signature 	Printed Name - Nom en lettres moulées <b>Barbara Snowdon</b>	12 -- Capacity of - En qualité de <b>Corporate Secretary</b>	13 -- Tel. No. - N° de tél. <b>(902) 873-5000</b>
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FOR DEPARTMENTAL USE ONLY - À L'USAGE DU MINISTÈRE SEULEMENT

DEC 31 2010

## SCHEDULE "A"

### PLAN OF ARRANGEMENT MADE PURSUANT TO SECTION 192 OF THE *CANADA BUSINESS CORPORATIONS ACT*

#### ARTICLE 1 INTERPRETATION

- 1.1 In this Arrangement, the following words shall have the following meanings:
- (a) **"Arrangement"**, **"herein"**, **"hereof"**, **"hereto"**, **"hereunder"** and similar expressions ~~mean and refer to the arrangement pursuant to Section 192 of the CBCA set forth in this Plan of Arrangement as supplemented, modified or amended, and not to any particular article, section or other portion hereof;~~
  - (b) **"Arrangement Agreement"** means the arrangement agreement made as of October 4, 2010, among the Fund, the Trust, 7503695 Canada Inc. and Chorus with respect to the Arrangement and all amendments thereto;
  - (c) **"Articles of Arrangement"** means the articles of arrangement in respect of the Arrangement required by the CBCA to be filed with the Director after the Final Order has been made;
  - (d) **"Business Day"** means a day, which is not a Saturday, Sunday or statutory holiday, when banks in the place at which any action is required to be taken hereunder are generally open for the transaction of commercial banking business;
  - (e) **"CBCA"** means the *Canada Business Corporations Act*;
  - (f) **"Certificate"** means the certificate or proof of filing to be issued by the Director pursuant to subsection 192(7) of the CBCA giving effect to the Arrangement;
  - (g) **"Chorus"** means Chorus Aviation Inc., a corporation incorporated under the laws of Canada;
  - (h) **"Chorus Shares"** means the Class A variable voting shares and the Class B voting shares in the capital of Chorus;
  - (i) **"Class A Shares"** means the Class A variable voting shares of Chorus;
  - (j) **"Class B Shares"** means the Class B voting shares of Chorus;
  - (k) **"Convertible Debentures"** means the \$86.5 million principal amount of 9.50% convertible unsecured subordinated debentures of the Fund due December 31, 2014;
  - (l) **"Court"** Ontario Superior Court of Justice (Commercial List);
  - (m) **"Debentureholders"** means the holders of Convertible Debentures from time to time;

- (n) “**Depository**” means CIBC Mellon Trust Company at its offices set out in the Letter of Transmittal;
- (o) “**Direct Registration Advice**” has the meaning given in Section 4.2;
- (p) “**Director**” means the director appointed under Section 260 of the CBCA;
- (q) “**Distribution**” has the meaning given in Section 4.2;
- (r) “**Effective Date**” means the date the Arrangement is effective under the CBCA, as shown in the Certificate;
- (s) “**Effective Time**” means 11:45 p.m. (Toronto time), or such other time as may be agreed in writing by the Fund and Chorus, on the Effective Date;
- (t) “**Encumbrance**” means any encumbrance, lien, charge, security interest, option, privilege or other restriction or right of any kind or nature, and any right or privilege capable of becoming any of the foregoing;
- (u) “**Final Order**” means the final order of the Court approving the Arrangement to be applied for following the Meeting and to be granted pursuant to the provisions of subsection 192(4) of the CBCA, as such order may be affirmed, amended or modified by any court of competent jurisdiction;
- (v) “**Fund**” means Jazz Air Income Fund, an unincorporated open-ended trust established under the laws of the Province of Ontario;
- (w) “**Fund’s Declaration of Trust**” means the declaration of trust of the Fund dated as of January 24, 2006, as amended by the first amendment dated March 23, 2009, as may be amended, supplemented, restated or replaced from time to time, establishing the governing activities and affairs of the Fund;
- (x) “**Indenture**” means the trust indenture dated November 12, 2009 between the Fund and CIBC Mellon Trust Company creating and governing the terms of the Convertible Debentures, the obligations under which are to be assumed by Chorus pursuant to the Arrangement;
- (y) “**Interim Order**” means the interim order of the Court under subsection 192(4) of the CBCA containing declarations and directions with respect to this Arrangement and the Meeting, as such order may be affirmed, amended or modified by any court of competent jurisdiction;
- (z) “**Letter of Transmittal**” means the letter of transmittal to be forwarded by the Fund to the registered Unitholders pursuant to which a registered Unitholder is required to deliver certificates representing Units to receive, on completion of the Arrangement, certificates representing Chorus Shares;
- (aa) “**Meeting**” means the special meeting of Unitholders to be held to consider the Arrangement, and any adjournments thereof;

- (bb) “**Person**” means an individual, partnership, association, body corporate, trust, unincorporated organization, government, regulatory authority or other entity;
- (cc) “**Plan of Arrangement**” means this Plan of Arrangement as amended or supplemented from time to time in accordance with the terms hereof;
- (dd) “**Qualified Canadian**” means a person that is a “Canadian” as defined in subsection 55(1) of the *Canada Transportation Act*.
- (ee) “**Segregated Funds**” has the meaning given in Section 4.2;
- (ff) “**Supplemental Indenture**” means the supplemental indenture to be entered into in accordance with the Indenture pursuant to which Chorus shall assume all of the covenants and obligations of the Fund under the Indenture in respect of the Convertible Debentures, which supplemental indenture shall entitle the holders of the Convertible Debentures, effective upon the completion of the wind-up of the Fund pursuant to Section 3.1(f), to receive shares of Chorus in lieu of Units upon conversion of the Convertible Debentures;
- (gg) “**Tax Act**” means the *Income Tax Act* (Canada), R.S.C. (5<sup>th</sup> Supp.), c.1 and the regulations thereunder;
- (hh) “**Trust**” means Jazz Air Trust, an unincorporated open-ended trust established under the laws of the Province of Ontario;
- (ii) “**Trust’s Declaration of Trust**” means the declaration of trust of the Trust dated as of January 24, 2006, as may be amended;
- (jj) “**TSX**” means the Toronto Stock Exchange;
- (kk) “**Unitholders**” means the holders of Units from time to time; and
- (ll) “**Units**” means the units of the Fund.

1.2 The division of this Plan of Arrangement into articles and sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Arrangement.

1.3 Unless reference is specifically made to some other document or instrument, all references herein to articles and sections are to articles and sections of this Plan of Arrangement.

1.4 Unless the context otherwise requires, words importing the singular number shall include the plural and vice versa and words importing any gender shall include all genders.

1.5 In the event that the date on which any action is required to be taken hereunder by any of the parties is not a Business Day in the place where the action is required to be taken, such action shall be required to be taken on the next succeeding day which is a Business Day in such place.

- 1.6 References in this Plan of Arrangement to any statute or sections thereof shall include such statute as amended or substituted and any regulations or rules promulgated thereunder from time to time in effect.
- 1.7 Unless otherwise stated all references in this Plan of Arrangement to sums of money are expressed in lawful money of Canada.

**ARTICLE 2  
THE ARRANGEMENT AGREEMENT**

- ~~2.1 The Plan of Arrangement is made pursuant to the Arrangement Agreement.~~
- 2.2 The Arrangement shall be binding upon the Fund, the Trust, 7503695 Canada Inc., Chorus, the Unitholders and the Debentureholders.
- 2.3 The Articles of Arrangement and Certificate shall be filed and issued, respectively, with respect to this Arrangement in its entirety. The Certificate shall be conclusive evidence that the Arrangement has become effective and that each of the provisions of ARTICLE 3 has become effective in the sequence set out therein.

**ARTICLE 3  
ARRANGEMENT**

- 3.1 Commencing at the Effective Time, each of the events set out below shall occur and shall be deemed to occur at the following times and in the following order without any further act or formality:
  - (a) **Amendment of the Fund's Declaration of Trust and the Trust's Declaration of Trust.** At the Effective Time, the Fund's Declaration of Trust and the Trust's Declaration of Trust shall be amended to the extent necessary to facilitate the Arrangement as provided therein.
  - (b) **Payment of the December Distribution.** Two (2) minutes following the Effective Time, the Segregated Funds shall become the property of the Unitholders of record on December 31, 2010 and shall be deemed to be a payment of a distribution by the Fund of \$0.05 per Unit.
  - (c) **Exchange of Units held by Unitholders that are Qualified Canadians for Class B Shares.** Four (4) minutes following the Effective Time, the Units held by Unitholders that are Qualified Canadians shall be transferred to Chorus, free and clear of any claims, solely in consideration for Class B Shares on the basis of one Class B Share for each Unit so transferred. An amount equal to the maximum amount permitted to be added to the paid-up capital of the Class B Shares under the Tax Act shall be added to the stated capital account maintained for the Class B Shares.
  - (d) **Exchange of Units held by Unitholders that are not Qualified Canadians for Class A Shares.** Five (5) minutes following the Effective Time, the Units held by Unitholders that are not Qualified Canadians shall be transferred to Chorus, free

and clear of any claims, solely in consideration for Class A Shares on the basis of one Class A Share for each Unit so transferred. An amount equal to the maximum amount permitted to be added to the paid-up capital of the Class A Shares under the Tax Act shall be added to the stated capital account maintained for the Class A Shares.

- (e) **Wind-up of the Trust.** Six (6) minutes following the Effective Time, the Trust shall wind up and all of the assets of the Trust shall be transferred to the Fund and the Fund shall assume all of the liabilities of the Trust as a result of which all interests in the Trust will be extinguished, all amounts owing by the Trust to the Fund will be settled and the Trust shall be terminated and shall thereafter cease to exist.
- (f) **Wind-up of the Fund.** Eight (8) minutes following the Effective Time, the Fund shall wind up and all of the assets of the Fund shall be transferred to Chorus and Chorus shall assume all of the liabilities of the Fund as a result of which all interests in the Fund will be extinguished and the Fund shall be terminated and shall thereafter cease to exist.
- (g) **Reduction of Stated Capital of Chorus.** Ten (10) minutes following the Effective Time, the stated capital of the Chorus Shares shall be reduced by such amount as is required so that after the reduction the aggregate stated capital of the Class A Shares shall equal \$1.00 and the aggregate stated capital of the Class B Shares shall equal \$1.00. No amount shall be paid or distributed to the shareholders of Chorus in respect of such reduction of stated capital. The amount of such reduction of stated capital effected pursuant to this Section 3.1(g) shall be added to the contributed surplus account of Chorus.

- 3.2 The members of the board of directors of Chorus shall be set at eight (8), in accordance with the Articles of Incorporation of Chorus, and each of the following persons shall be appointed to the board of directors of Chorus to hold office until the next annual meeting of shareholders of Chorus or until his successor is elected or appointed:

Gary M. Collins  
Benjamin C. Duster, IV  
David L. Emerson, P.C.  
Sydney John Isaacs  
G. Ross MacCormack  
Richard H. McCoy  
John T. McLennan  
Joseph D. Randell

- 3.3 The Persons who appear below will be appointed as officers of Chorus and shall hold the office opposite their respective names until their successors are duly appointed:

Richard H. McCoy – Chairman  
Joseph D. Randell – President and Chief Executive Officer  
Allan Rowe – Chief Financial Officer  
Barbara Snowdon – General Counsel and Corporate Secretary

- 3.4 The registered office address of Chorus shall be 100 King Street West, 1 First Canadian Place, Suite 6100, P.O. Box 50, Toronto, Ontario, M5X 1B8 and the chief executive office of Chorus shall be 310 Goudey Drive, Enfield, Nova Scotia, B2T 1E4.
- 3.5 The auditors of Chorus shall be Pricewaterhouse Coopers LLP, Chartered Accountants.
- 3.6 On the exchange of Units for Class B Shares and Class A Shares pursuant to Sections 3.1(c) and 3.1(d), respectively:
- (a) each former Unitholder shall cease to be a Unitholder of the Units so exchanged ~~and the name of such former Unitholder shall be removed from the register of Units and Chorus shall become the sole holder of the Units and shall be added to the register of Units as the sole holders of Units; and~~
  - (b) each such former Unitholder of Units shall become the holder of the Chorus Shares exchanged for the Units held by such former Unitholder and shall be added to the register of holders of Chorus Shares in respect thereof.
- 3.7 On the assumption of the liabilities of the Fund by Chorus in Section 3.1(f), Chorus shall assume all of the covenants and obligations of the Fund for the Convertible Debentures in accordance with the terms of the Indenture such that the Convertible Debentures shall become valid and binding obligations of Chorus pursuant to the terms of the Supplemental Indenture.

#### ARTICLE 4 CERTIFICATES AND PAYMENTS

- 4.1 From and after the time of the exchange of Units for Class B Shares and Class A Shares pursuant to Sections 3.1(c) and 3.1(d), respectively:
- (a) certificates formerly representing Units which are held by Persons who are Qualified Canadians shall represent only the right to receive Class B Shares which the former holder of such Units is, subject to Section 4.6, entitled to receive pursuant to ARTICLE 3 of this Arrangement; and
  - (b) certificates formerly representing Units which are held by Persons who are not Qualified Canadians shall represent only the right to receive Class A Shares which the former holder of such Units is, subject to Section 4.6, entitled to receive pursuant to ARTICLE 3 of this Arrangement,
- subject to compliance with the requirements set forth in this ARTICLE 4.
- 4.2 At or before the Effective Time, the Fund shall segregate sufficient cash for the benefit of Unitholders entitled to the distribution contemplated by Section 3.1(b) (the “**Distribution**”) by depositing such cash with the Depositary or in a separate bank account or otherwise segregating such cash (the “**Segregated Funds**”). The segregation of the Segregated Funds shall constitute payment of the Distribution by the Fund and Unitholders shall have no further right to receive any amount in respect of the Distribution, other than out of the Segregated Funds.

- 4.3 All dividends paid with respect to any Chorus Shares allotted and issued pursuant to this Arrangement but for which a certificate or document evidencing the electronic registration of ownership of Chorus Shares in the records of Chorus (a “**Direct Registration Advice**”) has not been issued shall be paid or delivered to the Depositary to be held by the Depositary in trust for the registered holder of the Chorus Shares. Subject to Section 4.6, the Depositary shall pay and deliver to any such registered holder such dividends to which such holder is entitled, net of applicable withholding and other taxes, upon delivery of the certificate or Direct Registration Advice representing the Chorus Shares issued to such holder in accordance with Section 4.4. No registered holder shall be entitled to receive any interest on the payment of such dividends.
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- 4.4 The Fund shall forward to each registered Unitholder at the address of such holder as it appears on the register of Units on or before the Effective Date, a Letter of Transmittal and instructions for obtaining delivery of the Chorus Shares to such holder pursuant to this Arrangement. A registered Unitholder may take delivery of such Chorus Shares by delivering the certificates representing such holder’s Units to the Depositary at any of the offices indicated in the Letter of Transmittal, accompanied by a duly completed Letter of Transmittal and such other documents as the Depositary may reasonably require. The certificates or Direct Registration Advice representing the Chorus Shares issued to such holder shall be registered in such names and, delivered to such addresses as such holder may direct in such Letter of Transmittal, or if requested by the former Unitholder in the Letter of Transmittal, made available at the Depositary for pick-up by the former Unitholder, as soon as practicable after receipt by the Depositary of the required documents.
- 4.5 Unitholders shall not be entitled to any interest, distribution, premium or other payment on or with respect to the former Units other than the Chorus Shares which they are entitled to receive pursuant to this Arrangement.
- 4.6 Any certificate formerly representing Units that is not deposited with all other documents as provided in Section 4.4 on the day before the sixth anniversary of the Effective Date shall cease to represent a right or claim of any kind or nature and the right of the holder of such Units to receive Chorus Shares and/or any cash payments, as the case may be, shall be deemed to be surrendered to Chorus together with all dividends thereon held for such holder.
- 4.7 If any certificate which immediately prior to the exchange contemplated by Section 3.1(c) or 3.1(d), as the case may be, represented an interest in outstanding Units that were transferred on such exchange has been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such certificate to have been lost, stolen or destroyed, the registered holder thereof in the register of Units shall, as a condition precedent to the receipt of any Chorus Shares to be issued to such person, provide to Chorus and the Depositary, a bond, in form and substance satisfactory to Chorus, or otherwise indemnify Chorus, to its satisfaction, in its sole and absolute discretion, against any claim that may be made against any of them with respect to the certificate alleged to have been lost, stolen or destroyed.
- 4.8 No certificates or Direct Registration Advice representing fractional Chorus Shares shall be issued under this Arrangement. In lieu of any fractional shares, each registered holder

of Units otherwise entitled to a fractional interest in Chorus will receive the nearest whole number of Chorus Shares (with fractions equal to or greater than 0.5 being rounded up and less than 0.5 being rounded down).

- 4.9 The Fund and the Depositary shall be entitled to deduct and withhold from any amount deposited or payable to any person under the Arrangement, such amounts as the Fund or the Depositary is required or permitted to deduct and withhold with respect to such payment under the Tax Act or any provision of federal, provincial, territorial, local or foreign tax laws, in each case, as amended. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes hereof as having been paid to the person in respect of which such withholding was made, provided that such amounts are actually remitted to the appropriate taxing authority.

## **ARTICLE 5 AMENDMENTS**

- 5.1 The Fund, the Trust, 7503695 Canada Inc. and Chorus reserve the right to amend, modify and/or supplement this Plan of Arrangement from time to time at any time prior to the Effective Time provided that any such amendment, modification or supplement must be contained in a written document that is:
- (a) filed with the Court and, if made following the Meeting, approved by the Court; and
  - (b) communicated to Unitholders in the manner required by the Court (if so required).
- 5.2 Any amendment, modification or supplement to this Plan of Arrangement may be proposed by the Fund, the Trust, 7503695 Canada Inc. and Chorus at any time prior to or at the Meeting with or without any other prior notice or communication, and if so proposed and accepted by the persons voting at the Meeting (other than as may be required under the Interim Order), shall become part of this Plan of Arrangement for all purposes.
- 5.3 The Fund, the Trust, 7503695 Canada Inc. and Chorus may amend, modify and/or supplement this Plan of Arrangement at any time and from time to time after the Meeting and prior to the Effective Time with the approval of the other parties and with the approval of the Court.
- 5.4 Any amendment, modification or supplement to this Plan of Arrangement may be made prior to or following the Effective Time by the agreement of the Fund, the Trust, 7503695 Canada Inc. and Chorus; provided that, it concerns a matter which, in the reasonable opinion of the Fund, the Trust, 7503695 Canada Inc. and Chorus is of an administrative nature required to better give effect to the implementation of the Plan of Arrangement and is not adverse to the financial or economic interests of any former holder of Units.

**ARTICLE 6**  
**FURTHER ASSURANCES**

Notwithstanding that the transactions and events set out herein shall occur and be deemed to occur in the order set out in the Plan of Arrangement without any further act or formality, each of the parties to the Arrangement Agreement shall make, do and execute, or cause to be made, done and executed, all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by any of them in order to further document or evidence any of the transactions or events set out herein. The Fund, the Trust, 7503695 Canada Inc. and Chorus may agree not to implement this Plan of Arrangement, notwithstanding the passing of the Arrangement Resolution and the receipt of the Final Order.

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