

**AMENDED AND RESTATED
CAPACITY PURCHASE AGREEMENT**

between

AIR CANADA

and

JAZZ AVIATION LP

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AMENDED AND RESTATED CAPACITY PURCHASE AGREEMENT

THIS AGREEMENT with effect as of the Effective Time.

BY AND BETWEEN: **AIR CANADA**, a corporation amalgamated under the Laws of Canada having its registered office at 7373 Côte Vertu West, Montreal, Quebec, H4Y 1H4

(hereinafter referred to as “**Air Canada**”)

AND:

JAZZ AVIATION LP, a limited partnership formed under the Laws of the Province of Ontario with its head office at 3 Spectacle Lake Drive, Dartmouth, Nova Scotia, B3B 1W8, herein acting through and represented by its general partner, Aviation General Partner Inc.

(hereinafter referred to as “**Jazz**”)

WHEREAS:

Air Canada and Jazz each holds a license from Governmental Authorities authorizing it to engage in air transportation of persons, property and mail;

Air Canada is a major airline, which together with its network partners, provides air service in both Canada and international markets, and Jazz is a regional air carrier providing short and medium haul service in Canada and across the U.S. – Canada border;

Air Canada owns various forms of Identification, hereinafter referred to individually and collectively as “**Air Canada Marks**” or “**Marks**”;

Air Canada purchases from Jazz the capacity of the Covered Aircraft crewed and operated by Jazz under the Marks and on the routes specified by Air Canada and Air Canada pays Jazz for the capacity of the Covered Aircraft as provided under a capacity purchase agreement dated as of September 24, 2004 and amended and restated as of January 1, 2006 and as amended from time to time prior to January 1, 2015 (the “**Original Agreement**”) entered into between Air Canada and Jazz; and

Air Canada and Jazz wish to amend and restate the terms and conditions set out in the Original Agreement.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Air Canada and Jazz do hereby agree as follows:

ARTICLE I. DEFINITIONS

Section 1.01 **Definitions.** In this Agreement and any schedules to this Agreement, the capitalized terms shall have the meanings set forth in Schedule P.

Section 1.02 **Schedules.** The following schedules are annexed to and form an integral part of this Agreement:

Schedule “A” Minimum Average Daily Utilization Guarantee

Schedule “B”	Facilities
Schedule “C”	Performance Incentive Payments and Critical Service Level Penalties
Schedule “D”	Rate Components
Schedule “E”	Jazz’s Rates and Fees
Schedule “E-1”	[text related to labour costs omitted]
Schedule “E-2”	Compensation Structure
Schedule “E-3”	2015 Rates Annex 1: Rates – Detail Annex 2: Rates – Fixed Cost Rate Detail Annex 3: CF34-3B1 Specified Engines Annex 4: Other Rate Adjustments Annex 5: Final Existing Q400 Aircraft Contract Rates
Schedule “E-4”	Pension Expense
Schedule “F”	Long Range Fleet Plan And [text related to labour costs omitted]
Schedule “G”	Spare Covered Aircraft
Schedule “H”	Specified Stations and PTH Excluded Stations
Schedule “I”	Aircraft Services Rates
Schedule “J”	Charter Rates
Schedule “K”	Pilot Mobility Arrangement
Schedule “L”	Fleet and Leasing
Schedule “M”	[text related to scope of permitted Chorus Group acquisitions omitted]
Schedule “N”	Changes to Maintenance Scheduling Parameters
Schedule “O”	Pass-Through Costs
Schedule “P”	Definitions

Section 1.03 **Jive Aviation LP.**

- (a) **[text omitted]** subject to regulatory approval and by no later than **[text specifying the date omitted]**, Jazz will transfer all Dash 8-100 and -300 Covered Aircraft to Jive Aviation LP, an Affiliate of Jazz (such Affiliate, “**Jive**”). Upon receipt of all regulatory approvals required by Jive to operate its first Scheduled Flight, the Jive CPA shall become effective.
- (b) Upon transfer of each of the Dash 8-100 and -300 Covered Aircraft to Jive, a new capacity purchase agreement, substantially in the same form as this Agreement but with such changes as may be required to be consistent with this Section 1.03, shall be entered into between Jive and Air Canada (the “**Jive CPA**”, and together with this Agreement, the “**CPAs**”). The Jive CPA shall then govern all of the respective rights and obligations of Air Canada and Jive for operation of the transferred Dash 8-100 and -300 Covered Aircraft.
- (c) The term of the Jive CPA shall commence upon the transfer of the first of the Dash 8-100 and -300 Covered Aircraft to Jive and shall expire on December 31, 2025.
- (d) Any and all costs related to the creation of the Jive CPA, including, without limitation, all costs related to the transfer of operations from Jazz to Jive, changes in leasing structure and all regulatory approvals required for a new Transport Canada air operator certificate for Jive, shall be at no cost to Air Canada and without any adjustments to Air Canada payments in accordance with Section 5.18(f) as a result of any change in cash flow impact to Jazz, and, for greater clarity, such costs shall not constitute Pass-Through Costs under either CPA, or be included in administrative or other overhead costs under either CPA.
- (e) **[Text related to formation of Jive omitted]**.
- (f) Jazz may contract with Jive to provide management and support services to Jive, provided that is at no additional cost to Air Canada. For greater clarity, all costs related to such transfer of responsibilities to Jive shall be borne by Jazz or Jive.
- (g) Jazz and Jive may each agree with a Chorus Affiliate to remove management services from the scope of either or both of the CPAs such that such management services are provided by such Chorus Affiliate under a separate agreement, provided that any such services provided under that agreement are at no incremental cost to Air Canada. For greater clarity, all costs related to such transfer of responsibilities to Jive shall be borne by Jazz or Jive.
- (h) The following additional provision shall apply in respect of the CPAs to the extent that the Jive CPA is entered into:

“Notwithstanding paragraphs (a) and (b) of Schedule “A”, when Jazz transfers the last Dash 8-100 and -300 Covered Aircraft to Jive, the Parties will then calculate total average daily utilization **[text related to utilization omitted]**, as set out in such Schedule “A”.”

ARTICLE II. OBLIGATIONS OF JAZZ

Section 2.01 **Jazz Obligations.** Subject to the provisions of this Agreement, Jazz shall perform the obligations set forth herein.

Section 2.02 **Provision of Covered Aircraft.** Jazz shall provide to Air Canada the capacity of the Covered Aircraft as provided for in this Agreement. The fleet comprising the Covered Aircraft, including

the operational spares, from time to time is set out in Schedule “F”. Spare Covered Aircraft are set out in Schedule “G”.

Section 2.03 Constraints on the Operation of the Covered Aircraft. The scheduling of the Covered Aircraft shall be subject to the reasonable operating constraints of Jazz, including without limitation, (i) Covered Aircraft maintenance requirements, (ii) the scheduling of flight crews in a manner consistent with industry operational practices and with any collective agreements to which Jazz is bound, (iii) reasonable time being provided on the ground for the Covered Aircraft between arrivals and departures, and (iv) the availability of ground handling services for the Covered Aircraft.

Section 2.04 Substitute Aircraft. In addition to the Covered Aircraft, Jazz may arrange for, and may have substitute aircraft as may be required to maintain effectively the Scheduled Flights required by Air Canada during periods when one of Jazz's Covered Aircraft required for a Scheduled Flight may be out of service due to unforeseen and irregular maintenance requirements. Such substitute aircraft, its livery and interior shall be subject to Air Canada's prior written approval (except in the case of emergency, where Jazz shall provide notice as soon as commercially practicable to Air Canada with supporting justification to follow within 30 days of the notice), which shall not be unreasonably withheld. Jazz will use its commercially reasonable efforts to minimize the use of substitute aircraft.

Section 2.05 Aircraft Airworthiness. Jazz shall be responsible for all aspects relating to the airworthiness of the Aircraft.

Section 2.06 Fleet Size and Related Matters. Unless otherwise agreed by Air Canada or in compliance with Section 2.04 above, Jazz shall provide the Scheduled Flights with the Covered Aircraft.

Section 2.07 Operations, Personnel, Dispatch Control and Crew Bases. Jazz shall provide all crews (flight and cabin) and crew bases to operate the Scheduled Flights and for all aspects (including personnel) of dispatch control unless otherwise agreed between the Parties. Jazz shall be responsible for the operation of the Aircraft and the safe performance of the Scheduled Flights in accordance with Governmental Regulations. Jazz shall retain full authority, operational control and possession of the Aircraft to enable it to do so. In particular, and without limiting the generality of the foregoing, Jazz and its agents or employees shall, for the purpose of the safe performance of such Scheduled Flights, have full discretion in all matters concerning the preparation of the Aircraft for flight, the flight, the load carried and its distribution, the decision whether or not such flight shall be undertaken and all other matters relating to the technical operation of the Aircraft.

Section 2.08 Regulatory Certification. Jazz has at the Effective Time and shall maintain Regulatory Certification and all other permits, licenses, certificates and insurance required by Government Authorities to enable Jazz to perform the services required by this Agreement.

Section 2.09 Use of Designator. Jazz shall operate the Scheduled Flights using the Designator or any other code specified by Air Canada and belonging to a Star Alliance partner or other partner of Air Canada. The Scheduled Flights shall be identified by Jazz solely with flight numbers assigned by Air Canada in consultation with Jazz.

Section 2.10 Identification. Subject to Government Regulations and the provisions of ARTICLE IX herein, Jazz shall use the Identification prescribed by Air Canada for the Covered Aircraft and for all facilities, equipment, uniforms, printed and electronic materials used in connection with the Covered Aircraft and the Scheduled Flights.

Section 2.11 **Quality of Service.** Jazz shall abide by all Air Canada procedures, safety standards, performance standards and means of measurement thereof relating to Passenger Services and Cargo Service provided by Jazz under this Agreement and Jazz shall achieve the same quality of airline service provided by Air Canada, subject to the limitations imposed by the type of aircraft used by Jazz, its route network and the availability of equipment and facilities at certain Stations. Jazz shall maintain adequate staffing levels or take any other measures reasonably necessary to ensure the same level of customer service and operational efficiency that Air Canada achieves in its own operations. Jazz shall cooperate with Air Canada in any way necessary or desirable to provide such comparable level of customer service and operational efficiency in connection with the operation of the Covered Aircraft and Jazz shall maintain new hire and recurrent training programs for all job descriptions as may be required to conform to the foregoing. Air Canada shall be responsible for the cost of staffing increases caused by a change made by Air Canada in its service standards.

Section 2.12 **Signage.** Subject to Governmental Regulations and the requirements of any applicable airport authorities, Jazz shall display at all airport locations such signage or other forms of advertisement to identify and promote Air Canada's service or any Air Canada partner's services, as Air Canada may specify, at the expense of Air Canada.

Section 2.13 **Customer Relations.** Air Canada shall be responsible for the overall direction of customer relations relating to the Covered Aircraft and the operation of the Scheduled Flights, including the adjudication of all complaints submitted to Jazz with respect to the passenger services on Scheduled Flights. In certain circumstances, Jazz may have the initial interface with the customer providing guidance or compensation consistent with Air Canada's standards and guidelines for customer relations including, without limitation, complaints, and shall reasonably assist the Air Canada's customer relations organization in the investigation and adjudication of all complaints. Air Canada will keep Jazz informed from time to time of its standards and guidelines for customer relations.

Section 2.14 **Ticketing Services and Ticketing Procedures.**

- (a) **Ticketing Services.** In selling air transportation of passengers and property on Scheduled Flights, Jazz shall use only the ticket stock, ticket wallets, baggage tags, time tables, air waybills and all related accounting forms and other shipping documentation printed with the Air Canada logo, name and format or such other logo, name and format as prescribed by Air Canada from time to time ("Ticketing Services").
- (b) **Ticketing Procedures.** In performing Ticketing Services, Jazz shall adhere to the procedures and standards prescribed by Air Canada, including, without limitation, PCIDSS.
- (c) **Ticketing Costs.** All travel agency commissions and all computer reservation system fees attributable to Scheduled Flights as well as the cost of ticket and air waybill stock shall be borne by Air Canada.

Section 2.15 **Reporting Obligations.** Jazz will immediately report to Air Canada all Category A through Category E incidents/accidents as outlined in the Jazz Corporate Emergency Response Manual and the Air Canada Emergency Response Manual or their successor manuals (collectively, the "**Manuals**"). Jazz will also provide to Air Canada a quarterly summary of all Jazz Category A through Category F incidents/accidents as outlined in the Manuals. Jazz agrees to ensure that its personnel performing services pursuant to this Agreement that affect safety or security are made aware of such obligations. Jazz also agrees to provide Air Canada with the results of all investigations and any documents produced relating to the Category A through Category F incidents/accidents. If the Manuals do not specify who these reports

should be provided to at Air Canada, then Air Canada will advise Jazz in writing where the reports are to be sent.

Section 2.16 Performance Incentive Targets and Corrective Action Plans. If during the Term, for any two consecutive Performance Periods, the reconciliation pursuant to Section 5.13 of Jazz's actual performance to the Performance Incentive Targets results in a "D" rating in any Performance Incentive Target category set out in Schedule "C", then Jazz will not later than thirty (30) days after Jazz delivers to Air Canada the reconciliation required pursuant to Section 5.13 prepare and provide to Air Canada a written corrective action plan detailing the steps Jazz will implement to improve its performance.

Section 2.17 Aircraft Services. Jazz shall, at Air Canada's request, provide (i) passenger related services (above-the-wing) to Air Canada aircraft (for the avoidance of doubt, any reference to Air Canada aircraft in the CPAs shall include aircraft operated by Air Canada rouge LP) at the Specified Stations and, as requested by Air Canada, to the aircraft of Air Canada Express Carriers, at the Specified Stations (the "**Passenger Services**"), and (ii) ramp services (below-the-wing, which may include grooming) to the Air Canada aircraft and, as requested by Air Canada, to the aircraft of Air Canada Express Carriers, at the PTH Excluded Stations (the "**Ramp Services**") (the Passenger Services and Ramp Services collectively referred to as the "**Aircraft Services**"). Air Canada shall be responsible to acquire or make available, at no cost to Jazz, any specialized equipment which is unavailable to Jazz and which is, or may at any time be, required to enable Jazz to provide the Aircraft Services.

Section 2.18 [supplier identity omitted] License. As part of the management services, Jazz will use commercially reasonable efforts to provide an unlimited and free of charge license to Air Canada to access and use [supplier identity omitted] to review all invoices for Pass-Through Costs payable to Jazz under this Agreement, at no cost to Air Canada. Jazz shall extend to Air Canada any and all warranties available to Jazz pursuant to the terms of its agreement with [supplier identity omitted].

ARTICLE III. OBLIGATIONS OF AIR CANADA

Section 3.01 Air Canada Obligations. Subject to the provisions of this Agreement, Air Canada shall perform the obligations set forth herein.

Section 3.02 Routing of Scheduled Flights. Air Canada shall determine the routing of the Scheduled Flights for the Aircraft, and shall be responsible for filing the schedules and aircraft routing with the appropriate authorities. The scheduling shall be based on parameters to be agreed to by the Parties, including but not limited to, maintenance base locations, maintenance cycle requirements, crew bases, crew cycling requirements, station turn times, block times, appropriate notice and time period to afford Jazz an opportunity to review, and other operational constraints, which parameters are set out in the Scheduling Process and Parameters Document.

Section 3.03 Fuel. Air Canada shall provide all necessary fuel for the Aircraft, for Scheduled Flights and the Ferry Flights in those Stations where Air Canada has fuelling facilities or direct contracts with third party suppliers. The supply of fuel to the Aircraft shall be in accordance with all applicable regulatory requirements. Air Canada shall use commercially reasonable efforts to provide to Jazz monthly reports with respect to fuel usage by Station, aircraft type, flight type and Aircraft.

Section 3.04 De-icing and Glycol. Air Canada shall provide or cause to be provided, all de-icing services and glycol for the Aircraft for Scheduled Flights and the Ferry Flights in those Stations where it has de-icing facilities or direct contracts with third party suppliers. Supply of de-icing services and glycol to Aircraft shall be in accordance with all applicable regulatory requirements. Air Canada shall use commercially reasonable efforts to provide Jazz with monthly reports with respect to de-icing services and

glycol usage by Station, aircraft type, flight number and Aircraft, and Jazz shall perform or arrange for such services at all other locations, the cost of which will be billed to Air Canada as Pass-Through Costs.

Section 3.05 Seat Inventory Management. Air Canada shall provide all seat inventory management functions for all Scheduled Flights, including, without limitation, overbooking levels, discount seat levels and allocation of seats among the various fare buckets, in accordance with Air Canada's procedures and standards, taking into account the type of Aircraft operated by Jazz, including but not limited to flight capping requirements related to operational limitations of the Covered Aircraft, as provided by Jazz to Air Canada.

Section 3.06 Passenger Fares. Air Canada shall establish all passenger fares for Scheduled Flights and shall file and publish tariffs for Scheduled Flights on behalf of Jazz. Air Canada or its Cargo Transferee shall establish all rates for cargo shipments on Scheduled Flights and shall file and publish tariffs for cargo on the Scheduled Flights. All charges for the filing and publication of tariffs for Scheduled Flights operated pursuant to this Agreement shall be paid by Air Canada. Air Canada shall provide Jazz the tariffs for Scheduled Flights upon these being established and shall retain a record of all tariffs for Scheduled Flights for a period of at least three (3) years after such tariffs have ceased to have effect. Jazz shall notify the relevant Governmental Authorities that Air Canada is authorized to supply, modify or withdraw such fares, rates or tariffs with such Governmental Authority from time to time. Air Canada shall comply with applicable Governmental Regulations pertaining to the establishment and public disclosure of fares, rates and tariffs and shall pay for any fines or civil penalties incurred by Jazz as a result of violations by Air Canada thereof, and for the cost of defence of such claims of violations including the cost of defending or negotiating the terms of a consent order or decree.

Section 3.07 In-flight Supplies. With respect to the Scheduled Flights, Air Canada shall determine and furnish to Jazz at Air Canada's expense adequate supplies of its customary in-flight supplies, including the Air Canada in-flight publications and servicewares. Jazz shall provide all other in-flight supplies, the cost of which will be billed to Air Canada as a Pass-Through Cost. Jazz shall ensure that in-flight supplies are loaded on the Scheduled Flights.

Section 3.08 Cargo Service. Cargo Service on Scheduled Flights shall be the sole responsibility of and for the sole benefit of Air Canada or any party to which Air Canada may transfer the cargo capacity of the Scheduled Flights (the "**Cargo Transferee**"). The schedules and rates for cargo shipments and revenues to be received from Cargo Service shall be determined in Air Canada or its Cargo Transferee's sole discretion and for Air Canada or its Cargo Transferee's sole account. Air Canada or its Cargo Transferee will be responsible for all operational costs incurred at Stations where Jazz does not provide the cargo handling.

Section 3.09 Schedules and Timetables. Air Canada shall, at its expense, file and maintain schedules with all applicable schedule distribution systems for all Scheduled Flights, and such schedules shall be filed and maintained by Air Canada together with the schedules for its flights. Air Canada shall include and list all Scheduled Flights in the schedule publication program of Air Canada in compliance with Government Regulations. Air Canada shall, at its expense, furnish to Jazz its contracts of carriage consistent with Government Regulations. Air Canada shall include references that the Scheduled Flights are operated by Jazz in all appropriate flight information systems on which Air Canada flights are listed, in compliance with Government Regulations.

Section 3.10 Facilities.

- (a) Schedule "B" hereto sets forth the facilities required by Jazz to support the Scheduled Flights, including crew bases, maintenance bases and headquarters. If any changes to the Scheduled Flights

necessitate the opening, closing or moving of maintenance or crew bases, Air Canada will bear the costs incurred by Jazz as a result of such changes (for example, the costs and penalties of terminating leases and licenses, any unamortized improvement expenses previously incurred by Jazz, staff relocation costs and staff severance costs).

- (b) **Cargo and Passenger Airport Terminal Facilities.** For all cargo and passenger airport terminal facilities at Stations existing as of the Effective Date, Air Canada shall determine whether Air Canada or Jazz will continue to contract directly with the airport authority or other landlord for the use of such facilities. The Parties shall cooperate to facilitate the assignment or termination of any existing license or lease, and the negotiation of any new license or lease with the applicable airport authority or other landlord, and the determination of Pass-Through Costs or adjustment to the Fixed Cost as a result of such assignment, or termination of an existing license or lease or execution of any new license or lease.
- (c) **Air Canada Facilities.** Air Canada grants Jazz the right to use, at no cost, any Air Canada facilities and equipment located thereon available for Scheduled Flights, Ferry Flights and Aircraft Services. Such use shall be subject to mutually agreed terms and conditions which shall, without limitation, provide for the amount of rent payable if such facilities are leased or licensed for activities other than Scheduled Flights, Ferry Flights or Aircraft Services.
- (d) **Non-Air Canada Facilities.** Where Jazz uses third party facilities, the costs of such facilities that are (i) cargo or passenger airport terminal facilities shall be billed to Air Canada as Pass-Through Costs, and (ii) all other costs related to non-Air Canada facilities will be included in the Fixed Cost Payment.
- (e) **Additional Facilities.** If Jazz requires additional facilities as a result of increased frequency of the Scheduled Flights, the Parties shall cooperate to identify how to secure such facilities. The Parties agree that (i) for cargo and passenger airport terminal facilities, to the extent available, Air Canada shall provide such facilities or, in the event Air Canada does not provide such facilities, Jazz shall enter into leases or licenses for facilities and the costs of such facilities shall be billed to Air Canada as Pass-Through Costs, and (ii) for non-cargo or non-passenger airport facilities, to the extent available, Air Canada shall provide such facilities or, in the event Air Canada does not provide such facilities, Jazz shall enter into leases or licenses for such facilities and the Parties shall adjust the amount of the Fixed Cost Payment to include the costs of such facilities.
- (f) **New Stations.** In the event Air Canada desires to provide Scheduled Flights to or from a Station, which is not then served by Jazz, Air Canada shall determine whether the license or lease for such Stations is to be entered into by Air Canada or Jazz and whether such Station is to be managed and under the responsibility (including, without limitation, arranging for required facilities and services required at such Stations) of Air Canada or Jazz. Air Canada shall approve and assume the Station Provisioning Costs incurred by Jazz to operate to such new Station. “**Station Provisioning Costs**” means the one-time costs associated with commencing services to a new Station including but not limited to signage, airport fit-up, training, arranging and installing required phone and information technology connection and required equipment. In addition, the Parties shall either treat the costs of such facilities as Pass-Through Costs or adjust the Fixed Cost Payment to include the costs of all recurring expenses related to such additional facilities.
- (g) **Suspension or Material Reduction of Service.** In the event Air Canada chooses to suspend or materially reduce service of Scheduled Flights to or from a Station, which at the time of such determination, is managed by and under the responsibility of Jazz, Air Canada shall assume the Station Termination Costs incurred by Jazz in connection with such suspension or material

reduction. “**Station Termination Costs**” means all costs necessarily incurred by Jazz to suspend or materially reduce service to any Station, including but not limited to the costs and penalties of terminating leases and licenses, any unamortized improvement expenses previously incurred by Jazz, staff relocation costs and staff severance costs. In addition, Jazz will adjust the amount of the Fixed Cost Payment to remove the costs related to the Station where the material reduction or suspension takes place.

- (h) **Relocation of Cargo Facility or Passenger Airport Terminal Facilities.** Air Canada will decide and approve where Jazz is to be located in a cargo facility or passenger airport terminal for the purposes of the Scheduled Flights and may relocate Jazz or request that Jazz relocate to a comparable facility designated by Air Canada and reasonably acceptable to Jazz, provided that (i) Air Canada pays Jazz's relocation expenses or reimburses Jazz for any relocation expenses, including but not limited to any penalties in airport leases or licenses that are affected, and unamortized improvement expenses previously incurred by Jazz, and (ii) as applicable, Jazz will adjust the Fixed Cost Payment to reflect any resulting changes to facilities costs, rental costs or other related costs, payable by Jazz as a result of such relocation.

Section 3.11 Air Canada Equipment. Air Canada grants Jazz the right to use any Air Canada equipment available for Scheduled Flights, Ferry Flights and Aircraft Services.

Section 3.12 Marketing. Air Canada shall at its own expense perform all marketing activities relating to the Scheduled Flights including production of inflight materials. Air Canada shall perform all advertising/merchandising campaigns promoting the Air Canada Marks.

Section 3.13 Community Relations. Air Canada shall conduct all community relations relating to the Scheduled Flights and Cargo Services, provided that Jazz shall support, under Air Canada's direction, Air Canada's activities in this regard in communities where Air Canada has no representation.

Section 3.14 Training. Air Canada shall provide initial training for any new systems Air Canada implements at Air Canada's cost for the employees of Jazz providing any services related to the Scheduled Flights on the reservations and departure control systems (including ticketing systems) of Air Canada as they apply to the Covered Aircraft. Air Canada shall also provide the same initial training to representatives of Jazz who will be responsible for providing training on the systems to Jazz employees in the future. Jazz shall be responsible for all other training of Jazz employees.

Section 3.15 Sales and Product Distribution. Air Canada shall perform all activities for the Scheduled Flights relating to sales (including reservations and call centres), and the distribution functions relating to the foregoing, at Air Canada's expense. Air Canada or its Cargo Transferee shall perform at their own expense all activities for the Cargo Services relating to sales and product distribution.

Section 3.16 Ground Handling.

- (a) Where Jazz is responsible for the ground handling of Scheduled Flights and Ferry Flights at such Station, Jazz shall use the most commercially reasonable sources for ground handling (which may include grooming) wherever it requires ground handling, subject to the obligations of Jazz under its collective agreements. If the ground handling services for Scheduled Flights or Ferry Flights are performed by Jazz, the Parties shall treat all Station ground handling costs incurred by Jazz through the Rates. If such services are contracted by Jazz to a third party ground handler, the Parties shall treat such costs as Pass-Through Costs. For any transfer of responsibility affecting ground handling services performed by Jazz at a Station after the Effective Date, the Parties shall adjust the Rates

and amend Schedule H (*Specified Stations and PTH Excluded Stations*) to reflect such transfer of responsibility (such adjustments to be effective as of the implementation date).

- (b) Where Air Canada is responsible for ground handling services, Air Canada shall have the ability to contract directly with third parties for ground handling services, provided that:
 - (i) each such third party contract meets all applicable regulatory requirements and the standards set forth by Transport Canada;
 - (ii) the service levels in each such third party contract will not be significantly inferior to the service levels under existing contracts in place with third parties as at the Effective Time;
 - (iii) Jazz, in consultation with Air Canada, shall have the right to manage and administer the resulting third party contract with respect to its operations. In the event that a third party contractor with respect to its day to day operations is providing services in a manner that impairs the ability of Jazz to provide services pursuant to this Agreement, Air Canada will work with Jazz in good faith to remedy such situation in an effective and efficient manner. If Jazz and Air Canada cannot agree on the remedy, this station will not be considered a Jazz Handled Station for purposes of Schedule C (*Performance Incentive Payments and Critical Level Penalties*); and
 - (iv) the services meet or exceed the standards required for Jazz to meet its IOSA obligations.

Section 3.17 IT Systems. Air Canada shall provide at its expense all IT systems required for the functions specified under this Agreement, except for stand-alone systems belonging to Jazz. If Jazz uses any Air Canada IT system, Jazz shall comply with Air Canada's procedures. For Scheduled Flights, Air Canada shall absorb IT costs related to commercial activities and charges for changes to IT systems.

Section 3.18 Code Sharing. Air Canada will bear the costs associated with Star Alliance code sharing on the Scheduled Flights or any other code sharing that Air Canada implements during the Term.

Section 3.19 Employee Travel. Pass privileges will continue in accordance with the pass travel agreement in effect at the Effective Time for all existing Jazz employees at the Effective Time so long as such employees remain employed by a Person within the Chorus Group which provides services to Air Canada pursuant to one of the CPAs. New employees of Jazz or Jive who are providing services to Air Canada under one of the CPAs will receive benefits as agreed in the pass travel agreement between Jazz and Air Canada in effect at the Effective Time.

Section 3.20 In-flight Entertainment Systems. Air Canada shall bear all costs associated with the acquisition and installation of all in-flight entertainment systems and any other technology introductions in the Covered Aircraft. Jazz shall cooperate with Air Canada to implement any changes to in-flight entertainment systems or to permit any other technology introductions to Covered Aircraft to the extent such changes or introductions are consistent with Air Canada's product specifications.

Section 3.21 Return of Covered Aircraft.

- (a) Air Canada and Jazz agree that Air Canada shall bear the cost and expense of all return condition obligations contained in any lease, sublease or loan arrangement relating to the Covered Aircraft or the Spare Engines ("**Return Condition Liability**").

- (b) Jazz agrees and acknowledges that, at the expiry or other termination of any lease, sublease or loan arrangement relating to any Covered Aircraft or any Spare Engine, any credit that Jazz has with any maintenance or technical service provider relating to that Covered Aircraft or Spare Engine (or its components) as a result of any CPUMA shall be assigned to Air Canada or the benefit of such credit shall otherwise be made available to Air Canada such that it shall be applied against Air Canada's Return Condition Liability obligations under the foregoing subsection.
- (c) Jazz expressly agrees and acknowledges that the Return Condition Liability assumed by Air Canada pursuant to this Section in no way limits or affects Jazz's obligations to maintain the Covered Aircraft, the Spare Engines and all of their related components in full compliance with the leases, subleases and loan arrangements pertaining to the Covered Aircraft and the Spare Engines, as well as all applicable laws and regulations.
- (d) Jazz shall develop and perform its maintenance plans with respect to the Covered Aircraft and the Spare Engines in accordance with industry standards and industry recognized performance intervals and with a goal of minimizing, as much as commercially reasonable, the Return Condition Liability during Jazz's operation of the Covered Aircraft and the Spare Engines. As such, as part of the Maintenance Savings Opportunities identified by the Parties pursuant to Section 5.19, the Parties, acting reasonably, shall identify opportunities minimizing, where possible, the Return Condition Liability of the Covered Aircraft and Spare Engines.
- (e) In the event that this Agreement terminates prior to the expiry or termination of any lease, sublease or loan arrangement, the Return Condition Liability (including any credit contemplated in Section 3.21(b)) for all such leases, subleases and loan arrangements shall be calculated as of the Termination Date of this Agreement. Air Canada shall, concurrently with the termination of this Agreement, pay to Jazz an amount equal to such Return Condition Liability.
- (f) The Parties shall use commercially reasonable efforts to minimize any lease return costs associated with Schedule "F" (*Long Range Fleet Plan and [text related to labour costs omitted]*). For greater certainty, such costs are not to be included in the Rates specified in Schedule "E" (*Jazz's Rates and Fees*) or Schedule "E-3" (*Rates*) and will be reimbursed to Jazz by Air Canada in accordance with this Section.

ARTICLE IV. OPERATING PLANS, SCHEDULING AND ANCILLARY ARRANGEMENTS

Section 4.01 **Operating Plans and Schedules.**

- (a) **[Text omitted]**, Air Canada shall provide to Jazz a high level operating plan for the following calendar year period which high level operating plan will include any changes to the Covered Aircraft or Active Aircraft for the relevant period (which changes shall be set out on a monthly basis) and the frequencies, Block Hours, station activity and available seat miles ("**ASMs**") for each aircraft type for the relevant period (the "**Annual Operating Plan**"). It is hereby acknowledged and agreed that such high level operating plan is not binding on the Parties and is provided for the purpose of setting the Rates for next period only. The Annual Operating Plan is not binding upon the Parties and is provided for budget and planning purposes.
- (b) **[Text omitted]** seasonal schedule period (each a "**Schedule Period**") during the Term, Jazz and Air Canada shall confer and agree upon an operating plan for the Covered Aircraft for the succeeding Schedule Period, which plan shall include (i) Air Canada's forecast with respect to scheduled production including Block Hours and departures by aircraft type, ASM's and passenger volume, (ii) Air Canada forecast of the Stations to which Jazz shall operate Scheduled Flights, (iii)

Air Canada's forecast of specific dates for the commencement of service to new Stations, if any, and (iv) such other matters as Air Canada and Jazz shall determine (the "**Seasonal Operating Plan**"). Air Canada and Jazz shall meet and confer on a quarterly basis (or more frequently if requested by either Air Canada or Jazz) to review the implementation of the Seasonal Operating Plan and to discuss any changes to the Seasonal Operating Plan. In the event Air Canada elects to alter the Seasonal Operating Plan during the course of the Schedule Period to reduce the Scheduled Flights, Air Canada shall use its reasonable best efforts to provide as much notice as possible to Jazz to enable Jazz to take all commercially reasonable steps to reduce or eliminate expenses related to such cancelled Scheduled Flights.

- (c) Adjustments to the Seasonal Operating Plan and particulars of the actual schedule can be made in accordance with the following procedure:
- (i) **Seasonal Schedules.** [Text omitted], Air Canada shall provide Jazz with the final schedule for the period covered by the Seasonal Operating Plan (the "**Final Seasonal Schedule**"). Jazz shall be bound by any changes contained in the Final Seasonal Schedule from the Seasonal Operating Plan. The Block Hours reflected in the Final Seasonal Schedule will be treated as the guaranteed Block Hours across the entire fleet of Covered Aircraft (the "**Guaranteed Block Hours**").
 - (ii) **Monthly Schedules.** Air Canada shall provide Jazz with a rolling monthly schedule ("**Monthly Schedule**") which may differ from the Final Seasonal Schedule. Jazz will be provided with the updated Monthly Schedules prior to the date in each month when Jazz crew schedules have been committed. Jazz will be obligated to operate any Monthly Schedule provided to Jazz before the Jazz crew scheduling commitments are made, [Text omitted]. The variance from the Final Seasonal Schedule will need to be reviewed by Jazz and approved by Jazz from an operational perspective. Should such variations from the Final Seasonal Schedule result in incremental costs to Jazz, Air Canada and Jazz will agree on the terms of implementation of such changes. In the event any Monthly Schedule results in a change in the volume of Jazz flying of more than [Text omitted] above or below the Guaranteed Block Hours in that Schedule Period, the Parties will work together and use their commercially reasonable efforts to implement such schedule change and determine and agree upon the resulting changes, if any, to this Agreement including but not limited to amending the Rates, the Covered Aircraft and the Active Aircraft.
 - (iii) **Unplanned Maintenance and Fleet Changes.** If Jazz makes additional maintenance, paint or spare events that result in a change to the number of Active Aircraft at the aircraft type level when compared to the annual forecasted maintenance events by aircraft type agreed to by the Parties after the deadline for Air Canada to provide Jazz with the Final Seasonal Schedule with respect to any Schedule Period, the Parties will use commercially reasonable efforts to adjust the Guaranteed Block Hours at the aircraft type level to account for unplanned maintenance events and changes to the number and type of available Active Aircraft.

Section 4.02 **Long Range Fleet Plan.**

- (a) **Fleet Renewal.** Jazz and Air Canada will work together to implement the changes in the number and type of Covered Aircraft set out in Schedule "F" with the effect that the number of such Covered Aircraft shall be reduced from 122 aircraft to 86 aircraft after all such changes have been implemented. Except as expressly provided in this Section 4.02, the minimum number of Covered

Aircraft from time to time shall be as set out in Schedule “F” (the “**Guaranteed Minimum Number of Covered Aircraft**”), unless the Parties, acting reasonably, otherwise agree in writing.

- (i) **CRJ200 Aircraft.** In the event Air Canada wishes to remove any of the CRJ200 Covered Aircraft in advance of the timeframe outlined in Schedule “F”, the number of aircraft fitted with 74 or more passenger seats shall be increased by the same number of CRJ200 Covered Aircraft that are so removed, to a maximum of 60 Covered Aircraft fitted with 74 or more passenger seats; and
 - (ii) **Dash 8-100 Aircraft.** Each Dash 8-100 Covered Aircraft shall be removed from the fleet of Covered Aircraft on the earlier of the date such aircraft requires its ESP and the date set forth in as Schedule “F”. Jazz shall determine the aircraft and engine serial numbers as each Dash 8-100 aircraft is removed from the fleet of Covered Aircraft. **[text related to yield payments omitted]**.
 - (iii) **Dash 8-100 PW120A Engines.** Each Dash 8-100 Covered Aircraft’s PW120A engines and spare engines shall have the following engine Flight Hour Rate (expressed in 2015 USD):

[text related to engine Flight Hour Rate omitted].
- (b) **Long Range Fleet Plan.**
- (i) The Long Range Fleet Plan is attached as Schedule “F”. The total number of Covered Aircraft shall not, at any time during the Term, be reduced below the total number of aircraft reflected for each period, unless permitted by this Agreement or otherwise agreed to in writing by the Parties.
 - (ii) Air Canada may periodically adjust the Long Range Fleet Plan so as to require changes to the fleet composition, including any increases of a single aircraft type (provided that any such changes shall not reduce the total number of Covered Aircraft reflected for each period and provided further that any such changes do not involve a reduction in the Jazz Q400 aircraft below 15, unless Jazz has provided its written consent). Air Canada shall provide Jazz with reasonable prior written notice of any such required change, taking into consideration the nature and scope of the required changes. Jazz shall use its reasonable commercial efforts to accommodate such required changes within the requested reasonable time frame. If any change involves Covered Aircraft being returned/retired and replaced by aircraft of another type, Air Canada shall pay the costs related to any such return/retirement, including but not limited to early return penalties in any lease, break costs in any financing, staff severance, relocation and training costs, the impact to Jazz of the disposition of related inventory net of the proceeds of such sale of inventory, aircraft ground insurance coverage and unscheduled maintenance work required to be performed on a departing aircraft.
 - (iii) If a Long Range Fleet Plan change results in an aggregate increase or decrease of the number of Covered Aircraft of any single type in excess of twenty percent (20%) from what is contemplated in the then current Long Range Fleet Plan, the Parties will agree on resulting changes to applicable Rates (save and except that Flight Crew and Cabin Crew Block Hour Rates shall be adjusted in accordance with the adjustments principles set out in Schedule E). In the event the change to the Long Range Fleet Plan involves the addition

of a new aircraft type, the Parties will agree upon and document in writing, all of the applicable Rates for that aircraft type and the MADUG for the Covered Fleet.

- (iv) If Air Canada requires an increase in the total number of Covered Aircraft, Air Canada shall be responsible for providing or arranging for the provision of such additional aircraft to Jazz, unless Jazz agrees otherwise, and Jazz shall use its reasonable commercial efforts to assist and cooperate in the acquisition of such additional aircraft.
- (v) If, during the Term, the total number of Covered Aircraft in Schedule "F", increases above the Guaranteed Minimum Number of Covered Aircraft in accordance with the preceding paragraph, Air Canada can elect to modify the then current Long Range Fleet Plan by reducing the total number of Covered Aircraft, provided that in the event of such unplanned reduction or retirement, (i) the total number of Covered Aircraft after such reduction is no less than the Guaranteed Minimum Number of Covered Aircraft (or such lesser number as may have been previously agreed to by Air Canada and Jazz pursuant to the first paragraph of this Section, (ii) Air Canada pays the costs of any such reduction or retirement including but not limited to early return penalties in any lease, break costs in any financing, staff severance, relocation and training costs, the impact to Jazz of the disposition of related inventory net of the proceeds of such sale of inventory, aircraft ground insurance coverage and unscheduled maintenance work required to be performed on a departing aircraft, and (iii) the number of Jazz Q400 aircraft which are then included in the fleet of Covered Aircraft is not reduced below 15.
- (vi) On or before October 1 of each year commencing in 2015, Jazz shall provide Air Canada with a monthly breakdown of Active Aircraft for the calendar year following the upcoming calendar year. Active Aircraft will be determined in accordance with the parameters set forth in the Scheduling Process and Parameters Document.

Section 4.03 Aircraft Ownership and Leasing. For all new aircraft, resulting from either an addition to the fleet of Covered Aircraft or from a replacement of a Covered Aircraft, Jazz shall consult with Air Canada to review all available acquisition options. Jazz shall provide all information reasonably required for Air Canada to evaluate the acquisition costs and cooperate with Air Canada to achieve the most commercially reasonable result. The Parties shall use commercially reasonable efforts to negotiate mutually acceptable material terms and conditions prior to the acquisition of the applicable aircraft.

Section 4.04 Guideline Document. The details of implementation of this ARTICLE IV shall be set forth in the most recent scheduling process and parameters document developed and agreed to by the Parties in writing under the Original Agreement as thereafter amended by mutual written agreement of the Parties from time to time and which shall incorporate the changes to maintenance scheduling parameters set forth in Schedule N of this Agreement (the "**Scheduling Process and Parameters Document**"). In the event of any conflict or inconsistency between this Agreement and the Scheduling Process and Parameters Document, the terms of this Agreement shall govern.

Section 4.05 Compliance with Governmental Regulations.

- (a) Jazz shall conduct all flight operations, dispatch operations and flights and all other operations undertaken by Jazz pursuant to this Agreement in compliance with all Governmental Regulations, including, without limitations those relating to airport security, the use and transportation of hazardous materials, customs, immigration, crew qualifications, crew training and hours. As far as applicable to Jazz's operations and the Scheduled Flights or Ferry Flights, Jazz will operate in accordance with Air Canada's security management system as communicated to Jazz from time to

time provided that: (i) if such security management system requires standards in excess of Governmental Regulations and such standards result in increased costs or expenses to Jazz; and (ii) the standards are required to be implemented prior to the next rate negotiations pursuant to this Agreement, then the Parties will meet and determine whether the Air Canada security management system standards changes must be implemented, the timing of implementation and the impact, if any, on the Rates. All Aircraft shall be operated and maintained by Jazz in compliance with all Governmental Regulations, Jazz's own operations manuals and maintenance manuals and procedures, and all applicable equipment manufacturers' instructions.

- (b) For any notice of violation received by Jazz from a Governmental Authority as a result of a failure to comply with or breach of Governmental Regulations, including any fees, fines or penalties related thereto, Jazz shall first investigate to identify the responsible Person and claim such amounts from such responsible Person. In the event Jazz is responsible for such failure, Jazz shall be responsible for the payment of such fees, fine or penalty at no cost to Air Canada. In the event Air Canada is responsible for such failure (whether directly or resulting from an Air Canada subcontractor), Jazz shall provide notice of such failure and supporting documentation, and Air Canada shall pay the cost of such fees, fine or penalty to Jazz as Pass-Through Costs.
- (c) Air Canada shall conduct all flight scheduling, routing, establishment of fares and tariffs, and all other operations undertaken by Air Canada pursuant to this Agreement in compliance with all Governmental Regulations.

Section 4.06 Movement of Company Material. As long as Air Canada has the cargo capacity on the Scheduled Flights, it shall provide to Jazz, on a non-discriminatory basis, access to the cargo capacity on the Scheduled Flights and on the Air Canada operated network for the movement and acquisition of aircraft parts and other company material to support the Scheduled Flights and other activities directly related to this Agreement (hereinafter collectively referred to as "**Company Material**"). All access shall be consistent with the respective published procedures and policies of Air Canada and Jazz, as amended from time to time. If Air Canada transfers the cargo capacity of the Scheduled Flights to a Cargo Transferee, Air Canada will obtain for the benefit of Jazz the ability for Jazz to move Company Material on substantially the same terms and conditions as Air Canada obtains for itself with the Cargo Transferee.

Section 4.07 Bulk Purchases. Each party shall use its good faith efforts to assist the other in obtaining goods and services useful to the other party in the most economical manner, including, without limitation, uniforms, supplies and ground equipment. If the parties agree to participate in a bulk purchase agreement, the terms of any such bulk agreement will be as set forth in a separate agreement between the parties.

Section 4.08 Consortiums and Airport Consultative Committees Representation. [text related to the role of Jazz in various consortiums and airport consultative committees omitted].

Section 4.09 Air Canada Labour Agreements. Jazz shall use its best efforts to ensure the Aircraft operated by Jazz or Jive conform to Air Canada's collective agreement with ACPA, particularly as to type of aircraft and number of seats, and Jazz shall use its best efforts to ensure it does not otherwise cause Air Canada to be in violation of the collective agreement with ACPA. Air Canada confirms and agrees that (a) as of the Effective Time, the Covered Aircraft as described and configured in Schedule "F" comply with the collective agreement with ACPA, and (b) Air Canada shall not, without using reasonable efforts to obtain Jazz's written consent, agree to an amendment of the Air Canada Collective Agreement that is more restrictive to the operations of Jazz than is in effect as of the Effective Time.

Section 4.10 Jazz's Labour Agreements. Air Canada will use its best efforts to ensure the Scheduled Flights prescribed by Air Canada conform to Jazz's collective agreement with Unifor representing Jazz's

customer service agents (the “**Unifor CSA Collective Agreement**”) and the collective agreement with Jazz's pilots (the “**ALPA Agreement**”), as each is amended from time to time (collectively the “**Jazz Collective Agreements**”), particularly (i) the requirement in the Unifor CSA Collective Agreement that Jazz customer service agents shall handle the flights of Tier III Carriers using the Designator for connecting and local market passengers, (ii) the arbitration award under the ALPA Agreement restricting the flying of Tier III Carriers to [Text omitted] of the total number of Jazz's Block Hours (consistent with how such awards have been administered in the past between Jazz and ALPA), and Air Canada shall use its best efforts to ensure it does not otherwise cause Jazz to be in violation of the Jazz Collective Agreements. Jazz confirms and agrees that (a) as of the Effective Time, the Scheduled Flights and the other provisions of this Agreement comply with the Jazz Collective Agreements and (b) Jazz shall not, without using reasonable efforts to obtain Air Canada's written consent, agree to an amendment to the Jazz Collective Agreements that is more restrictive to the operations of Air Canada than is in effect as of the Effective Time.

Section 4.11 **Pilot Mobility Arrangement.** The Parties will implement the pilot mobility arrangement outlined in Schedule “K”.

ARTICLE V. REVENUES AND PAYMENTS

Section 5.01 **Revenues.** The revenues from the following operations shall be paid as follows:

- (a) **Air Canada Revenues.** All Air Canada revenues resulting from the Scheduled Flights and Cargo Services including, without limitation, duty-free sales, bar sales, buy-on-board food and beverage sales and headset sales (less the commissions paid by Air Canada to Jazz for the sale of such products on Scheduled Flights), ticket sales, baggage charges, passenger charges, and employee pass travel service charges, are Air Canada revenue. The Parties recognize that Air Canada may enter into an agreement with a Cargo Transferee whereby revenues from Cargo Services will be for the sole account of such Cargo Transferee.
- (b) **Jazz Revenues.** All revenues resulting from Charter Flights and Jazz Flights (collectively the “**Jazz Revenues**”), shall be for the sole account of Jazz.
- (c) The parties further agree that in the event that Air Canada introduces new products or services which are not covered by the foregoing definition, including without limitation, pay per view inflight entertainment or inflight internet connectivity, the revenues generated by such products or services shall accrue to the benefit of Air Canada provided that Air Canada shall bear any incremental cost incurred by Jazz related to such additional products or services.

Section 5.02 **Jazz's Fees.**

- (a) In consideration of the capacity of the Covered Aircraft and the revenues to be received by Air Canada for the Scheduled Flights, Air Canada shall pay to Jazz, on a monthly basis and in the manner set out in ARTICLE V (*REVENUES AND PAYMENTS*) hereof, the Block Hour Payment, the Flight Hour Payment, the Cycle Payment, the Passenger Payment, the Aircraft Ownership Payment, the Fixed Cost Payment, the Marketing and Commercial Cancellation Payment, the Weather and ATC Cancellation Payment, the Ferry Flight Payment, the Fixed Margin per Covered Aircraft Payment, the Infrastructure Fee Payment and the Pass-Through Costs and any other payment agreed to by the parties pursuant to Schedule E. Air Canada will pay Jazz the Performance Incentive Payments quarterly in the manner set out below. The above referenced payments to Jazz for any applicable period shall be calculated in the manner and subject to the Rate adjustments set forth below.

- (b) It is agreed that payment with respect to the Block Hour Payment, the Flight Hour Payment, the Cycle Payment, the Passenger Payment, the Aircraft Ownership Payment, the Fixed Cost Payment, the Marketing and Commercial Cancellation Payment, the Weather and ATC Cancellation Payment, the Ferry Flight Payment, the Fixed Margin per Covered Aircraft Payment, the Infrastructure Fee Payment shall be made in the relevant currency set forth in Schedule “E”, Schedule “E-2” and Schedule “E-3” and in the case of Pass-Through Costs, the currency in which Jazz was invoiced therefore.

Section 5.03 **Block Hour Payment.** The Block Hour Payment covering the items described in Schedule “D” for the period beginning January 1, 2015, will be equal to **[Text omitted]**.

The methodology for calculating pension expense is specified in Schedule “E-4”.

Section 5.04 **Flight Hour Payment.** The Flight Hour Payment covering the items described in Schedule “D” for the period beginning January 1, 2015, will be equal to **[Text omitted]**.

Section 5.05 **Cycle Payment.** The Cycle Payment covering the items described in Schedule “D” for the period beginning January 1, 2015 will be equal to **[Text omitted]**.

Section 5.06 **Passenger Payment.** The Passenger Payment covering the items described in Schedule “D” for the period beginning January 1, 2015, will be equal to **[Text omitted]**.

Section 5.07 **Aircraft Ownership Payment and Pre-Activation Ownership Payment.** The Aircraft Ownership Payment covering the items described in Schedule “D” for the period beginning January 1, 2015, will be equal to **[Text omitted]**.

The Pre-Activation Ownership Payment covering Covered Aircraft which have been delivered to Jazz but have not entered into commercial services will be equal to **[Text omitted]**.

Section 5.08 **Fixed Cost Payment.** The Fixed Cost Payment covering the items described in Schedule “D” for the period beginning January 1, 2015, will be equal to **[Text omitted]**.

Section 5.09 **Marketing and Commercial Cancellation Payment.** The Marketing and Commercial Cancellation Payment will be equal to **[Text omitted]**.

Section 5.10 **Weather and ATC Cancellation Payment.** The Weather and ATC Cancellation Payment will be equal to **[Text omitted]**.

Section 5.11 **Ferry Flights and Ferry Flight Payment.** **[Text omitted]**. The Ferry Flight Payment will be equal to **[Text omitted]**.

Section 5.12 **Pass-Through Costs.**

- (a) Air Canada shall reimburse Jazz for Pass-Through Costs incurred directly by Jazz. Jazz shall, on a monthly basis, provide Air Canada with a report regarding the Pass-Through Costs incurred in the previous month or accrued for such period, the form of which report shall be prepared by Jazz and approved by Air Canada, acting reasonably. “**Pass-Through Costs**” means those costs incurred and paid by Jazz in the month with respect to the Scheduled Flights, which vary on a monthly basis as a result of their uncontrollable nature, the components of which are identified in Schedule O.

- (b) Upon request and if not available to Air Canada in **[supplier identity omitted]**, Jazz shall provide within a reasonable timeline to Air Canada, a copy of all third party invoices needed to determine the Pass-Through Costs amount.
- (c) If Air Canada disputes a vendor invoice for Pass-Through Costs which are related to any contract for services in which Jazz is the contracting party, Air Canada shall provide Jazz written notice within 120 days following receipt of such invoice (an “**Invoice Dispute Notice**”). The Parties shall work in good faith to resolve any such dispute. If any such dispute is not resolved within 120 days following receipt of an Invoice Dispute Notice, either Party may issue a Dispute Notice in accordance with the dispute resolution provisions in Article XIII. If no Invoice Dispute Notice is issued within 120 days following receipt of an invoice, such invoice shall be considered agreed to and final. Any payment of a disputed invoice shall be presumed to be made “under protest”.
- (d) All invoices by Jazz to Air Canada for Pass-Through Costs for a calendar year must be submitted by **[text omitted]** of the following year unless the third party invoice relating to such Pass-Through Costs was actually received by Jazz after **[text omitted]** of the year in question, in which case the invoice by Jazz to Air Canada relating to such Pass-Through Costs must be submitted within **[text omitted]** days of receipt by Jazz of such third party invoice.
- (e) The third party invoices covered by each invoice to Air Canada relating to Pass-Through Costs are to be separately identified with references that enable Air Canada to retrieve the third party invoice and associated details through **[supplier identity omitted]**. Accruals of Pass-Through Costs by Jazz forming the basis of any invoice of Pass-Through Costs by Jazz to Air Canada are to be accompanied by supporting information in reasonable detail, to be agreed on by the Parties.
- (f) The audit rights in Section 6.02 (*Audits*) shall apply to the obligations arising under this Section.

Section 5.13 **Performance Incentive Payments and Critical Service Level Penalties.** Air Canada shall pay Jazz the Performance Incentive Payments on a quarterly basis or claim Critical Service Level penalties as set out below:

- (a) **Performance Incentive Targets.** Air Canada shall pay to Jazz the Performance Incentive Payments quarterly based on Jazz’s actual performance levels attained in respect of the Scheduled Flights during the Performance Period, relative to the Performance Incentive Targets, as outlined in Schedule “C”, for each of the four (4) operational performance incentive categories set forth in Section 5.13(b) below.
- (b) **Performance Incentive Categories.** For each Performance Period, Jazz shall prepare a reconciliation of its actual performance to the Performance Incentive Targets with respect to the following operational performance incentive categories:
 - (i) controllable on-time performance;
 - (ii) controllable flight completion;
 - (iii) passengers arriving without baggage (PAWOBs); and
 - (iv) other customer satisfaction.
- (c) **Critical Service Level Penalties.** As of the earlier of January 1, 2021 or upon the occurrence of a Change of Control of either Jazz or Jive (including, for greater certainty, a Change of Control that

is permitted pursuant to this Agreement, other than a Change of Control resulting from an internal re-organisation of the Chorus Group), for each Performance Period, Jazz' reconciliation in subsection (b) above shall include its performance to the Critical Service Levels with respect to the following operational Critical Service Level categories:

- (i) controllable on-time performance; and
 - (ii) controllable flight completion.
- (d) Such reconciliations will be completed and delivered to Air Canada within thirty (30) days after the end of each Performance Period. Air Canada will have the right to audit the reconciliation prepared by Jazz and shall report any discrepancies to Jazz as soon as possible but in any event, no later than February 28 of the calendar year immediately following the Performance Period. Any discrepancy not reported in writing by February 28th in the following calendar year shall be deemed waived. Air Canada will pay the quarterly Performance Incentive Payment to Jazz or claim the Critical Service Level penalty within thirty (30) days after receipt of the reconciliation unless a discrepancy has been reported in which case the Parties will cooperate to rectify the discrepancy within a reasonable time, failing which, the dispute resolution provisions of this Agreement will apply. If a discrepancy is reported within the time allowed by this section but deals with a Performance Period for which a quarterly Performance Incentive Payment has already been paid, then if the parties agree that the discrepancy affects the calculation of the Performance Incentive Payment for the Performance Period involved, or if, after the results of the dispute resolution process are known and they result in a determination that the calculation of the Performance Incentive Payment was incorrect, then the parties will adjust for such determination at the time of the next due Performance Incentive Payment. The Performance Incentive Payment is to be paid by Air Canada to Jazz in CAD.

Section 5.14 **Aircraft Services Payment.** The Aircraft Services Payment covering the Aircraft Services will be equal to [Text omitted].

Section 5.15 **Costs of Charter Flights.**

- (a) Jazz shall bear all incremental costs and shall keep all incremental revenues associated with the Charter Flights operated with the same aircraft used to provide the Scheduled Flights. For greater clarity, the incremental costs related to such Charter Flights shall include, without limitation, overhead costs related to commercial employees directly supporting the Charter Flights. Should Jazz acquire additional aircraft other than the Covered Aircraft used to provide the Scheduled Flights for purposes of providing Charter Flights, Jazz shall bear all costs associated with such aircraft and Charter Flights. In addition, Jazz shall attribute applicable corporate overhead costs, if any, to such Charter Flights by allocating a portion of the costs included in the Fixed Cost Payment to such Charter Flights.
- (b) Jazz shall, on a monthly basis, pay Air Canada an amount (the "**Charter Payment**") equal to [Text omitted].
- (c) In the event that Jazz uses substitute Aircraft not included in the Covered Aircraft for Scheduled Flights, Jazz shall receive, on a monthly basis, a credit against future Charter Payments for the same aircraft type. The credit amount (the "**Charter Credit**") shall be equal to [Text omitted].

Section 5.16 **Fixed Margin per Covered Aircraft Payment.** The Fixed Margin per Covered Aircraft Payment in respect of any year during the Term will be equal to the annual amount per Covered Aircraft, based on aircraft type as set out on Schedule “E-2”.

Section 5.17 **Infrastructure Fee Payment.** The Infrastructure Fee Payment in respect of any year during the Term will be equal to the annual amount per Covered Aircraft as set out on Schedule “E-2”.

Section 5.18 **Payment Procedure.**

[Text omitted]

Section 5.19 **Non-Labour Maintenance Costs Principles.** The following principles shall apply when dealing with maintenance costs other than Jazz’s internal labour costs:

- (a) The Parties will set the maintenance Rates and Pass-Through Costs annually for each calendar year during the term of this Agreement as follows:
 - (i) the Parties, acting reasonably, shall identify opportunities for maintenance cost savings and efficiencies, and document such opportunities (the “**Maintenance Savings Opportunities**”). Jazz, in consultation with Air Canada, will then enter into negotiations with third party suppliers chosen by the Parties to achieve the Maintenance Savings Opportunities. When Jazz executes a contract with the third party supplier, the applicable maintenance costs will be re-categorized as components of the maintenance Rates (“**Maintenance Rate Costs**”) or as Pass-Through Costs (“**Maintenance PT Costs**”) (the cost reallocation process or “**CRP**”), and the Parties will as of the effective date of that contract amend the applicable Rates and reconcile them to any previously made payments;
 - (ii) once particular maintenance costs have been categorized as Maintenance Rate Costs or Maintenance PT Costs, they will remain so categorized until such time as the Parties re-categorize that cost (re-categorization is available annually as part of the CRP); and
 - (iii) Maintenance Rate Costs not set in the foregoing process will be set as maintenance Rates in accordance with Schedule “E”.
- (b) In addition to the process set forth above, as of the effective date of any new third party maintenance contract which has not been included in the CRP, the Parties will re-categorize all or part of the maintenance costs related to that contract as either Maintenance Rate Costs or Maintenance PT Costs, at which time the Parties will immediately amend the applicable Rates and reconcile them to any previously made payments.
- (c) [text related to non-labour maintenance costs omitted]
- (d) In all cases, Jazz will manage and administer the resulting third party maintenance contracts.

Section 5.20 **Fixed Cost Payment Principles.**

- (a) **Operational Contracts.** The Parties will use commercially reasonable efforts to identify opportunities for cost savings and efficiencies for third party operational contracts included in the Fixed Cost Rate – CAD and Fixed Cost Rate – USD using a process similar to that detailed in Section 5.19.

- (b) **[text related to opportunities for savings and efficiencies omitted]**.
- (c) **Fixed Cost Payment Adjustment.** As cost savings and efficiencies referred to in this Section or Section 5.27 are achieved, or as certain costs cease to be a part of the Fixed Cost Rate (including, without limitation, when certain costs become Pass-Through Costs), an adjustment will be made to the Fixed Cost Rate effective as of the date of such change.

Section 5.21 **Air Canada Provided Services.** Services provided by Air Canada to Jazz in the context of this Agreement shall be the responsibility of Air Canada, including the services contemplated in the MSA, which shall be amended to reflect all the changes required as a result of the foregoing.

Section 5.22 **Substitutions and Diversions.** In the event Jazz is required to use substitute Aircraft to operate a Scheduled Flight, Jazz shall use the applicable Rates for the type of aircraft that was substituted if the substitute Aircraft is of a type that has lower rates than the type of Covered Aircraft that was originally scheduled for purposes of calculating the monthly payments due pursuant to this Agreement unless otherwise agreed by Air Canada. In the event that a Scheduled Flight is diverted to a location other than the scheduled destination of the Scheduled Flight, Jazz shall use the actual Block Hours flown to the diverted location and any recovery flight in its calculation of the Block Hour Payment for such diverted flights.

Section 5.23 **Rate Structure.** The rate setting and adjustment principles set forth in this ARTICLE V and Schedule “E” shall be in effect from the date hereof until December 31, 2025. The flight crew and cabin crew Block Hour Rates set forth in Schedule “E” and Schedule “E-3” (and further detailed in Annex 1 to Schedule E-3) shall be fixed throughout the Term and will only be adjusted and reconciled pursuant to the adjustments set forth in Schedule “E” and as demonstrated in Schedule “E-1”. All other rates shall be as set forth in Schedule “E-3” (and further detailed in Annexes 1 to 5 of Schedule E-3) (together with the flight crew and the cabin crew Block Hour Rates, the “Rates”). The Parties will adjust and reconcile the flight crew and cabin crew Block Hour Rates on an annual basis and reset all other Rates on an annual basis (save and except for the Aircraft Ownership Rates which they shall reset every three years) pursuant to the principles set out in Schedule “E”. For any adjustment or rate revision, the Parties shall cooperate in an open and transparent manner and provide any and all information reasonably required to evaluate such adjustment or rate revision. The audit rights in Section 6.02 shall apply to the obligations arising under this Section.

Section 5.24 **Transition Costs.**

[text related to transition costs omitted].

Section 5.25 **Pilot Mobility Arrangement.**

- (a) **[text related to this arrangement omitted]**.
- (b) **[text related to this arrangement omitted]**.
- (c) **[text related to this arrangement omitted]**.
- (d) In the event that a pilot is terminated by Air Canada: (i) during the probation period, (ii) for failing to qualify during training, or (iii) for any other reason in which just cause is not upheld, the FIP in respect of such pilot will be paid over a four-year period beginning upon such termination. In the event that a pilot is terminated for just cause and the termination is upheld, the FIP will cease to be paid upon such termination.

- (e) **[text related to this arrangement omitted]**.
- (f) If the number of pilots flowing up to Air Canada exceeds **[text specifying the number omitted]** in any **[text specifying the time period omitted]** period, both Parties will use commercially reasonable efforts to minimize the related costs and any operational implications. **[text related to flight crew labour rates omitted]**.
- (g) **[text related to this arrangement omitted]**.

Section 5.26 **[text related to labour reduction initiatives omitted]**.

Section 5.27 **Cost Reduction Principles.** In conjunction with achieving the Performance Incentive Targets, Jazz shall take all measures necessary to achieve, at a minimum, the unit cost reduction inherent to the Rates. In addition, Jazz shall take all measures necessary to achieve on an ongoing basis further unit cost reductions for all costs controllable by Jazz. Where Jazz incurs expenses paid by Air Canada as Pass-Through Costs, Jazz will take measures within its control to achieve, on an ongoing basis, unit cost reductions and any other measures in this regard as agreed between Air Canada and Jazz. **[Text omitted]**. If Air Canada does not provide, on an ongoing basis, the monthly reports provided for in Sections 3.03 and 3.04, and, as a result, Jazz is unable to achieve unit cost reductions relating to fuel, deicing services and glycol, such failure shall not be a failure by Jazz to comply with this Section.

Section 5.28 **Fuel Consumption.** Jazz shall, no later than thirty (30) days after the end of each month, provide Air Canada with a report setting out, by the type of aircraft, the fuel consumption (in litres) of its Aircraft. Jazz shall use commercially reasonable efforts to improve its fuel consumption performance and shall report quarterly to Air Canada on the efforts it has made and programs which it has implemented with regard to improving its fuel consumption.

Section 5.29 **Taxes.**

- (a) The payments hereunder do not include the amount of any sales, use, goods and services, value-added, or excise taxes or any customs or import charges or duties or any similar charges or duties (hereinafter “**Taxes**”), or any interest, penalties or surcharges which may be imposed by any Governmental Authority in connection with the purchase or delivery of the work, services or materials to Air Canada. Air Canada shall be responsible for and shall pay the amount of any applicable Taxes arising from the purchase or delivery of the work, services or materials to Air Canada; provided however that Air Canada shall not be responsible for payment of any Taxes which may be levied by any Governmental Authority based on Jazz's net or gross income or capital. If the amount of tax or part thereof that Air Canada is responsible for is refunded to Jazz, Jazz shall pay or credit to Air Canada the amount of such tax that has been refunded to Jazz. Applicable taxes shall be indicated by Jazz separately on all of Jazz invoices.
- (b) No Party shall pay or indemnify another Party for any taxes or tax related surcharges determined by or with respect to another Party's net or gross income, net worth, franchise, property or capital, and payroll taxes, which shall be borne solely by such other Party, except for those payroll taxes included in the Rates.

Section 5.30 **Pension Solvency Deficit.** During the Term:

- (a) Jazz will retain qualified actuaries to determine the solvency deficit as at January 1, 2015 of the pilot defined benefit pension plan (the “**Plan**”) utilizing methodologies and assumptions consistent

with those used in prior pension plan valuations, subject to the *Income Tax Act* (Canada), the *Pension Benefits Standards Act* (Canada) and Office of the Superintendent of Financial Institutions guidelines (the “**2015 Solvency Deficit**”). The 2015 Solvency Deficit will reflect the change to the CIA mortality assumption used to value lump sum commuted values expected to be in force in 2015 for the purposes of this proposal. In the event that the solvency deficit determined pursuant to the foregoing is greater than **[text related to the quantum of the 2015 Solvency Deficit omitted]**, the 2015 Solvency Deficit shall be **[text related to the quantum of the 2015 Solvency Deficit omitted]** for the purposes of this Section 5.30.

- (b) **[text related to retirement of 2015 Solvency Deficit omitted]**.
- (c) Air Canada will have the right to review the January 1, 2015 funding valuation report described in Section 5.30(b) and each subsequent annual funding valuation report submitted pursuant to Section 5.30(b) thereafter. If there are any disputes regarding the results of any such funding valuation report which are not resolved by the Parties within 90 days of receipt by Air Canada of each funding valuation report, the Parties may appoint an independent actuary to review the valuation in dispute, and the results of the review of such independent actuary shall be binding on the Parties.
- (d) **[text related to retirement of 2015 Solvency Deficit omitted]**.

ARTICLE VI. REPORTING OBLIGATIONS, AUDITING AND INSPECTIONS

Section 6.01 Reporting Obligations.

- (a) Financing, Reporting and Planning. Jazz shall maintain a separate accounting for the revenue, costs and statistics for this Agreement, the Charter Flights, the Jazz Flights, and other airline operations, for all purposes including monthly reporting, budgets and future outlook. On a monthly basis, Jazz will submit to Air Canada financial and statistical results which will segregate revenues and costs from these sources in a format agreed to between the Parties. On a quarterly basis, Jazz will submit to Air Canada its financial statements including its audited financial statements at year end.
- (b) Certain Notices to Air Canada. Jazz shall give immediate written notice to Air Canada of (i) all litigation commenced against Jazz for claims in excess of **[Text omitted]**, (ii) any proceeding before any Governmental Authority which, if adversely determined, would materially and adversely affect Jazz's financial condition, affairs, operations or prospects; and (iii) any other matter which would materially and adversely affect the financial condition, affairs, operations or prospects of Jazz or its ability to perform its obligations under this Agreement.
- (c) Financial and Reporting Covenants. Jazz shall promptly provide to Air Canada copies of all financial statements, reports, notices, proxy statements or other materials filed with or provided to any relevant securities commissions by Jazz. Jazz shall also promptly provide to Air Canada notice of and adequate information regarding any material weaknesses or reportable conditions noted in any management letters received by Jazz from its independent auditors and Jazz's responses thereto.
- (d) Certain Notices to Jazz. Air Canada shall report to Jazz not later than the last day of each quarter the number of incidences of mishandled luggage during the prior quarter. Air Canada shall give prompt written notice to Jazz of any litigation or proceeding before any Governmental Authority or any other matter, including Governmental Regulations, which, if adversely determined, would materially adversely affect Jazz or Air Canada's ability to perform its obligations under this Agreement.

- (e) Non-Covered Aircraft. Jazz shall, on or before July 1, 2015, provide Air Canada with a list of its Non-Covered Aircraft and thereafter, it shall, on a quarterly basis, notify Air Canada of any changes to such list.
- (f) Monthly Cost Details. Jazz shall provide monthly cost details, salary and wage details and full-time equivalent details related to the Rates to Air Canada on a quarterly basis in order to facilitate an efficient and effective process for resetting the Rates, specifically those which are to be reset annually.

Section 6.02 **Audits**. Upon reasonable written request by Air Canada, Jazz shall make its books and records for its operations with respect to this Agreement available for inspection by Air Canada. Air Canada shall also be entitled to make copies and notes of such information as it deems necessary and to discuss such records and the finances and accounts of Jazz with its Chief Financial Officer or other employee or agent of Jazz knowledgeable about such records.

Section 6.03 **Inspection and Quality Audits**. Air Canada shall be entitled to conduct on-site inspections and quality audits of Jazz's in-flight service, flight operations, maintenance, technical operations, gate check-in service, ground operations, aircraft cleaning and any and all other services and operations performed under this Agreement to monitor Jazz's operations in the same manner as similar functions are evaluated at Air Canada. The purpose of such inspections shall be to determine Jazz's compliance with applicable Governmental Regulations, equipment manufacturer's instructions and the standards established by this Agreement. Such inspections may be announced or unannounced, but under no circumstances shall they interfere with the operation of Jazz's business. Air Canada shall report the findings of any such inspection and quality audit to Jazz in writing. Both parties to this Agreement will be entitled to view the portions of the certified audit plan of the other party as it would relate to matters covered by this Agreement.

Section 6.04 **Remedies**. Jazz shall provide to Air Canada a written response detailing a plan of corrective action to remedy any findings noted in an audit made pursuant to Section 6.02 or an inspection and quality audit made pursuant to Section 6.03 within sixty (60) days of receiving notice in writing from Air Canada of such an audit finding.

ARTICLE VII. NON-COMPETITION

Section 7.01 Definitions.

- (a) **[text relating to scope of potential Chorus Group acquisitions omitted]**.
- (b) **“Charter”** means any flying done for a third party pursuant to an agreement whereby all or substantially all of the capacity of an aircraft or a number of aircraft is purchased by such third party and the capacity is not then sold or otherwise made available or provided to the general public whether directly or indirectly.
- (c) **“Chorus Group”** means Jazz, Chorus Aviation Inc. or any of their respective present or future Affiliates.
- (d) **“Contractual Flying”** means any flying done for a third party pursuant to an agreement whereby all or substantially all of the capacity of an aircraft or a number of aircraft is purchased by such third party and the capacity is then sold or otherwise made available or provided to the general public whether directly or indirectly.

- (e) “**Extended Hub Airport**” means, collectively, the Hub Airports and any airport located within 175 km of the Hub Airports.
- (f) “**Extended MFN Right**” means the rights provided in Section 7.07.
- (g) “**Existing Operations**” means the Charter and scheduled (at risk) flying operations performed by a Canadian Regional Carrier on a regular basis during the 12-month period immediately preceding the date its acquisition by any Person in the Chorus Group is agreed upon.
- (h) “**Hub Airport**” means the YVR, YYC, YEG, YYZ, YOW or YUL airports.
- (i) “**MFN Right**” means the rights provided in Section 7.06.
- (j) “**Non-Compete Geographic Area**” means within the ten provinces of Canada, any route to and from the Extended Hub Airports and any Air Canada routes to and from the ten provinces of Canada (for the purposes of this definition, an Air Canada route is determined based on Air Canada’s schedule in effect from time to time).

Section 7.02 **Jazz Flights.** At Jazz's expense, Jazz may operate Jazz Flights using aircraft other than the Covered Aircraft.

Section 7.03 **Charters.** Air Canada agrees that Jazz shall be permitted to operate ad hoc charter flights to any locations authorized by Jazz’s Regulatory Certification (“**Charter Flights**”) with the Covered Aircraft used to provide the Scheduled Flights unless otherwise agreed by Air Canada, acting reasonably, or with aircraft other than the Covered Aircraft, from time to time, provided that Jazz is able to provide such Charter Flights without interrupting or otherwise adversely affecting the Scheduled Flights. If a Covered Aircraft is to be utilized for a Charter Flight, the charter flying must be scheduled to ensure the Covered Aircraft is available for the Scheduled Flight to which it is assigned, no later than two (2) hours prior to the next scheduled departure of a Scheduled Flight for that aircraft. Jazz shall be permitted to retain all revenues from such Charter Flights. In the case of each such Charter Flight, Jazz hereby represents and warrants that it shall not (and it shall not permit others to) operate, promote or otherwise market the Charter Flights under the Identification of Air Canada (only excepting the unavoidable use of Air Canada liveried aircraft and permanent airport signage). The schedules and rates, operational arrangements and revenues received by Jazz from the Charter Flights shall be determined in Jazz's sole discretion and for Jazz's sole account and Jazz shall be solely responsible for all incremental costs and expenses incurred to operate a Charter Flight, subject to Section 5.15 (*Costs of Charter Flights*) and 6.01(a) (*Financing, Reporting and Planning*). Jazz will require the prior consent of Air Canada, which consent will not be unreasonably withheld or delayed, to enter into any charter contract which requires Jazz to operate more than **[text related to number of rotations and frequency omitted]**.

Section 7.04 **Non-Competition.** Notwithstanding anything else contained in this Article, throughout the term of this Agreement, no Person within the Chorus Group will provide passenger services, including without limitation scheduled (at risk) passenger flying, Charter operations or Contractual Flying utilizing fixed-wing aircraft with more than **[text specifying the number of seats omitted]** seats between two destinations located within the Non-Compete Geographic Area.

Section 7.05 **Charters.**

- (a) Throughout the Term, the provisions of Section 7.03 will also extend to every other Person in the Chorus Group, provided that no such Person will require the consent of Air Canada to enter into

any Charter contract of **[text related to contractual term omitted]** whereby such Person operates more than **[text related to number of rotations omitted]** rotations of flying on the same city pair during any **[text related to duration of the period omitted]** period or more than **[text related to number of rotations omitted]** rotations of flying between different city pairs for the same customer during any **[text related to duration of the period omitted]** period if:

- (i) the route to be operated pursuant to the applicable Charter contract does not fall within the Non-Compete Geographic Area; or
 - (ii) the route to be operated pursuant to the applicable Charter contract is within the Non-Compete Geographic Area but that route is not served by an Air Canada direct flight on the date the applicable Charter contract was concluded, provided such contract shall not be renewed in the event that Air Canada provides the applicable Person in the Chorus Group notice of its intention to provide service on the applicable route (the Parties agree that for the purposes hereof, a public announcement by Air Canada of its intention to begin operating a route shall be deemed to be notice of intention to the applicable Person in the Chorus Group).
- (b) No Person in the Chorus Group will operate any Charter with turbo-propeller aircraft with more than **[text specifying the number of seats omitted]** seats or jet aircraft with more than **[text specifying the number of seats omitted]** seats within the Non-Compete Geographic Area, without the prior consent of Air Canada, acting reasonably.
- (c) Any Person in the Chorus Group may enter into any Charter contract of more than **[text related to contractual term omitted]** without Air Canada's consent provided that such contract is restricted to Charter services performed entirely outside of the Non-Compete Geographic Area. Notwithstanding Section 7.03, if Air Canada receives a request for consent to operation of a Charter by a Person in the Chorus Group, Air Canada will promptly respond in writing to that Person no later than **[text related to response time omitted]** Business Days after receiving that request.

Section 7.06 Contractual Flying. Jazz shall grant Air Canada a "most favoured nation" right, whereby Jazz shall automatically adjust the Rates to match:

- (a) any lower rate granted to a third party; or
- (b) any other terms or conditions granted to a third party, where such terms or conditions taken as a whole are more favourable to such third party,

by any Person in the Chorus Group pursuant to any agreement in respect of Contractual Flying within North America, as and from the date of such agreement (the "**MFN Right**").

Section 7.07 Contractual Flying and Change of Control.

- (a) Upon the occurrence of a Change of Control of Jazz, Jive or Chorus:
 - (i) the MFN Right shall thereafter continue to apply to any agreement for Contractual Flying entered into during the Term by any Person in the Chorus Group acquired pursuant to such Change of Control; and
 - (ii) the MFN Right will thereafter during the Term extend and apply to any agreement for Contractual Flying entered into, including without limitation any renewal of such an

agreement entered into prior to such Change of Control, by any Person which became part of the Chorus Group as a result of such Change of Control and to any Person in the Chorus Group created after such Change of Control;

(collectively, the “**Extended MFN Right**”)

provided however that the Extended MFN Right shall only apply to the extent that Air Canada operates direct flights on those routes.

- (b) If requested by Air Canada, the Parties shall designate an independent third party auditor to verify the books and records of Jazz or any other member of the Chorus Group, as applicable, to ensure compliance with the foregoing.

Section 7.08 **Cargo.** No Person in the Chorus Group shall be restricted from providing cargo services using any aircraft dedicated solely to the transport of cargo.

Section 7.09 **Scheduled (At Risk) Passenger Flying.** Throughout the Term, no Person in the Chorus Group shall, without the prior written consent of Air Canada, directly or indirectly, provide or initiate scheduled (at risk) passenger flying, or acquire any interest in an airline that operates scheduled (at risk) passenger flights, to or from any Extended Hub Airport.

Section 7.10 **Chorus Group Acquisitions.** [text related to scope of permitted Chorus Group acquisitions omitted].

Section 7.11 **Right to Bid.** Air Canada shall permit any Person in the Chorus Group to bid for the provision of additional or replacement aircraft and services to be supplied under a capacity purchase agreement for Air Canada.

ARTICLE VIII. CONFIDENTIALITY AND PROTECTION OF INTELLECTUAL PROPERTY

Section 8.01 **Confidentiality Agreement.** Subject to Section 8.02 hereof, Air Canada and Jazz agree to maintain this Agreement and the contents hereof in strictest confidence and not to disclose this Agreement or the contents hereof to any person or entity except as may be expressly authorized by this Agreement, except as may be required by law and except that each Party may disclose this Agreement and the contents hereof to any third party service provider to the extent necessary for such service provider to provide the services contemplated hereunder upon obtaining from such service provider a covenant in favour of Air Canada and Jazz substantially similar to this Section 8.01. Air Canada and Jazz acknowledge that it may be necessary from time to time to disclose this Agreement to union representatives if required by the terms of any collective agreement to which Jazz or Air Canada is bound or to any Governmental Authority. In such case, the Party disclosing the Agreement will advise the receiving party of the commercial sensitivity of this Agreement and obtain appropriate undertakings of confidentiality prior to disclosing this Agreement. Each party will advise the other in writing of any required disclosure identifying the third party (including unions) who received the Agreement. Air Canada and Jazz further acknowledge that from time to time they may wish to brief the Governmental Authority, union representatives or other employee groups about this Agreement and/or provide excerpts of this Agreement to a Governmental Authority, certain union or other employee representatives in situations where there is not a legally binding agreement to do so but either or both Parties to this Agreement have determined that it would be commercially reasonable to do so. In such cases, the Party wishing to make such disclosure will obtain the consent of the other Party (which will not be unreasonably withheld or delayed) regarding the content and

nature of such disclosure as well as the need, if any, based on the nature and content of the disclosure, to obtain undertakings of confidentiality from the proposed recipients.

Section 8.02 Confidentiality. During the course of this Agreement, it is anticipated that each Party (the “**Receiving Party**”) will learn of and have access to Confidential Information of the other Party, its agents, Affiliates, contractors and/or subcontractors (herein collectively or individually, the “**Disclosing Party**”). The Receiving Party hereby agrees to retain in confidence all Confidential Information of the Disclosing Party. Data and information of the Disclosing Party provided to the Receiving Party in connection with the performance of the services contemplated herein are also Confidential Information and shall be maintained in confidence. Unless otherwise agreed by the Disclosing Party in writing, Confidential Information of the Disclosing Party shall be used by the Receiving Party solely for the purposes of fulfilling the obligations and achieving the benefits contemplated by this Agreement and shall not be used by the Receiving Party for any other purposes. Except as specifically agreed in writing by the Disclosing Party, the Receiving Party shall have no rights to use Confidential Information of the Disclosing Party following the termination of this Agreement, except as is permitted by the Disclosing Party to fulfil its obligations under this Agreement. Confidential Information of the Disclosing Party is non-transferable and cannot be assigned by the Receiving Party. Confidential Information of the Disclosing Party shall not be disclosed by the Receiving Party to any third party without the prior written consent of the Disclosing Party, which consent may be arbitrarily withheld. The Receiving Party shall have no confidentiality obligation with respect to Confidential Information of the Disclosing Party, or any part thereof, which is:

- (a) already known to the Receiving Party at the time of the disclosure as demonstrated by written record;
- (b) becomes publicly known without the wrongful act or breach of this Agreement by the Receiving Party;
- (c) rightfully received from a third party on a nonconfidential basis as demonstrated by written record;
- (d) approved for release by written authorization of the Disclosing Party; or
- (e) required by law to be disclosed by the Receiving Party.

Section 8.03 Due Diligence Disclosure. Notwithstanding the provisions of Section 8.01 and 8.02, either Party may disclose the terms and conditions of this Agreement to third parties that: (a) have expressed a bona fide interest in consummating a significant financing, merger, or acquisition transaction with such Party; (b) have a reasonable ability (financial and otherwise) to consummate such transaction; (c) have executed a non-disclosure agreement containing obligations substantially similar (and in any event no less restrictive) to those described in this ARTICLE VIII (except that such nondisclosure agreement shall not provide for any disclosure of the terms of this Agreement or Confidential Information, including pursuant to this due diligence exemption that limits distribution to those with a need to know in connection with such transaction, and allows use only in connection with the transaction); and (d) are not competitors of either Party. In such case, the Party shall endeavour to delay the disclosure of the terms and conditions of this Agreement and any Confidential Information until the status of discussions concerning such transaction reasonably warrants such disclosure.

Section 8.04 Intellectual Property. The Receiving Party acknowledges that it has no right, title or interest in or to any Intellectual Property of the Disclosing Party and that this Agreement does not confer to the Receiving Party any ownership rights in such Intellectual Property.

Section 8.05 Protection of Intellectual Property. The Receiving Party will use its best efforts and will take all reasonable steps to protect the Intellectual Property of the Disclosing Party from unauthorized use or disclosure. The Receiving Party acknowledges and agrees that such Intellectual Property contains Confidential Information and trade secrets developed or acquired by the Disclosing Party through the expenditure of a great deal of time and money. The Receiving Party agrees to observe complete confidentiality with respect to such Intellectual Property; not to disclose to or permit any person access to such Intellectual Property or any portion thereof other than as provided for in this Agreement without the Disclosing Party's prior written consent, which consent may be arbitrarily withheld (except that such disclosure or access shall be permitted to any employee of the Receiving Party to the extent required for such employee to perform duties hereunder not inconsistent with the terms of this Agreement) and to ensure that any employees of the Receiving Party who receive access to such Intellectual Property are advised of its confidential and proprietary nature and that they are prohibited from copying, utilizing or revealing such Intellectual Property or any portion thereof or from taking any action prohibited to the Receiving Party under this Agreement. Without limiting the generality of the foregoing and to the extent possible, the Receiving Party agrees to keep the Intellectual Property of the Disclosing Party in a secure place, under access and use restrictions satisfactory to the Disclosing Party and to employ with regard to such Intellectual Property procedures no less restrictive than the strictest procedures used by the Receiving Party to protect its own trade secrets.

Section 8.06 Copyright Notices. The Receiving Party shall not remove, alter, cover or obfuscate any copyright notice, trademark or other proprietary rights notice placed by the Disclosing Party in or on any portion of the Intellectual Property owned by them and shall ensure that all such notices are reproduced on all copies of any portion of such Intellectual Property made by the Receiving Party. The Receiving Party shall comply with directions submitted by the Disclosing Party from time to time regarding the form and placement of copyright notices and other proprietary rights notices on any portion of such Intellectual Property.

Section 8.07 Notice of Unauthorized Use. The Receiving Party shall promptly notify the Disclosing Party in writing of any known unauthorized use or disclosure of the Confidential Information of the Disclosing Party including but not limited to the Intellectual Property of the Disclosing Party and will cooperate with the Disclosing Party in any litigation brought by the Disclosing Party against third parties to protect their respective proprietary rights. The Receiving Party's compliance with the provisions of this section shall not be construed as a waiver of any of the rights of the Disclosing Party hereunder.

Section 8.08 Survival of the Receiving Party's Obligations. The Receiving Party's obligations and the rights of the Disclosing Party under Section 8.01 to Section 8.07, inclusive, shall survive any expiration or earlier termination of this Agreement for any reason whatsoever.

ARTICLE IX. TRADEMARKS AND IDENTIFICATION

Section 9.01 Right to Trademarks. Each of Air Canada and Jazz acknowledges for all purposes that any and all logos, trademarks, service marks and trade names of the other, whether registered or not, are and shall at all times remain the exclusive property of the other and may not be used without the prior written consent of such Party, except as set forth herein or in any other agreement entered into between the Parties. Each of Air Canada and Jazz further acknowledges that any goodwill or other rights which arise as a result of the use by it of the other Party's marks as permitted under this Agreement shall accrue solely to the benefit of the Party or Affiliate of the Party owning such marks, whether registered or not. Should any right, title or interest in the logos, trademarks, service marks or trade names of a Party or its Affiliate become vested in the other Party, the latter Party shall hold such right, title and interest in trust for the benefit of the former Party or its Affiliate and shall, at the request of the former Party, promptly and

unconditionally assign such right, title and interest to the former Party or its Affiliate without royalties or compensation of any kind.

Section 9.02 Use of Trademarks. Each of Air Canada and Jazz hereby grants to the other, a limited non-exclusive, non-transferable, royalty-free license for the term of this Agreement to use their respective service marks and trademarks as identified to each other from time to time including Air Canada's mark "Air Canada" (each a "**Licensed Trademark**"), subject to the terms and conditions set forth in this Agreement. Each party agrees to use the Licensed Trademark only in a manner permitted herein or as approved in advance and in writing by the Party owning or possessing the right to license such Licensed Trademarks.

Section 9.03 Standards of Use. Each Party agrees that all Identification, advertising and promotional materials bearing the Licensed Trademarks in relation to air transport services contemplated by this Agreement shall meet the quality and preservation standards set forth by the Party owning the relevant Licensed Trademark.

Section 9.04 Advertising and other material. Each Party agrees that all advertising, promotional and other materials with the other Party's name or Licensed Trademark, shall be submitted for such other Party's prior review and approval before painting, printing, publishing, or distributing any such material. Each Party's Licensed Trademark must appear exactly as set forth in specifications provided by such Party. Once a Party has approved a specific type of advertisement the other Party may continue to use such Party's name or Licensed Trademark in the same format during the term of this Agreement unless such Party advises the other Party in writing of any change in the name or Licensed Trademark or specifications for use. At either Party's direction, the other Party shall cause the withholding, discontinuance, recall or cancellation, as appropriate, of any advertising or promotional material not approved by such Party that differs significantly from that approved by such Party or that is put to a use or used in a media not approved by such Party. Each Party reserves the right to refuse to participate in any advertising or promotional materials proposed by the other Party. Each Party has sole discretion to determine the acceptability of both the quality and presentation of advertising and promotional materials using the Licensed Trademark.

Section 9.05 Trademark License Agreement. Jazz and Air Canada have entered into a Trademark License Agreement whereby Air Canada grants to Jazz a license to use certain Air Canada trademarks as set out in that Trademark License Agreement. In the event of any conflict between the provisions of this Article IX and the Trademark License Agreement, the provisions of the Trademark License Agreement will prevail.

ARTICLE X. LIABILITY AND INDEMNIFICATION

Section 10.01 Independent Contractor.

- (a) Except for the limited purpose described in this Agreement, in performing its obligations under this Agreement, Jazz shall act as an independent contractor and not as an agent or mandatary for Air Canada. The employees, agents and/or independent contractors of Jazz engaged in performing any of the services Jazz is obligated to perform pursuant to this Agreement shall be employees, agents and independent contractors of Jazz for all purposes and under no circumstances shall employees, agents, or independent contractors of Jazz be deemed to be employees, agents or independent contractors of Air Canada. Air Canada shall have no supervisory power or control over any employees, agents or independent contractors engaged by Jazz in connection with Jazz's performance of its obligations hereunder, and all complaints or requested changes in procedure shall, in all events, be transmitted by Air Canada to a designated representative of Jazz. Nothing contained in this Agreement is intended to limit or condition Jazz's control over its operation or the

conduct of its business as an air carrier, and Jazz assumes all risks of financial losses which may result from the operation of the air services to be provided by Jazz hereunder.

- (b) In performing its obligations described in this Agreement, Air Canada shall act as an independent contractor and not as an agent or mandatary for Jazz. The employees, agents and/or independent contractors of Air Canada engaged in performing any of the services Air Canada is to perform pursuant to this Agreement shall be employees, agents and independent contractors of Air Canada for all purposes and under no circumstances shall employees, agents and independent contractors of Air Canada be deemed to be employees, agents or independent contractors of Jazz. Jazz shall have no supervisory power or control over any employees, agents or independent contractors engaged by Air Canada in connection with the performance of its obligations hereunder, and all complaints or requested changes in procedure shall, in all events, be transmitted by Jazz to a designated representative of Air Canada. Nothing contained in this Agreement is intended to limit or condition Air Canada's control over its operation or the conduct of its business as an air carrier.

Section 10.02 Indemnification. Each Party assumes full responsibility for any and all liability to its own Affiliates, and their respective directors, officers, employees or agents on account of injury or death resulting from or sustained in the performance of their respective services under this Agreement. Each Party shall indemnify, defend, protect, save and hold harmless the other Party, its Affiliates and their respective directors, officers, employees, and agents from and against any and all liabilities, claims, demands, suits, judgments, damages and losses (including the costs, fees and expenses in connection therewith and incident thereto) brought against the other Party, its Affiliates and their respective directors, officers, employees or agents by or on behalf of any other person or Governmental Authority, by reason of damage to or destruction of property of any such person, or injury to or death of such person, or breach of any Governmental Authority caused by or arising out of any act or omission by the indemnifying Party occurring while this Agreement is in effect, except if caused by the gross negligence or willful misconduct of the other Party. Each Party shall give the other Party immediate notice if it has actual knowledge of any claim made or suit instituted against the other Party which in any way results in indemnification hereunder, and the other Party shall have the right to compromise or participate in the defence of such claim or suit to the extent of its own interest. The obligations of Jazz and Air Canada under the indemnity and insurance provisions contained herein shall remain in effect and shall survive without limitation the termination of this Agreement with respect to any occurrence or claims arising during the Term of or in connection with this Agreement.

ARTICLE XI. INSURANCE

Section 11.01 Coverage. During the Term and any renewal thereof, Air Canada shall arrange for and Jazz shall maintain in full force and effect, certain policies of insurance with insurance companies selected at Air Canada's discretion and, which provide at a minimum the following coverage for Jazz:

- (a) An All Risks Hull Insurance Policy on each Covered Aircraft, including Spare Engines and parts while not installed on the Aircraft, in an amount not less than the higher of (i) the Aircraft lessor's or lender's required insurance value (if applicable), or (ii) the fair market value of the Aircraft which fair market value is reasonably acceptable to both Parties, subject to a standard market deductible;
- (b) A Hull War Risk and Allied Perils Insurance Policy on each Covered Aircraft, including Spare Engines and parts while not installed on the Aircraft, in an amount not less than the higher of (i) the Aircraft lessor's or lender's required insurance value (if applicable) or (ii) the fair market value of the Covered Aircraft which fair market value is reasonably acceptable to both Parties, covering but not limited to acts of war, hostilities, strikes, riots, sabotage, confiscation, requisition, hijacking and any unlawful seizure;

- (c) A Comprehensive Airline Liability Insurance Policy, including but not limited to third party aircraft, passenger, baggage, cargo, mail and airline general third party legal liability and product liability (including war and allied perils under extended coverage endorsement as per AVN 52E or equivalent risk transfer vehicles reasonably acceptable to both Parties as commercially available), in an amount not less than five hundred million United States dollars (US\$ 500,000,000) per occurrence or such higher amount that the Parties may reasonably deem is required;
- (d) A Property “All Risks” Insurance Policy including flood and earthquake which shall include coverage on property of every description and kind, unless otherwise insured, owned by Jazz or for which Jazz is responsible or legally liable in an amount no less than the full insurable value calculated on a replacement cost basis with reasonable deductibles; and
- (e) Any other type of insurance coverage that Jazz may request, acting reasonably.

All Jazz policies of insurance, if not placed through Air Canada's insurance program, shall be primary and without right of contribution from any insurance carried by Air Canada and shall (i) name Air Canada, its Affiliates and their respective directors, officers, agents and employees as additional insureds, (ii) waive any rights of subrogation the insurers may have against Air Canada, (iii) contain a severability of interest clause and a breach of warranty clause in favour of the additional insureds, (iv) waive any right of set off or counterclaim against Air Canada, and (v) provide for written notice of any cancellation, change, event of non-payment of premium and that such cancellation or change shall not be effective for at least thirty (30) days (but seven (7) days or such lesser period as is customarily available in respect of war risks insurance) after the written notice is given to Air Canada.

Section 11.02 **Notice.** At any time during the Term that Jazz is not participating in Air Canada's insurance program, upon request by Air Canada, and in any event within five (5) days after such request, Jazz will furnish Air Canada with certificates of insurance evidencing compliance with the requirements set forth in Article XI.

ARTICLE XII. TERM AND TERMINATION

Section 12.01 **Term.** The term of this Agreement shall commence at the Effective Time and expire December 31, 2025 (the “**Term**”).

Section 12.02 **Return of Property.** Upon final termination or expiry of this Agreement, each Party shall, as soon as practicable, return any and all property of the other Party to such other Party. Provided that this Agreement is not terminated as a result of a default by either Party, at the end of the Term, if applicable, all leases in respect of Covered Aircraft and Spare Engines between Jazz and Air Canada (or any Affiliate of Air Canada) shall be automatically terminated, effective on the date this Agreement terminates. In such circumstances, the relevant Covered Aircraft and Spare Engines shall be immediately returned by Jazz to Air Canada or its Affiliate, as the case may be, and neither party, subject to Section 3.21, shall have any further obligations under such lease(s). If this Agreement is terminated as a result of a default by Jazz, such leases shall be unaffected by the termination. If this Agreement is terminated as a result of a default by Air Canada, Jazz shall have the right to terminate any of such leases, which right must be exercised concurrently with the termination of this Agreement.

Section 12.03 **Termination for Default.**

- (a) This Agreement shall terminate:

- (i) At the option of Air Canada in the event the Parties have failed to resolve a dispute pursuant to Section 13.01, the dispute has been referred to arbitration pursuant to Section 13.02 and the arbitrators have held that Jazz has committed an Event of Default as set out in Section 12.03(b)(ii); or
 - (ii) At the option of Jazz in the event the Parties have failed to resolve a dispute pursuant to Section 13.01, the dispute has been referred to arbitration pursuant to Section 13.02 and the arbitrators have held that Air Canada has committed an Event of Default as set out in Section 12.03(b)(i).
- (b) **Events of Default.** Each of the following events shall constitute an “**Event of Default**”:
- (i) Air Canada Events of Defaults:
 - (A) Any amounts payable by Air Canada to Jazz pursuant to this Agreement are not paid when due, and such default continues for thirty (30) days after receipt by Air Canada, of written notice from Jazz identifying the default and demanding that it be rectified;
 - (B) Failure by Air Canada to comply with any other of its obligations pursuant to this Agreement and such default continues for thirty (30) days after receipt by Air Canada of written notice from Jazz identifying the default and demanding that it be rectified;
 - (C) Air Canada becomes insolvent or commits an act of bankruptcy or becomes bankrupt, or takes the benefit of any statute that may be in force for bankrupt or insolvent debtors, or becomes involved in voluntary or involuntary winding-up or dissolution or liquidation proceedings;
 - (D) A receiver or receiver manager is appointed for all or any portion of Air Canada’s property;
 - (E) Any steps are taken or any action or proceedings are instituted by Air Canada or any third party, including but not limited to, any court or governmental body of competent jurisdiction for the dissolution, winding-up or liquidation of Air Canada or its assets;
 - (F) Air Canada becomes the object of a proceeding or action of the type described in Section 12.03(b)(i)(C), (D) or (E) above and such proceeding or action remains undismissed or unstayed for a period of at least thirty (30) days;
 - (G) Air Canada is divested of a substantial part of its assets for a period of at least thirty (30) days;
 - (H) Air Canada makes a sale in bulk of all or substantially all of its assets, except as part of an internal reorganization without the consent of Jazz; or
 - (I) Air Canada shall default with respect to the material terms of any other material agreement between Jazz and Air Canada, and such default shall continue for more than the period of grace, if any, specified therein and shall not have been waived.

- (ii) Jazz Events of Defaults:
- (A) Any amounts payable by Jazz pursuant to this Agreement are not paid when due, and such default continues for thirty (30) days after receipt by Jazz, of written notice from Air Canada identifying the default and demanding that it be rectified;
 - (B) Failure by Jazz to comply with any other of its obligations pursuant to this Agreement and such default continues for thirty (30) days after receipt by Jazz of written notice from Air Canada identifying the default and demanding that it be rectified;
 - (C) Jazz becomes insolvent or commits an act of bankruptcy or becomes bankrupt, or takes the benefit of any statute that may be in force for bankrupt or insolvent debtors, or becomes involved in voluntary or involuntary winding-up or dissolution or liquidation proceedings;
 - (D) A receiver or receiver manager is appointed for all or any portion of Jazz's property;
 - (E) Any steps are taken or any action or proceedings are instituted by Jazz or any third party, including but not limited to, any court or governmental body of competent jurisdiction for the dissolution, winding-up or liquidation of Jazz or its assets;
 - (F) Jazz becomes the object of a proceeding or action of the type described in Section 12.03(b)(ii)(C), (D) or (E) above and such proceeding or action remains undismissed or unstayed for a period of at least thirty (30) days;
 - (G) Jazz is divested of a substantial part of its assets for a period of at least thirty (30) days;
 - (H) Jazz makes a sale in bulk of all or substantially all of its assets, except as part of an internal reorganization without the consent of Air Canada;
 - (I) Jazz shall default in the payment of any amount due under any material agreement to which Jazz is a party and such default shall continue for more than the period of grace, if any, specified therein and shall not have been waived;
 - (J) Jazz shall default with respect to any other material term of any material agreement to which Jazz is a party and such default shall continue for more than the period of grace, if any, specified therein and shall not have been waived;
 - (K) Jazz shall fail to comply with the provisions of ARTICLE XI (*INSURANCE*) and, as a result thereof, the insurance required thereunder is not in effect;
 - (L) Jazz shall fail to comply with the provisions of Section 6.02, Section 6.03 and Section 6.04 as they relate to audits and inspections;
 - (M) More than fifty per cent (50%) of the Aircraft do not operate any Scheduled Flights for more than seven (7) consecutive days or twenty-five per cent (25%) of the Aircraft do not operate any Scheduled Flights for more than twenty-one (21) consecutive days, other than as a result of (1) an order of a Governmental Authority

which grounds all commercial flights of all air carriers or grounds a specific aircraft type of all air carriers, (2) any action by Air Canada, (3) Air Canada's inability to perform its obligations under this Agreement as a result of a strike by Air Canada's employees, and (4) an event of Force Majeure;

- (N) Jazz's Regulatory Certification is for any reason suspended or revoked or otherwise not in full force and effect so as to permit Jazz to perform the Air Services required under this Agreement;
- (O) There has been a Change of Control of Jazz which has not been consented to by Air Canada, other than a Change of Control permitted under Section 14.04;
- (P) Jazz has had eight consecutive Performance Periods of D-Level results in any Performance Incentive category in the reconciliation of Jazz's actual performance to the Performance Incentive Targets for each Performance Period;
- (Q) The Jazz Operation triggers the Critical Service Level conditions specified in Section 11(b) of Schedule "C";
- (R) The Jazz Operation triggers the Critical Service Level conditions specified in Section 11(c) of Schedule "C";
- (S) Chorus fails to comply with or perform any of the obligations, terms and conditions in this Agreement which by their nature apply to Chorus or breaches this Agreement;
- (T) Jive shall default with respect to the terms of the Jive CPA, and such default shall continue for more than the period of grace, if any, specified therein and shall not have been waived; or
- (U) Jazz shall default with respect to the material terms of any other material agreement between Jazz and Air Canada, and such default shall continue for more than the period of grace, if any, specified therein and shall not have been waived.

Section 12.04 **Bankruptcy.** If either Party becomes insolvent or commits an act of bankruptcy or becomes bankrupt, or takes the benefit of any statute that may be in force for bankrupt or insolvent debtors, or becomes involved in voluntary or involuntary wind-up or dissolution or liquidation proceedings, then in addition to any other remedies available to it at law, the other Party may demand full payment of any amounts payable by such defaulting Party pursuant to this Agreement.

ARTICLE XIII. DISPUTE RESOLUTION

Section 13.01 **Dispute Resolution.** Jazz and Air Canada agree that if they cannot reach an agreement on any matter in dispute or items to be determined by future agreement between the parties as set out herein, then either Party shall be entitled to issue a written dispute notice (a "**Dispute Notice**") to the other in accordance with Section 14.07 of its intention to initiate the escalation process set out in this Section, which Dispute Notice shall identify the issues in dispute with reasonable particularity. The escalation process shall be followed in incremental order and neither Party may escalate a dispute to a higher level without first attempting in good faith to resolve the dispute at the preceding level. The Parties may designate different individuals to replace the identified designates from time to time, upon providing written notice of the change to the other Party.

- (a) **First Tier Escalation.** Within five (5) days of issuance of the Dispute Notice, the Parties' First Tier designates shall meet at a mutually agreed upon location and attempt to resolve the dispute. If the Parties' respective First Tier designates are unable to resolve the dispute within fifteen (15) days of the issuance of the Dispute Notice, the designate of the Party initiating the Dispute Notice shall escalate the dispute to the next tier by providing written notice to the other Party (an “**Escalation Notice**”) specifying with reasonable particularity the remaining issues in dispute and requiring that the dispute be forwarded to the Second Tier. The First Tier escalation designates are as follows:
 - (i) For Jazz, its Vice President, Commercial Services, and
 - (ii) For Air Canada, its Senior Director, Regional Airlines.

- (b) **Second Tier Escalation.** Within five (5) days of issuance of the Escalation Notice by a First Tier designate, the Parties' Second Tier designates shall meet at a mutually agreed upon location and attempt to resolve the dispute. If the Parties' respective Second Tier designates are unable to resolve the dispute within fifteen (15) days of the issuance of the Escalation Notice, the designate of the Party initiating the Dispute Notice shall escalate the dispute to the Third Tier upon providing an Escalation Notice to the other specifying with reasonable particularity the remaining issues in dispute and requiring that the dispute be forwarded to the Third Tier. The Second Tier escalation designates are as follows:
 - (i) For Jazz, its President, and
 - (ii) For Air Canada, its Senior Vice President, Regional Markets.

- (c) **Third Tier Escalation.** Within five (5) day of issuance of the Escalation Notice issued by a Second Tier designate, the Parties' Third Tier designates shall meet at a mutually agreed upon location and attempt to resolve the dispute. If the Parties respective Third Tier designates are unable to resolve the dispute within fifteen (15) days of the issuance of the second Escalation Notice, either of the Parties shall be entitled to require the dispute to be referred to final and binding arbitration in accordance with Section 13.02 below. The Third Tier designates are as follows:
 - (i) For Jazz, the President and CEO of Chorus Aviation Inc., and
 - (ii) For Air Canada, its Executive Vice President Chief Financial Officer.

- (d) **Arbitration.** If the Parties are unable to resolve the dispute at the Third Tier level, then the Parties shall submit the dispute to arbitration pursuant to Section 13.02. Disputes referred to arbitration shall be referred within five (5) days of the expiration of the Third Tier resolution period, by issuing a dated, written notice (the “**Arbitration Notice**”) to the other Party indicating (i) such Party's intent to commence arbitration proceedings, (ii) the nature, with reasonable detail, of the dispute and (iii) the remedy such Party will seek.

Section 13.02 **Arbitration.** In the event that a matter is referred for arbitration in accordance with this Agreement, then Air Canada and Jazz agree as follows:

- (a) Within ten (10) days following the receipt of the Arbitration Notice, each Party shall forthwith give notice to the other appointing an arbitrator on its behalf. The two arbitrators together shall appoint a third arbitrator within a further period of ten (10) days, failing which either Party may apply to a court to appoint such arbitrator. In the event that a Party who has received or initiated an Arbitration

Notice fails to appoint an arbitrator then the arbitrator appointed by the other Party shall act as a sole arbitrator;

- (b) The arbitration process shall be governed by the provisions of any statute or applicable law governing arbitration in Ontario, as amended from time to time;
- (c) The determination of the arbitrators shall be in writing and shall be final and binding upon the Parties;
- (d) The responsibility for the costs of the arbitration shall be determined by the arbitrator(s); and
- (e) The place of the arbitration shall be Toronto, Ontario.

ARTICLE XIV. MISCELLANEOUS

Section 14.01 **Amendments.** This Agreement may be amended only by a written instrument signed by the duly authorized representatives of the parties.

Section 14.02 **Waiver.** The failure of any party to insist upon strict performance of any of the terms or provisions of this Agreement, or to exercise any option, right or remedy contained in this Agreement, shall not be construed as a waiver or as a relinquishment for the future of such term, provision, option, right or remedy, but the same shall continue and remain in full force and effect. No waiver by any party of any term or provision of this Agreement shall be deemed to have been made unless expressed in writing and signed by such party.

Section 14.03 **Assignment.** No Party shall assign or transfer or permit the assignment or transfer of this Agreement without the prior written consent of the other Party, provided that in the case of an assignment of this Agreement by Jazz, Air Canada may withhold its consent at its absolute discretion. Notwithstanding the foregoing, Jazz shall have the right to assign this Agreement to any of its Affiliates without Air Canada's prior consent, at no additional cost, risk or expense to Air Canada, provided that:

- (a) Jazz is not in default of this Agreement;
- (b) Jive is not in default of the Jive CPA;
- (c) the proposed assignee has the authority, ability and capacity to perform, and will assume, all obligations of Jazz under this Agreement; and
- (d) at least ten (10) Business Days prior to such assignment, all information relevant to such assignment and supporting Jazz's compliance with this Section has been submitted to Air Canada.

Section 14.04 **Change of Control.** A Change of Control of Jazz is permitted under this Agreement unless it results in Jazz being directly or indirectly controlled by, or under common control with, (i) a Person which is itself, or is an Affiliate of, an air carrier who sells tickets for its own flights operating into or out of YVR, YYC, YYZ or YUL airports or has sold tickets for its own flights operating into or out of YVR, YYC, YYZ or YUL airports during the twelve months prior to the date the Change of Control was agreed upon, or (ii) an entity which owns or operates a loyalty program which provides its members the ability to redeem points in exchange for air transportation services.

Section 14.05 **Rights and Licenses Granted to Air Canada.** All rights and licenses granted to Air Canada under this Agreement shall be deemed to have been also granted to any Person who is directly or

indirectly wholly-owned by Air Canada, without necessity for further act or formality, provided that, in the event that any such Person ceases to be directly or indirectly wholly-owned by Air Canada, such rights and licenses shall automatically cease and terminate.

Section 14.06 Survival of Representations and Warranties. The representations and warranties contained herein shall survive and shall terminate and expire on the second anniversary following the date of expiration or termination of this Agreement, unless on or before such second anniversary any party has notified the other party in writing of a claim with respect to such representation or warranty.

Section 14.07 Notices. All notices, requests for consent and demands to or upon the Parties shall be in writing, signed by or on behalf of the Party giving notice and delivered by hand, mailed by prepaid registered mail or transmitted by fax and addressed as follows:

JAZZ AVIATION LP
c/o Aviation General Partner Inc.
3 Spectacle Lake Drive
Dartmouth, NS
B3B 1W8

AIR CANADA
7373 Cote Vertu Boulevard West
Dorval, Quebec
H4S 1Z3

Fax: **[text omitted]**

Fax: **[text omitted]**

Attention: President

Attention: Senior Director, Regional Airlines

With a copy to:

With a copy to:

Attention: General Counsel & Corporate Secretary

Attention: Senior Vice President & Chief Legal Officer

Fax: **[text omitted]**

Fax: **[text omitted]**

And:

Attention: Executive Vice President and Chief Financial Officer

Fax: **[text omitted]**

Attention: Senior Vice President – Regional Markets

Fax: **[text omitted]**

or at such other address or fax number as either Party to this Agreement may have specified in writing and given to the other Party. Any notice given by registered mail shall be deemed to have been received by the Parties to whom it is addressed on the fifth (5th) Business Day following the day upon which notice has been deposited in a post office with postage and cost of registration prepaid. Any notice given by hand or by fax shall be deemed to be received by the Party to whom notice is to be delivered on the Business Day following the day of delivery or transmission.

Either Party may, by notice provided in accordance with this Section 14.07, direct the other Party to deliver any particular notice(s), invoice(s), statement(s), report(s) or other document(s) contemplated hereunder to a different person and/or address than those set out above.

Section 14.08 **Force Majeure.**

- (a) In the event that either Party is prevented from performing its obligations hereunder in whole or in part due to a Force Majeure event, the affected Party, without affecting the continuance of this Agreement, shall be excused from performing its obligations under this Agreement, to the extent it is so prevented, but the affected Party shall use commercially reasonable efforts to resume full performance as soon as possible and take all reasonable measures to prevent or mitigate the damages relating to the Force Majeure event.
- (b) In the event that either Party is aware or reasonably believes that there is a substantial likelihood of the occurrence of a Force Majeure event in the near term, that Party shall give notice to the other Party and promptly thereafter, the Parties shall work together to develop a strategy to manage and mitigate the risks, potential impact and expenses expected to be incurred as a result of such Force Majeure event.
- (c) In the event that a Force Majeure event occurs, the affected Party shall, as soon as it becomes aware of such Force Majeure event, advise the other Party of such Force Majeure event. As soon as reasonably possible, given the nature of the Force Majeure event, the Parties shall work together to prevent or mitigate the impact of such Force Majeure event. In addition, if Jazz is affected by a Force Majeure event, Jazz shall use commercially reasonable efforts to provide Air Canada with substitute services, if available, provided, however that such substitute services will only be implemented with the consent of Air Canada. In the event that Jazz is unable to provide or is delayed in providing such substitute services, Air Canada may perform such services itself or source such services from any third party. Jazz shall prioritize Air Canada's operations over and above its own scheduled or charter operations or those of any third party with whom Jazz has entered into a capacity purchase agreement.
- (d) The Parties acknowledge and agree that when Jazz is affected by a Force Majeure event:
 - (i) which prevents it from performing all of its services hereunder, Air Canada's applicable payment obligations relating to Aircraft Ownership Variable Rate – Monthly Per Aircraft – CAD, Aircraft Ownership Variable Rate – Monthly Per Aircraft – USD, Aircraft Ownership Fixed Rate-Monthly – CAD, Aircraft Ownership Fixed Rate – Monthly – USD and the portion of the Fixed Cost Rate – CAD and Fixed Cost Rate – USD relating to third party building rent and maintenance costs will continue in respect of the period of the Force Majeure event. All other fees and Rates payable by Air Canada in respect of the period of the Force Majeure event will be suspended and inapplicable (other than, for greater clarity, amounts accrued for the period prior to the commencement of the Force Majeure event). All other obligations of Air Canada, including, but not limited to, those related to Covered Fleet and MADUG will also be suspended and inapplicable in respect of the period of the Force Majeure event. Except for the payment obligations which continue as expressly described above, all calculations required pursuant to the CPAs will be adjusted on a prorated basis to account for the duration of the Force Majeure event; and
 - (ii) which prevents it from performing a portion of its services hereunder, adjustments shall 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. The Parties shall work together to agree on such appropriate adjustments, however it is agreed that there will be no rate adjustment required as a result of a reduction in Block Hours flown to the extent such reduction results from the Force Majeure event.

Notwithstanding subsection (d)(i) above, if Jazz is able to provide substitute services as contemplated in Section 14.08(c), Jazz shall be entitled to be compensated by Air Canada for that substitute service. The amount of such compensation will be the lesser of (A) the Rates payable to Jazz under this Agreement, or (B) the actual fees incurred by Jazz in providing such substitute service (without any mark-up or administration fee).

- (e) Either Party may terminate this Agreement if the other Party is prevented from performing all or substantially of its obligations hereunder for more than **[text omitted]** days due to a Force Majeure event.

Section 14.09 **Counterparts.** This Agreement may be executed by one or more of the Parties hereto on any number of separate counterparts (including counterparts by facsimile or PDF via email) and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

Section 14.10 **Severability.** Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereto, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 14.11 **Conflicts.** All schedules to this Agreement are incorporated into this Agreement and constitute an integral part of this Agreement. In the event of a conflict between the terms and conditions of the main body of this Agreement and the provisions of any schedule or other attachment, the provisions of the main body of the Agreement shall prevail.

Section 14.12 **Entire Agreement.** This Agreement represents the entire agreement of Jazz and Air Canada solely with respect to the provision of the services set out herein, and there are no promises, undertakings, representations or warranties or implied duties by Jazz or Air Canada relative to the subject matter hereof not expressly set forth or referred to herein.

Section 14.13 **Governing Law.** This Agreement and the rights and obligations of the parties under this Agreement shall be governed by, and construed and interpreted in accordance with, the law of the Province of Ontario and each party irrevocably submits to the nonexclusive jurisdiction of the courts of the Province of Ontario over any suit, action or proceeding arising out of or relating to this Agreement.

Section 14.14 **Further Assurances.** Each party agrees to execute any and all documents and to perform such other acts as may be necessary or expedient to further the purposes of this Agreement and the transactions contemplated hereby.

Section 14.15 **Time of Essence.** Time shall be of the essence of this Agreement.

Section 14.16 **Enurement.** This Agreement shall enure to the benefit of and bind each of the parties and their respective successors and permitted assigns.

Section 14.17 **Expenses.** Each Party shall bear and pay all costs, expenses and fees (including, without limitation, legal counsel and accounting fees and disbursements) incurred by it in connection with the preparation, execution and consummation of this Agreement and the transactions contemplated hereunder.

Section 14.18 **Gender.** Any reference in this Agreement to any gender shall include both genders and the neuter, and words herein importing the singular number only shall include the plural and vice versa.

Section 14.19 **Currency.** All of the dollar amounts mentioned in this Agreement or in the Schedules or other attachments annexed hereto shall be in Canadian funds, unless otherwise specifically denominated.

Section 14.20 **Headings.** The headings in this Agreement are inserted for convenience of reference only and shall not affect the interpretation hereof.

Section 14.21 **Change of Law.** Notwithstanding anything herein to the contrary, in the event there is any change in the Governmental Regulations, which changes materially affect the rights or obligations of either party hereto under the terms of this Agreement, then the parties hereto shall consult, not later than thirty (30) days after any of the occurrences described herein, in order to determine what, if any, changes to this Agreement are necessary or appropriate, including but not limited to the early termination of this Agreement. If the parties hereto are unable to agree whether any change or changes to this Agreement are necessary and proper, or as to the terms of such changes, or whether this Agreement should be terminated in light of the occurrences described above, such failure to reach agreement shall be dealt with in accordance with the Dispute Resolution provisions in Article XIII hereof.

Section 14.22 **Language.** The parties hereto have required that this Agreement and all instruments relating thereto be in the English language. *Les parties aux présentes ont exigé que cette convention et tout autre document afférent soient en langue anglaise.*

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers with effect as of the Effective Time.

AIR CANADA

Per: (signed) "Calin Rovinescu"

Name: Calin Rovinescu

Title: President and Chief Executive Officer

Per: (signed) "Michael Rousseau"

Name: Michael Rousseau

Title: Executive Vice President and Chief
Financial Officer

JAZZ AVIATION LP, by Aviation General
Partner Inc., in its capacity as general partner

Per: (signed) "Joseph D. Randell"

Name: Joseph D. Randell

Title: Director

Per: (signed) "Colin Copp"

Name: Colin Copp

Title: President

SCHEDULE "A"

MINIMUM AVERAGE DAILY UTILIZATION GUARANTEE

1. Utilization and MADUG

The MADUG, for each of the winter Schedule Period and the summer Schedule Period, shall be set as follows:

- a. Up until December 31, 2020, 7.50 Block Hours per day as a total average daily utilization calculated across the entire fleet of Covered Aircraft on an annual basis, composed of seasonal components of the winter Schedule Period at 7.25 Block Hours per day as a total average daily utilization calculated across the monthly fleet of Covered Aircraft and the summer Schedule Period at 7.68 Block Hours per day as a total average daily utilization calculated across the monthly fleet of Covered Aircraft.
- b. From January 1, 2021, 7.00 Block Hours per day as a total average daily utilization calculated across the entire fleet of Covered Aircraft on an annual basis, composed of seasonal components of the winter Schedule Period at 6.77 Block Hours per day as a total average daily utilization calculated across the monthly fleet of Covered Aircraft and the summer Schedule Period at 7.16 Block Hours per day as a total average daily utilization calculated across the monthly fleet of Covered Aircraft.
- c. In the event the Jive CPA is entered into, as of the effective date thereof, notwithstanding the above, when Jazz transfers the last Dash 8-100 and -300 Covered Aircraft to Jive, the Parties will then calculate total average daily utilization across the respective fleets of Covered Aircraft of Jazz and Jive on an annual basis, composed of the winter Schedule Period and the summer Schedule Period, as follows:

Block Hours per Covered Aircraft per Day							
	WINTER				SUMMER		
<u>YEAR</u>	<u>JIVE</u>	<u>JAZZ</u>	<u>TOTAL</u>		<u>JIVE</u>	<u>JAZZ</u>	<u>TOTAL</u>
2015							
2016							
2017							
2018							
2019							
2020							
2021							
2022							
2023							
2024							
2025							

[text in preceding table omitted]

Note: Summer and winter are the Schedule Periods specified in Section 4.01 of this Agreement.

2. Economic Downturn

In the event of a severe and prolonged economic downturn (defined as three consecutive quarters of negative growth in Canada's gross national product), Air Canada will have the right, at its discretion, to reduce MADUG by up to 10% (the "**Air Canada Reduction Right**"). In the event that Air Canada reduces MADUG pursuant to the Air Canada Reduction Right, it will not enter into any other capacity purchase agreement with a third party or increase the number of aircraft operated by any third party pursuant to capacity purchase agreements in effect on the date that MADUG is reduced, until such time as Air Canada restores MADUG to the level in effect prior to Air Canada's exercise of the Air Canada Reduction Right. Air Canada shall reimburse Jazz for all costs (including without limitation, internal labour costs) arising from Air Canada's exercise of the Air Canada Reduction Right, and treat those costs as Pass-Through Costs, provided that Jazz will substantiate such costs and use reasonable efforts to mitigate those costs. If Air Canada exercises the Air Canada Reduction Right, it will restore MADUG to the level in effect before Air Canada exercised that right as soon as there are three consecutive quarters of positive growth in Canada's gross national product. For greater certainty, Air Canada may not exercise the Air Canada Reduction Right a second time unless it restores MADUG to the level in effect before Air Canada first exercised that right.

SCHEDULE "B"

FACILITIES

CHIEF EXECUTIVE OFFICES

3 Spectacle Lake Drive
Dartmouth, Nova Scotia

MAINTENANCE BASES

Line Maintenance Bases:

Vancouver
Calgary
Toronto
Montreal

Heavy Maintenance Base:

Halifax

Maintenance Service Bases

Winnipeg
Ottawa
Quebec City
Halifax

Maintenance Through Base:

Edmonton

CREW BASES

Pilots:

a. Dash 8-100 and Dash 8-300:

Vancouver
Calgary
Toronto
Montreal

b. CRJ 200/705:

Calgary
Toronto
Montreal

c. Q400:

Toronto
Calgary

Flight Attendants:

Vancouver
Calgary
Toronto
Montreal
Halifax

SCHEDULE "C"

PERFORMANCE INCENTIVE PAYMENTS AND CRITICAL SERVICE LEVEL PENALTIES

[text omitted]

SCHEDULE "D"

RATE COMPONENTS

Unless otherwise specified the rate components described in this Schedule are denominated in Canadian dollars.

- A. **BLOCK HOUR RATE – CAD – FLIGHT CREW** includes:
- Flight crew salaries, wages and benefits (including payroll taxes, and excluding all forms of bonuses, profit sharing, and incentive plans, such as, but without limitation and as applicable, the AIP and LTIP).
- B. **BLOCK HOUR RATE – CAD – CABIN CREW** includes:
- Cabin crew salaries, wages and benefits (including payroll taxes, and excluding all forms of bonuses, profit sharing, and incentive plans, such as, but without limitation and as applicable, the AIP and LTIP).
- C. **BLOCK HOUR RATE – CAD – MAINTENANCE** includes:
- Block Hour driven direct maintenance salaries, wages and benefits (including payroll taxes, and excluding all forms of bonuses [**text relating to rate components omitted**], profit sharing, and incentive plans, such as, but without limitation and as applicable, the AIP and LTIP); and
 - CAD denominated Block Hour driven direct maintenance material and supply costs.
- D. **BLOCK HOUR RATE – USD – MAINTENANCE** includes:
- USD denominated Block Hour driven direct maintenance material and supply costs.
- E. **FLIGHT HOUR RATE – USD** includes:
- USD denominated Flight Hour driven direct maintenance material and supply costs.
- F. **SYSTEMS CYCLE RATE – CAD** includes but is not limited to:
- CAD denominated crew transportation costs;
 - CAD denominated crew per diems costs;
 - CAD denominated crew power packs costs;
 - CAD denominated crew parking costs;
 - CAD denominated overhaul materials and supplies; and
 - SOC / Dispatch – salaries, wages and benefits (including payroll taxes, and excluding all forms of bonuses [**text relating to rate components omitted**], profit sharing, and incentive plans, such as, but without limitation and as applicable, the AIP and LTIP).
- G. **SYSTEMS CYCLE RATE – USD** includes:
- USD denominated cycle driven overhaul materials and supplies.
- H. **CANADIAN CYCLE RATE – CAD** includes:
- CAD denominated cycle driven crew hotel costs.
- I. **US CYCLE RATE – USD** includes:
- USD denominated cycle driven crew hotel costs.

- J. **JAZZ STATIONS CYCLE RATE (PASSENGER SERVICES) – CAD** includes:
- Salaries, wages and benefits (including payroll taxes, and excluding all forms of bonuses [text relating to rate components omitted], profit sharing, and incentive plans, such as, but without limitation and as applicable, the AIP and LTIP) of Jazz above the wing (“ATW”) employees that perform aircraft grooming and ground support functions for Scheduled Flights at the Specified Stations and station operations support (“STOC”) functions for Jazz and Tier III Carrier operations.
- K. **JAZZ STATIONS CYCLE RATE (AIRCRAFT SERVICES) – CAD** includes:
- Salaries, wages and benefits (including payroll taxes, and excluding all forms of bonuses [text relating to rate components omitted], profit sharing, and incentive plans, such as, but without limitation and as applicable, the AIP and LTIP) of Jazz Below The Wing (“BTW”) Airports employees at the PTH Excluded Stations.
- L. **PASSENGER RATE – CAD** includes:
- Salaries, wages and benefits (including payroll taxes, and excluding all forms of bonuses [text relating to rate components omitted], profit sharing, and incentive plans, such as, but without limitation and as applicable, the AIP and LTIP) of Jazz catering staff in Quebec City (YQB).
- M. **AIRCRAFT OWNERSHIP VARIABLE RATE PER FLIGHT HOUR – USD** includes:
- USD denominated flight hour driven component inventory ownership charges.
- N. **AIRCRAFT OWNERSHIP VARIABLE RATE – MONTHLY PER AIRCRAFT – CAD** includes:
- CAD denominated aircraft variable depreciation relating to Covered Aircraft;
 - CAD denominated aircraft lease inducements relating to Covered Aircraft; and
 - CAD denominated aircraft transaction expenses (excluding certain interest costs relating to Covered Aircraft that are owned by a Jazz Affiliate and leased to Jazz after the Effective Date, as specified in Schedule “L” – *Fleet and Leasing*).
- O. **AIRCRAFT OWNERSHIP VARIABLE RATE – MONTHLY PER AIRCRAFT – USD** includes:
- USD denominated interest costs relating to capitalized leases for Covered Aircraft;
 - USD denominated lease costs relating to Covered Aircraft;
 - USD denominated aircraft lease inducements relating to Covered Aircraft; and
 - USD denominated service fee expenses charged by Air Canada Capital Ltd. relating to Covered Aircraft.
- P. **AIRCRAFT OWNERSHIP FIXED RATE – MONTHLY – CAD** includes:
- Aircraft fixed depreciation relating to Covered Aircraft; and
 - CAD denominated Spare Engine and auxiliary power unit leases.
- Q. **AIRCRAFT OWNERSHIP FIXED RATE – MONTHLY – USD** includes:
- USD denominated Spare Engine and auxiliary power unit leases; and
 - USD denominated Q400 Aircraft Affiliate Spare Engine leases.
- R. **FIXED COST RATE – CAD** includes but is not limited to the following denominated in CAD:
- Non-aviation insurance (as applicable);

- Management staff salaries, wages and benefits (including payroll taxes, and excluding all forms of bonuses, profit sharing, and incentive plans, such as, but without limitation, the AIP and LTIP);
- Unionized staff salaries, wages and benefits (not covered in one of the other rate categories and including payroll taxes, but excluding all forms of bonuses [**text relating to rate components omitted**], profit sharing, and incentive plans, such as, but without limitation, the AIP and, as applicable, the LTIP);
- Administrative and technical staff (“**ATS**”) staff salaries, wages and benefits (including payroll taxes, and excluding all forms of bonuses, profit sharing and incentive plans, such as, but without limitation, the AIP and, as applicable, LTIP);
- Building rent and maintenance costs (for facilities other than cargo or passenger terminal airport facilities leased by Jazz from a Person other than Air Canada);
- Office equipment and other equipment rental costs;
- Office supplies;
- Workers' compensation premiums;
- Simulator training costs;
- Other pilot training costs;
- Non-Aircraft related depreciation;
- Employee relocation costs;
- Travel costs;
- Consulting fees;
- Courier fees;
- Training and employee development costs;
- Employee uniform costs (excluding one-time costs related to new uniforms);
- Communication costs;
- IT systems costs;
- Printing and publications costs;
- Ground equipment maintenance costs;
- Utility costs (for facilities other than cargo or passenger terminal airport facilities leased by Jazz from a Person other than Air Canada);
- AOG charter costs;
- Business Taxes (for facilities other than cargo or passenger terminal airport facilities leased by Jazz from a Person other than Air Canada);
- Other special fees and services;
- Contracted office services costs;
- Pilot medical costs;
- Other miscellaneous costs, fees and services; and
- Credits for allocation for activities other than the operation of the Scheduled Flights, Ferry Flights or Aircraft Services.

S. **FIXED COST RATE – USD** includes but is not limited to the following denominated in USD:

- Building rent and maintenance costs (for facilities other than cargo or passenger terminal airport facilities leased by Jazz from a Person other than Air Canada);
- Office equipment and other equipment rental costs;
- Simulator training costs;
- Other pilot training costs;
- Employee uniform costs;
- Travel costs;
- Consulting fees;
- Courier fees;

- Training and employee development costs;
- Communication costs;
- IT systems costs;
- Printing and publications costs;
- Ground equipment maintenance costs;
- Utility costs (for facilities other than cargo or passenger terminal airport facilities leased by Jazz from a Person other than Air Canada);
- AOG charter costs;
- Office supplies costs;
- Business Taxes (for facilities other than cargo or passenger terminal airport facilities leased by Jazz from a Person other than Air Canada);
- Other special fees and services;
- Contracted office services;
- Pilot medical costs; and
- Other miscellaneous costs, fees and services.

SCHEDULE “E”

JAZZ’S RATES AND FEES

[Text omitted]

VIII - PRINCIPLES FOR SETTING OTHER RATES

1. The Parties will reset most of the Rates annually for each calendar year during the term of the CPAs as specified below, using reasonable efforts to stagger those resets over the course of each calendar year.
2. The Parties will apply the following principles when setting each of the Rates.
3. For any third party contract where Air Canada conducts the negotiation, if there are any changes in the resultant contract which affect any of the applicable cost components of the Rates, or affect any of the payment obligations of Jazz, an appropriate upward or downward adjustment will be made to the Rates as detailed below in this Schedule, or an appropriate adjustment will be made to the payments as detailed in Section 5.18(f) of the Agreement.

[Text related to rate setting principles omitted]

PAYMENT	RATE COMPONENT	RATE CATEGORY	RATE SETTING PRINCIPLES
Block Hour Payment	Line Maintenance Labour & Benefits	Direct Maintenance – Line Labour Direct Maintenance – Line Benefits	The Parties will set this Rate annually for each calendar year during the Term as follows: [text related to line maintenance labour rate principles omitted]
Block Hour Payment	Heavy and Shops Maintenance Labour & Benefits	Direct Maintenance – Heavy Labour Direct Maintenance – Heavy Benefits Direct Maintenance – Shops Labour Direct Maintenance – Shops Benefits	[text related to heavy and shops maintenance labour rate principles omitted]. The Parties will set this Rate annually for each calendar year during the Term as follows: [text related to heavy and shops maintenance labour rate principles omitted]

PAYMENT	RATE COMPONENT	RATE CATEGORY	RATE SETTING PRINCIPLES
Block Hour Payment	Line Materials	Materials & Supplies – CAD Materials & Supplies – USD – Block Hour	The Parties will: a. Set these Rates annually for each calendar year during the Term [text related to line materials rate principles omitted] .
Block Hour Payment	Heavy Materials	Heavy Materials & Supplies – CAD Heavy Materials & Supplies – USD	This Rate will become a Rate per event type, set annually for each calendar year during the Term [text related to heavy materials rate principles omitted] .
Cycle Payment	Landing Gear	Overhaul Materials & Supplies – USD Overhaul Materials & Supplies – CAD	a. The Parties will set these Rates annually for each calendar year during the Term [text related to landing gear rate principles omitted] .
Ownership Payment	Component Ownership	Component Inventory Ownership	a. The Parties will set these Rates annually for each calendar year during the Term [text related to component ownership rate principles omitted] .
Flight Hour Payment	Component Repair	Materials & Supplies – USD – Flight Hour	a. The Parties will set these Rates annually for each calendar year during the Term [text related to component repair rate principles omitted] .
Flight Hour Payment	Engine/APU/Propeller Repair	Materials & Supplies – USD – Flight Hour	a. The Parties will set these Rates annually for each calendar year during the Term [text related to flight hour rate principles omitted] .
Cycle Payment	Crew Cycle – Per Diems	Crew Cycle Cost – Per Diems	a. The Parties will set this Rate annually for each calendar year during the Term [text related to crew cycle – per diems rate principles omitted] .

PAYMENT	RATE COMPONENT	RATE CATEGORY	RATE SETTING PRINCIPLES
Cycle Payment	Crew Cycle – Hotels and Transportation	Crew Cycle Cost – Transportation Crew Cycle Cost – Hotel – CAD Crew Cycle Cost – Hotel – USD	The Parties will: a. Set this Rate annually for each calendar year during the Term [text related to crew cycle – hotels and transportation rate principles omitted] .
Cycle Payment	Flight Crew and Cabin Crew Power Packs	Crew Cycle Cost – Power Packs	The Parties will set this Rate: a. Annually for each calendar year during the Term [text related to flight crew and cabin crew power packs rate principles omitted] .
Cycle Payment	Cycle Crew Parking	Crew Cycle Cost – Parking	The Parties will set this Rate annually for each calendar year during the Term [text related to cycle crew parking rate principles omitted] .
Cycle Payment	SOC Labour & Benefits (DCC, Crew Scheduling – Unifor, and Dispatch)	SOC (DCC CAW) – Labour SOC (DCC CAW) – Benefits SOC (Crew Sked CAW) – Labour SOC (Crew Sked CAW) – Benefits SOC (Dispatch CALDA) – Labour SOC (Dispatch CALDA) – Benefits	The Parties will set these Rates annually for each calendar year during the Term as follows: [text related to SOC (DCC, crew scheduling – Unifor and dispatch rate principles omitted)] .
Cycle Payment	Above the Wing Labour & Benefits (Passenger Handling)	Aircraft Services Labour – ATW, Airports Aircraft Services Benefits – ATW – Airports	The Parties will: a. Set these turn Rates annually for each calendar year during the Term [text related to above the wing labour (passenger handling) rate principles omitted] .

PAYMENT	RATE COMPONENT	RATE CATEGORY	RATE SETTING PRINCIPLES
		Aircraft Services Labour – ATW – Maintenance Aircraft Services Benefits – ATW – Maintenance	
Cycle Payment	Below the Wing Labour & Benefits (Ground Handling)	Aircraft Services Labour – BTW Aircraft Services Benefits – BTW	The Parties will: a. Set these turn Rates annually for each calendar year during the Term [text related to below the wing labour (ground handling) rate principles omitted] .
Passenger Payment	Catering Labour & Benefits	Salaries Benefits	The Parties will set these Rates annually for each calendar year during the Term as follows: [text related to catering labour rate principles omitted] .
Ownership Payment	Aircraft Leasing	Lease Expense	This Rate will be set every three years for a three-year period during the Term [text related to aircraft leasing rate principles omitted] .
Ownership Payment	Service Fees, Interest and Lease Inducements	Lease Inducements – CAD Interest – USD Lease Inducements – USD Service Fee	The Parties will: a. Set these Rates every three years for a three-year period during the Term [text related to service fees, interest and lease inducements rate principles omitted] . b.
Ownership Payment	Transaction Costs	Transaction Expense	The Parties will: a. Set these Rates every three years for a three-year period during the Term [text related to transaction costs rate principles omitted] .

PAYMENT	RATE COMPONENT	RATE CATEGORY	RATE SETTING PRINCIPLES
Ownership Payment	Aircraft Related Depreciation	Aircraft Variable Depreciation	The Parties will set these Rates every three years for a three-year period during the Term [text related to aircraft related depreciation rate principles omitted] .
Ownership Payment	Rotable Related Aircraft Depreciation	Aircraft Fixed Depreciation	The Parties will set these Rates every three years for a three-year period [text related to rotable related depreciation rate principles omitted] .
Ownership Payment	Spare Engines / APUs	Spare Engines – CAD Spare Engines – USD Spare Engines – Jazz Affiliate	The Parties will set these Rates annually for each calendar year during the Term as follows: [text related to Spare Engines and APUs rate principles omitted] .
Fixed Cost Payment	Fixed Cost – CAD	Overhead CAD	For costs denominated in CAD, the Parties will set this Rate annually for each calendar year during the Term as follows: [text related to fixed cost – CAD rate principles omitted] .
Fixed Cost Payment	Fixed Cost – USD	Overhead USD	For costs denominated in USD, the Parties will set this Rate annually for each calendar year during the Term as follows: [text related to fixed costs – USD rate principles omitted] .

7. The following table lists other payments and Rates previously described in this Schedule E and identifies the relevant Schedule E section where the Rate setting principles applicable to such Rate are described.

PAYMENT	RATE COMPONENT	RATE CATEGORY	RATE SETTING PRINCIPLES (INCLUDING APPLICABLE SCHEDULE “E” SECTION)
Marketing and Commercial	Block Hour Rate - CAD – Flight Crew	Flight Crew Labour Flight Crew Benefits	Schedule E, Sections I through VII

PAYMENT	RATE COMPONENT	RATE CATEGORY	RATE SETTING PRINCIPLES (INCLUDING APPLICABLE SCHEDULE "E" SECTION)
Cancellation Payment			
Marketing and Commercial Cancellation Payment	Block Hour Rate – CAD – Cabin Crew	Cabin Crew Labour Cabin Crew Benefits	Schedule E, Sections I through VII
Weather and ATC Cancellation Payment	Block Hour Rate – CAD – Flight Crew	Flight Crew Labour Flight Crew Benefits	Schedule E, Sections I through VII
Weather and ATC Cancellation Payment	Block Rate – CAD – Cabin Crew	Cabin Crew Labour Cabin Crew Benefits	Schedule E, Sections I through VII
Weather and ATC Cancellation Payment	Cycle Rate – CAD	Aircraft Services Labour – ATW, Airports Aircraft Services Benefits – ATW – Airports Aircraft Services Labour – ATW – Maintenance Aircraft Services Benefits – ATW – Maintenance Aircraft Services Labour – BTW Aircraft Services Benefits – BTW	Schedule E VIII above for these cost categories, Rate recalculated [text related to rate recalculation omitted]
Ferry Flight Payment	Block Hour Rate – CAD – Flight Crew	Flight Crew Labour Flight Crew Benefits	Schedule E, Sections I through VII [text related to rate omitted]
Ferry Flight Payment	Block Hour Rate CAD – Maintenance	Direct Maintenance – Line Labour Direct Maintenance – Line Benefits	Schedule E VIII above, for these cost categories [text related to rate omitted]

PAYMENT	RATE COMPONENT	RATE CATEGORY	RATE SETTING PRINCIPLES (INCLUDING APPLICABLE SCHEDULE "E" SECTION)
		Direct Maintenance – Heavy Labour Direct Maintenance – Heavy Benefits Direct Maintenance – Shops Labour Direct Maintenance – Shops Benefits Materials & Supplies – CAD Heavy Materials & Supplies – CAD	
Ferry Flight Payment	Block Hour USD – Maintenance	Materials & Supplies – USD – Block Hour	Schedule E VIII above, for these cost categories [text related to rate omitted]
Ferry Flight Payment	Flight Hour Rate – USD	Materials & Supplies – USD – Flight Hour Component Inventory Ownership	Schedule E VIII above, for these cost categories [text related to rate omitted]
Ferry Flight Payment	Systems Cycle Rate – CAD	Crew Cycle Cost – Transportation Crew Cycle Cost – Per Diems Crew Cycle Cost – Power Packs Crew Cycle Cost – Parking SOC (DCC CAW) – Labour SOC (DCC CAW) – Benefits SOC (Crew Sked CAW) – Labour	Schedule E VIII above, for these cost categories [text related to rate omitted]

PAYMENT	RATE COMPONENT	RATE CATEGORY	RATE SETTING PRINCIPLES (INCLUDING APPLICABLE SCHEDULE "E" SECTION)
		SOC (Crew Sked CAW) – Benefits SOC (Dispatch CALDA) – Labour SOC (Dispatch CALDA) – Benefits Overhaul Materials & Supplies – CAD	
Ferry Flight Payment	Systems Cycle Rate – USD	Overhaul Materials & Supplies – USD	Schedule E VIII above, for these cost categories [text related to rate omitted]

[text related to other rate setting principles omitted]

SCHEDULE "E-1"

[text related to labour costs omitted]

SCHEDULE “E-2”

COMPENSATION STRUCTURE

Table 1	A	B	
	Infrastructure Fee per Covered Aircraft (CAD per year)	Fixed Margin per Covered Aircraft (CAD per year)	
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			

[text in preceding table specifying the fees omitted]

Table 2	Total of A	Total of B	
	Infrastructure Fee for fleet of Covered Aircraft (in millions CAD per year)	Fixed Margin per Covered Aircraft for fleet (in millions CAD per year)	
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			

[text in preceding table specifying the fees omitted]

Notes: All figures in CAD. The totals in Table 2 are for illustrative purposes only.

1. For purposes of the Fixed Margin per Covered Aircraft and the Infrastructure Fee calculation, the years 2015 through 2020, inclusive, will be paid on the basis of a fleet of 101 Covered Aircraft,

totalling \$109.67 million CAD annually, comprised of **[text specifying the amounts omitted]** annually notwithstanding the actual number of Covered Aircraft in those years.

2. Infrastructure Fee Payment and Fixed Margin per Covered Aircraft Payment will be paid monthly in advance on a pro rata basis.
3. Notwithstanding the dates set forth in Table 2 above, for the years 2021 through 2025, inclusive, the Infrastructure Fee per Covered Aircraft and Fixed Margin per Covered Aircraft will be calculated and payable based on the actual date an aircraft exits the fleet of Covered Aircraft.

SCHEDULE "E-3"

2015 RATES

Effective January 1, 2015

[text omitted]

ANNEX 1 TO SCHEDULE "E-3"

Effective January 1, 2015
2015 Rates - Detail

[text omitted]

ANNEX 2 TO SCHEDULE "E-3"

Effective January 1, 2015
2015 RATES - FIXED COST RATE DETAIL

[text omitted]

ANNEX 3 TO SCHEDULE "E-3"

CF34-3B1 SPECIFIED ENGINES

Effective January 1, 2015

Engine Serial Number

Active Engines

[Text omitted]

ANNEX 4 TO SCHEDULE "E-3"
OTHER RATE ADJUSTMENTS

[Text omitted]

ANNEX 5 TO SCHEDULE "E-3"

FINAL EXISTING Q400 AIRCRAFT CONTRACT RATES (EXCLUDING ESCALATION)

[Text omitted]

SCHEDULE "E-4"

PENSION EXPENSE

[text omitted]

SCHEDULE "F"

LONG RANGE FLEET PLAN AND [text related to labour costs omitted]

A. Long Range Fleet Plan

	Dash 8-100	Dash 8-300	Q400	CRJ200	CRJ705	Total
2014	34	26	21	25	16	122
2015	28	26	27	16	16	113
2016	19	26	37	13	16	111
2017	16	26	39	10	16	107
2018	15	26	39	10	16	106
2019	15	26	39	10	16	106
2020	15	26	44	0	16	101
2021	12	26	44	0	16	98
2022	12	26	44	0	16	98
2023	4	26	44	0	16	90
2024	1	26	44	0	16	87
2025	0	26	44	0	16	86

[text related to Long Range Fleet Plan omitted].

B. [text related to labour costs omitted]

	Dash 8-100	Dash 8-300	Q400	CRJ200	CRJ705	Total
2015						
2016						
2017						
2018						
2019						
2020						
2021						
2022						
2023						
2024						
2025						

[text in preceding table related to labour costs omitted]

C. [text related to labour costs omitted]

SCHEDULE G

SPARE COVERED AIRCRAFT

1. Jazz and Jive shall maintain the following number of operational spare Covered Aircraft during the Term:
 - a. From the Effective Time to December 31, 2019:
[text specifying the number omitted]
 - b. From January 1, 2020 to December 31, 2025:
[text specifying the number omitted]
2. In the event that there are spare Covered Aircraft out of service due to heavy maintenance or paint programs, the total number of spares will be respected but if the Parties agree, acting reasonably, the aircraft type may vary.

SCHEDULE "H"

SPECIFIED STATIONS AND PTH EXCLUDED STATIONS

[Text omitted]

[The details relating to Specified Stations and PTH Excluded stations omitted]

SCHEDULE "I"

AIRCRAFT SERVICES RATES

Effective January 1, 2015

[Text omitted]

[Text related to Passenger Services Rates and Ramp Services Rates omitted]

SCHEDULE "J"

CHARTER RATES

Effective January 1, 2015
2015 Rates

[Text omitted]

[Text related to Charter Rates omitted]

SCHEDULE "K"

PILOT MOBILITY ARRANGEMENT

The following outlines the process of preferential hiring of current Jazz pilots by Air Canada. Subject at all times to the conditions set forth below, including without limitation, Air Canada's applicable hiring policies and the number of pilots Air Canada requires, Air Canada shall make offers to pilots on the PML. From January 1, 2015 until the earlier of (i) the date the PML is exhausted, and (ii) the date the ALPA agreement expires or is otherwise terminated, PML pilots shall form no less than 80% of the pilots hired by Air Canada. Once the PML has been exhausted, Air Canada shall introduce the FPMA which shall apply to all of its contracted regional carriers, including without limitation Jazz, on a proportional pilot headcount basis.

- (a) All pilots currently employed with Jazz and listed on the seniority list effective upon ratification of the new ALPA collective agreement are to be eligible to be covered under the PMA.
- (b) The term of the PMA will expire on the earlier of (i) the termination of this Agreement, (ii) when the PML is exhausted, or (iii) the expiry or earlier termination of the ALPA agreement.
- (c) As at 18h00 EST on February 12, 2015, all eligible pilots interested in participating in the PMA have been identified on the PML.
- (d) The PML contains a minimum of 625 pilots.
- (e) As Air Canada requires pilots, Air Canada shall interview any or all Jazz pilots on the PML. Air Canada has the right to decline to hire any pilot from the PML who does not qualify for employment in accordance with its applicable hiring policy. Air Canada shall use commercially reasonable efforts to expedite the interview process to allow candidates as much notice as possible of their start date.
- (f) Air Canada shall make a minimum of 495 offers to pilots on the PML. Pilots may not remove their names from the PML; however, if after formation of the PML there are fewer than 625 pilots on the PML for any reason other than due to an Air Canada employment offer, the minimum number of offers to be made by Air Canada shall be reduced by 0.8 of a pilot for each pilot who is removed from the PML.
- (g) Air Canada shall make its offers of employment in order of the seniority (from most senior to less) of the accepted PML candidates, until such time as the term of the PMA expires.
- (h) Once a pilot on the PML receives an offer from Air Canada, such pilot shall be assigned the next available course date and receive a seniority number in accordance with the Air Canada Pilot Association ("ACPA") collective agreement.
- (i) If Air Canada reaches an agreement with ACPA to put in place a reservation system, then pilots on the PML may be assigned a seniority number and taken out of seniority for up to 24 months at Air Canada or Jazz's request.
- (j) If a pilot who receives an offer from Air Canada requests a later start date then that pilot may be provided a delay in beginning employment with Air Canada for up to 24 months and the vacancy passed to the next lower seniority holder on the PML, provided however that the FIP amount will be fixed as of the time of the offer made by Air Canada.

- (k) All pilots on the PML who become employed at Air Canada pursuant the PMA shall be considered new hire employees at Air Canada.
- (l) Each pilot on the PML leaving Jazz shall be entitled to receive a FIP upon termination of their employment with Jazz and hiring at Air Canada under the PMA, to be paid as provided in this Agreement.
- (m) Pilots on the PML who decline an Air Canada offer of employment shall: (i) be placed on the new wage rate scale for remuneration; or (ii) receive an involuntary severance package (in the same amount as the FIP) and have employment with Jazz terminated.
- (n) FIPs and ISPs shall be distributed in annual payments to Jazz over a period of four years (payable on a semi-annual basis (starting when each pilot receives the FIP or ISP, and at each six (6) month anniversary thereafter).
- (o) In the event that a reservation system is established at Air Canada whereby pilots on the PML accrue seniority at Air Canada, the FIP shall be prorated.

SCHEDULE “L”

FLEET AND LEASING

1. **Certain Definitions.**

- (a) [details relating to calculation of the Additional 13 Q400 Aircraft Lease Rate omitted].

“**Additional Q400 Transaction Costs**” means all of the transaction costs incurred by Jazz, Chorus and Jazz’s Affiliate lessor entities in connection with the financing, leasing and acquisition of the Additional 13 Q400 Aircraft [text describing the Additional Q400 Transaction Costs including the percentage of the maximum amount of the Additional Q400 Transaction Costs omitted].

- (b) “**Existing Q400 Aircraft**” means the twenty-one (21) Bombardier Q400 aircraft operated by Jazz as of the Effective Time.

2. **Existing Q400 Aircraft.**

- (a) **Lessor** Jazz Leasing Inc. or another Person in the Chorus Group as determined by Chorus Aviation Inc.

- (b) **Lessee** Jazz.

- (c) **Term** End date – extended to December 31, 2025.

- (d) **Lease Rate** Existing lease rates as of the Effective Date until current lease expiry, thereafter market lease rate for aircraft of similar vintage as determined by [text describing lease rate setting methodology omitted].

- (e) **Return Conditions** In accordance with the existing Q400 lease agreements.

- (f) **Other** Other terms and conditions consistent with existing leases for the Existing Q400 Aircraft by and between Jazz Leasing Inc. and Jazz.

- (g) **Transaction Costs** All of the transaction costs incurred by Jazz, Chorus Aviation Inc. and Jazz’s Affiliate lessor entities in connection with the initial financing, leasing and acquisition of the Existing Q400 Aircraft [text describing the Existing Q400 Transaction Costs including the percentage of the maximum amount of the Existing Q400 Transaction Costs omitted].

3. **Additional 13 Q400 Aircraft Lease Structure.**

- (a) Jazz has entered into the Q400 Purchase Agreement pursuant to which Jazz has the right to acquire thirteen (13) additional Bombardier Q400 aircraft from Bombardier Inc. (the “**Additional 13 Q400 Aircraft**”). The Q400 Purchase Agreement shall be assigned to one or more of Affiliates of Chorus that may be created to own one or more of the Additional 13 Q400 Aircraft (each an “**Additional Lessor**”). [Text describing the Additional Q400 Lease Agreements omitted].

4. **Additional 13 Q400 Aircraft Delivery Schedule.**

- (a) The delivery schedule for the Additional 13 Q400 Aircraft from Bombardier shall target deliveries set out in the purchase agreement with Bombardier Inc., unless otherwise agreed in writing.

[Text describing the scheduling of the Additional 13 Q400 Aircraft and substitute aircraft in the event of delayed deliveries omitted].

5. **Additional Q400 Transaction Costs.**

Jazz shall on or before September 30, 2017 perform a reconciliation comparing actual Additional Q400 Transaction Costs against the estimated Additional Q400 Transaction Costs **[text related to Additional Q400 Transaction Costs omitted]**.

6. **Additional 13 Q400 Aircraft Impact on Pre-Activation Ownership Payment.**

- (a) Notwithstanding the period of time for which the Pre-Activation Ownership Payment is payable under Section 5.07, and provided that Air Canada complies with this Schedule, the Pre-activation Ownership Payments covering the Additional 13 Q400 Aircraft shall be calculated by **[text related to Additional 13 Q400 Aircraft impact on Pre-Activation Ownership Payment omitted]**.
- (b) The Pre-Activation Ownership Payment will be invoiced based on the month before each expected delivery based on an assumed delivery date of the last day of the expected delivery week if the actual delivery date is not known and the number of actual days in respect of which a Pre-Activation Ownership Payment is due for that month will be reconciled in the next monthly invoice.

7. **Additional 13 Q400 Aircraft Impact on Maintenance and Ownership Rates.**

- (a) All agreed maintenance rates for Q400 and CRJ200 aircraft for the rate period beginning on January 1, 2015 and for subsequent rate periods will be adjusted to reflect the exit of the CRJ200s and the entry of the Additional 13 Q400 Aircraft.
- (b) The agreed Q400 and CRJ200 Aircraft Ownership Variable Rates Per Flight Hour – USD for the rate period beginning on January 1, 2015 and for subsequent rate periods will be adjusted to reflect the exit of the CRJ200s and the entry of the Additional 13 Q400 Aircraft.
- (c) The lease expense, transaction expense and lease inducements components of the Aircraft Ownership Variable Rate – Monthly per Aircraft – CAD and the Aircraft Ownership Variable Rate – Monthly per Aircraft – USD for Q400 aircraft set forth pursuant to this Schedule for the rate period beginning on January 1, 2015 and for subsequent rate periods will be adjusted to reflect the entry of the Additional 13 Q400 Aircraft.
- (d) Following each calendar year end but no later than March 31 following each year end period, and ending following the calendar year in which the last CRJ200 aircraft exit from the fleet of Covered Aircraft, Jazz shall perform a reconciliation comparing the revenue from the Spare Engine Lease – CAD rate component of the Aircraft Ownership Fixed Rate Monthly – CAD for the CRJ200 aircraft with the actual cost incurred by Jazz for Spare Engines and APUs leased from Air Canada for the CRJ200 aircraft for the previous calendar year. In the event that Jazz's actual cost for the relevant period is less than that paid by Air Canada to Jazz for the relevant period based on the Spare Engine Lease – CAD rate component, an adjustment payment shall be made by Jazz to Air Canada within

15 days of the completion of the reconciliation. In the event that Jazz's actual cost for the relevant period is greater than that paid by Air Canada to Jazz for the relevant period based on the Spare Engine Lease – CAD rate component, an adjustment payment shall be made by Air Canada to Jazz within 15 days of notice from Jazz resulting from such reconciliation

- (e) Schedule “E-3”, and applicable Annexes to Schedule “E-3” shall be amended to reflect such rates upon their agreement between the Parties in accordance with this Agreement.
- (f) **[details describing the establishment and treatment of the transaction expense component of the Aircraft Ownership Variable Rates omitted].**
- (g) The lease expense component of the Aircraft Ownership Variable Rates applicable to each Additional 13 Q400 Aircraft will be adjusted to reflect the monthly amount of the lease expense (the “**Additional Lease Expense**”) for each delivered Additional 13 Q400 Aircraft determined as described pursuant to Section 8 of this Schedule from the date each such aircraft is delivered to Jazz.

8. **Additional 13 Q400 Aircraft Lease Rate.**

[details relating to calculation of the Additional 13 Q400 Aircraft Lease Rate omitted].

9. **Additional 13 Q400 Aircraft Maintenance Program.**

[details relating to the costs per utilization maintenance agreements which Jazz may enter into with third party maintenance organisations omitted].

10. **Additional 13 Q400 Aircraft Limitation of Indemnity Obligations.**

In relation to the Additional Q400 Lease Agreements, Air Canada shall have no liability for any taxes, charges, imposts, duties, levies, deductions, withholdings or fees of any kind payable at the instance of or imposed by any governmental body, together with any related penalties, additions, fines, surcharges or interest to the extent (i) such liability is attributable to any change of the Additional Lessor's residency from that of Jazz Leasing Inc. as of the Effective Time; (ii) additional taxes, charges, imposts, duties, levies, deductions, withholdings or fees of any kind payable which become due as a result of any transfer, assignment, sublease or sale of any of the Additional 13 Q400 Aircraft; or (iii) any Person in the Chorus Group is responsible for the Additional Lessor's change of tax status.

11. **Aircraft Options – CPA Expiry.**

If this Agreement expires at the end of the Term:

- (a) **[details regarding the fleet omitted].**
- (b) **[details regarding the fleet omitted].**
- (c) For the purposes of this paragraph 11, the “**Appraisers**” means AVITAS, Inc., Ascend (part of Flightglobal, a division of Reed Business Information Ltd.) and Aviation Specialists Group (or their respective successors).
- (d) The Parties will bear the Appraisers' costs in equal shares.

(e) The Appraisers will base their appraisals on the current market value methodology described on page 2 of the desktop valuation report for various regional aircraft prepared by AVITAS, Inc. for Air Canada dated September 29, 2011.

12. **Jazz Affiliate Q400 Spare Engine Leases.**

[details regarding the treatment of Jazz Affiliate Q400 Spare Engines omitted].

13. **Dash 8-100 and -300 Leasing.**

Lessor/Owner Dash 8-100 and -300 Covered Aircraft will be owned by Jazz or Jive, or leased to Jazz or Jive by a Person in the Chorus Group as determined by Chorus Aviation Inc. [details describing the treatment of transaction costs omitted].

14. **Dash 8-100**

(a) **Number of Covered Aircraft** 29 Aircraft currently owned by Jazz.

(b) **Term** The term of the lease for each Covered Aircraft will expire on the earlier of the date it is removed from the fleet of Covered Aircraft in accordance with Schedule "F" or when it reaches the end of its current service life, and it will then cease being a Covered Aircraft.

(c) **Lease Rate** [details relating to the calculation of the lease rate for Dash 8-100 aircraft omitted].

(d) **Extended Service Plan** [details describing the potential establishment of an extended service plan for Dash 8-100 aircraft omitted].

(e) [text related to specific retiring Dash 8-100 aircraft omitted] [text related to specific retiring Dash 8-100 aircraft omitted].

(f) **Removal of Dash 8-100 aircraft** For each removal, the Parties shall mutually agree on which aircraft and engines are to be removed from the fleet of Covered Aircraft.

15. **Dash 8-300**

- (a) **Number of Covered Aircraft** 19 aircraft currently owned by Jazz or a Jazz Affiliate.
- (b) **Term** January 1, 2015 through December 31, 2025.
- (c) **Lease Rate** [details relating to the calculation of the lease rate for Dash 8-300 aircraft omitted].
- (d) **Other** Other terms and conditions consistent with Existing Q400 Aircraft leases between Jazz Leasing Inc. and Jazz.
- (e) **Extended Service Program** Air Canada will provide financing to the appropriate Person in the Chorus Group for the ESP for 19 Dash 8-300 aircraft owned by Jazz or a Jazz Affiliate required when each such aircraft reaches its end of current service life [details relating to the treatment of costs for the extended service program for Dash 8-300 aircraft omitted].
- (f) **Temporary Replacement Aircraft** [text related to temporary replacement aircraft omitted].
- (g) **Currently Leased Aircraft** The seven Dash 8-300 aircraft currently leased by Jazz from third party lessors will be subject to further discussion.

SCHEDULE "M"

[text related to scope of permitted Chorus Group acquisitions omitted]

SCHEDULE "N"

CHANGES TO MAINTENANCE SCHEDULING PARAMETERS

The principles set forth below shall be incorporated into the Scheduling Process and Parameters Document.

[text related to details of the Scheduling Process and Parameters Document omitted].

SCHEDULE "O"

PASS-THROUGH COSTS

As of the Effective Time, the components of the Pass-Through Costs are as follows:

- (a) Fuel, oil and de-icing expenses;
- (b) General terminal, crash, fire and rescue, Aircraft parking, pre-clearance, gate usage fees and passenger facility charges;
- (c) Airport security and policing fees;
- (d) Landing fees;
- (e) Navigation fees;
- (f) Initial Station Provisioning Costs;
- (g) Inconvenienced passenger and baggage expense;
- (h) Station Termination Costs;
- (i) Movement of Company Material on Air Canada network flights, including through Air Canada's cargo division;
- (j) Hull war, hull war risk, passenger liability insurance and insurance management fees;
- (k) Catering product and delivery;
- (l) On-board sales and related expenses, including commissions for duty-free sales, bar sales, buy-on-board food and beverage sales, and headset sales;
- (m) Jazz third party passenger terminal and ground handling fees;
- (n) Jazz cargo facility rent charges, passenger airport terminal rent charges and other related facility operating and maintenance costs (such as, but not limited to, janitorial, business and property taxes, utilities);
- (o) One-time costs related to introduction of new uniforms required for Air Canada's new brand image;
- (p) Ground service equipment fuel provided to Jazz by a third party;
- (q) Port Fees;
- (r) Maintenance PT Costs;
- (s) Airport common use terminal equipment ("ACUTE") costs; and
- (t) costs of leasing temporary replacement aircraft from third parties to support the Dash 8-300 ESP and any other incremental out-of-pocket costs related to such replacement aircraft.

SCHEDULE "P"

DEFINITIONS

1. "2015 Solvency Deficit" has the meaning ascribed in Section 5.30(a) of this Agreement;
2. [details regarding the fleet omitted];
3. "AC Express Carrier" means any carrier operating flights on behalf of Air Canada pursuant to a capacity purchase agreement under the Air Canada Express banner;
4. [details regarding the fleet omitted];
5. "Active Aircraft" means, at any time, Covered Aircraft other than those Covered Aircraft being modified, undergoing scheduled maintenance or being painted;
6. [details relating to calculation of the Additional 13 Q400 Aircraft Lease Rate omitted];
7. "Additional Lease Expense" has the meaning ascribed in Schedule L, Section 7(g);
8. [details relating to calculation of the Additional 13 Q400 Aircraft Lease Rate omitted];
9. "Additional Lessor" has the meaning ascribed in Schedule L, Section 3(a);
10. "Additional 13 Q400 Aircraft" has the meaning ascribed in Schedule L, Section 3(a);
11. [text describing the scheduling of the Additional 13 Q400 Aircraft deliveries omitted];
12. [details relating to calculation of the Additional 13 Q400 Aircraft Lease Rate omitted];
13. "Additional Q400 Transaction Costs" has the meaning ascribed in Schedule L, Section 1(a);
14. [details relating to calculation of the Additional 13 Q400 Aircraft Lease Rate omitted];
15. "Affiliate" means with respect to any Person, a Person who, directly or indirectly, through one or more intermediaries, controls or is controlled by or is under common control with, such Person. For purposes of this definition, a Person is considered to be controlled by another Person if, in the case of a corporation, such other Person owns more than fifty percent (50%) of the voting stock of such corporation or, in the case of a partnership, such Person holds more than fifty percent (50%) of the interests in such partnership which entitle the holder thereof to vote on matters related to the partnership;
16. "Agency" means the Canadian Transportation Agency under the Canada Transportation Act or any successors to its functions with respect to the regulation of air transportation in Canada;
17. "Agreement" means this amended and restated capacity purchase agreement including any schedules or other attachments hereto, as the same may be amended, modified, supplemented or restated from time to time, by written agreement of the Parties;
18. "Air Canada ATW Handled Stations" has the meaning ascribed in Schedule C, Section 3;
19. "Air Canada BTW Handled Stations" has the meaning ascribed in Schedule C, Section 3;

20. “**Air Canada Marks**” has the meaning ascribed in the recitals of this Agreement;
21. “**Air Canada Reduction Right**” has the meaning ascribed in Schedule A, Section 2;
22. “**Air Services**” means all air passenger, air cargo and related services and products including, without limitation, Scheduled Flights, Ferry Flights, Jazz Flights, Charter Flights and Cargo Services;
23. “**Aircraft**” means the Covered Aircraft and any substitute aircraft used to operate Scheduled Flights or Ferry Flights;
24. “**Aircraft Ownership Fixed Rate**” has the meaning ascribed in Schedule D, paragraph J;
25. “**Aircraft Ownership Payment**” means the payment made by Air Canada pursuant to Section 5.07 of this Agreement;
26. “**Aircraft Ownership Rate**” has the meaning ascribed in Schedule D, paragraph M, N, O, P and Q;
27. “**Aircraft Ownership Variable Rate per Flight Hour**” has the meaning ascribed in Schedule D, paragraph M;
28. “**Aircraft Services**” means the Passenger Services and the Ramp Services performed by Jazz on Air Canada or, at Air Canada’s request, on certain AC Express Carriers pursuant to the terms of this Agreement;
29. “**Aircraft Services Payment**” means the payment made by Air Canada pursuant to Section 5.14 of this Agreement;
30. “**ALPA**” means the Air Line Pilots Association, International;
31. “**ALPA Agreement**” has the meaning ascribed in Section 4.10 of this Agreement;
32. “**Annual Delivered Block Hours**” means the sum of the Monthly Schedule Block Hours over a calendar year period.
33. “**Annual Operating Plan**” has the meaning ascribed in Section 4.01 of this Agreement;
34. “**Appraisers**” has the meaning ascribed in Schedule L, Section 11(c);
35. “**Arbitration Notice**” has the meaning ascribed in Section 13.01(d) of this Agreement;
36. “**ASM**” means available seat mile;
37. “**ATC**” means air traffic control;
38. “**BF E**” means buyer furnished equipment;
39. “**Block Hour**” has the meaning ascribed in Section 5.03 of this Agreement;

40. “**Block Hour Payment**” means the payment made by Air Canada pursuant to Section 5.03 of this Agreement;
41. “**Block Hour Rate – CAD – Flight Crew**” has the meaning ascribed in Schedule D, paragraph A;
42. “**Block Hour Rate – CAD – Cabin Crew**” has the meaning ascribed in Schedule D, paragraph B;
43. “**Block Hour Rate – CAD – Maintenance**” has the meaning ascribed in Schedule D, paragraph C;
44. “**Block Hour Rate – USD – Maintenance**” has the meaning ascribed in Schedule D, paragraph E;
45. “**Business Day**” shall mean a day which is not Saturday, Sunday or a statutory holiday in Montreal, Quebec or Halifax, Nova Scotia;
46. [text related to labour rates omitted];
47. “**CAD**” or “**\$**” means the lawful currency of Canada;
48. “**Canadian Regional Carrier**” has the meaning ascribed in Section 7.01 of this Agreement;
49. “**Cargo Service**” means freight, Canada Post mail and small package services carried on the Scheduled Flights;
50. “**Cargo Transferee**” has the meaning ascribed in Section 3.08 of this Agreement;
51. “**Change of Control**” means any Person or group of Persons either becoming the beneficial owner, directly or indirectly, of voting securities or partnership units of either Party representing 50% or more of the combined voting power of all securities or units of the Party, on a fully diluted basis, or otherwise acquiring the ability, directly or indirectly, to elect a majority of the board of directors of the Party (or its general partner, as the case may be);
52. “**Charter**” has the meaning ascribed in Section 7.01 of this Agreement;
53. “**Charter Credit**” has the meaning ascribed in Section 5.15 of this Agreement;
54. “**Charter Flights**” has the meaning ascribed in Section 7.03 of this Agreement;
55. “**Charter Payment**” has the meaning ascribed in Section 5.15 of this Agreement;
56. “**Charter Rates**” means the rates detailed in Schedule J.
57. “**Chorus Group**” has the meaning ascribed in Section 7.01 of this Agreement;
58. “**Commissioner of Competition**” means the Commissioner under the Competition Act (Canada), or any successors to its functions;
59. “**Company Material**” has the meaning ascribed in Section 4.06 of this Agreement;
60. “**Confidential Information**” means any and all financial, commercial, technical and scientific information, tangible or non-tangible, oral or written, and shall include, without limitation: (i) trade secrets; (ii) copyrighted information; (iii) financial information, procurement requirements;

business and contractual relationships, business forecasts, marketing plans and information; (iv) ideas, techniques, sketches, drawings, works of authorship, models, inventions, know-how, processes, apparatuses, equipment, algorithms, software programs, software source documents, and formulae related to current, future and proposed products and services and including, without limitation, their respective information concerning research, experimental work, development, design details and specifications, and Intellectual Property as herein defined;

61. **“Contractual Flying”** has the meaning ascribed in Section 7.01 of this Agreement;
62. **“Covered Aircraft”** means for any period during the Term, the aircraft whose capacity Air Canada is purchasing from Jazz, as listed in Schedule F for that period, as Schedule F may be amended as provided for in this Agreement;
63. **“CPAs”** has the meaning ascribed in Section 1.04(b) of this Agreement;
64. **“CPUMA”** means cost per utilization maintenance agreement;
65. **“Critical Service Level”** has the meaning ascribed in Section 11 of Schedule C to this Agreement;
66. **“CRP”** has the meaning ascribed in Section 5.19(a)(i) to this Agreement;
67. **“CSC Percentage”** has the meaning ascribed in Schedule E-4 to this Agreement;
68. **“Cycle”** means one take off and one landing for an aircraft;
69. **“Cycle Payment”** means the payment made pursuant to Section 5.05 of this Agreement;
70. **[text related to non-labour maintenance costs omitted];**
71. **“Designator”** means **“AC”** or such other designator code as Air Canada may specify to identify Air Canada's own flights;
72. **“Disclosing Party”** has the meaning ascribed in Section 8.02 of this Agreement;
73. **“Dispute Notice”** has the meaning ascribed in Section 13.01 of this Agreement;
74. **“EDC”** means Export Development Canada;
75. **“Effective Time”** means 12:01 am Eastern Standard Time on January 1, 2015;
76. **“Escalation Notice”** has the meaning ascribed in Section 13.01(a) of this Agreement;
77. **“ESP”** means the Transport Canada-approved plan designed to extend the service life of a certain make and model of an aircraft;
78. **[details relating to the treatment of costs for the extended service program for Dash 8-300 aircraft omitted];**
79. **“Event of Default”** has the meaning ascribed in Section 12.03(b) of this Agreement;
80. **“Existing Operations”** has the meaning ascribed in Section 7.01 of this Agreement;

81. “**Extended Hub Airport**” has the meaning ascribed in Section 7.01 of this Agreement;
82. “**Extended MFN Right**” has the meaning ascribed in Section 7.01 of this Agreement;
83. “**Ferry Flight**” has the meaning ascribed in Section 5.11 of this Agreement;
84. “**Ferry Flight Payment**” means the payment made pursuant to Section 5.11 of this Agreement;
85. “**Final Seasonal Schedule**” has the meaning ascribed in Section 4.01(c) of this Agreement;
86. “**FIP**” means a flow incentive payment, made pursuant to the PMA;
87. “**Fixed Cost Payment**” means the payment made pursuant to Section 5.08 of this Agreement;
88. “**Fixed Margin per Covered Aircraft**” has the meaning ascribed thereto in Schedule E-2;
89. “**Fixed Margin per Covered Aircraft Payment**” means a payment made by Air Canada pursuant to Section 5.16 of this Agreement;
90. **[text related to labour rates omitted]**;
91. “**Flight Hour**” means the number of minutes that elapses from the moment the wheels of an aircraft leave the ground during a takeoff to the moment the wheels of such aircraft return to the ground during a landing, divided by sixty (60).
92. “**Flight Hour Payment**” means the payment made pursuant to Section 5.04 of this Agreement;
93. “**Force Majeure**” means an event beyond the reasonable control, and not attributable to the negligence, of the affected party which renders continued performance by such party of all or part of its obligations pursuant to this Agreement, impossible, highly impracticable or illegal (but shall not include delays or inability to perform caused by the financial inability of such Party), including, by way of example but without limitation, fire, flood, explosion, tornado, epidemic, earthquake, quarantine, embargo, acts of sabotage or other act of God, damage or destruction to equipment or facilities, or other riots or civil disputes, war (whether declared or undeclared), strike, lock-out or any other labour disruption, acts of terrorism or armed conflict, acts, orders, legislation, regulations or directives having force of law of any governmental authority or order of any court or regulatory body, fraud, breaches of system security, or serious accident;
94. “**FPMA**” means the future pilot mobility arrangement more fully described in Schedule “K”;
95. “**Guaranteed Block Hours**” has the meaning ascribed in Section 4.01(c) of this Agreement;
96. “**Guaranteed Minimum Number of Covered Aircraft**” has the meaning ascribed in Section 4.02(a);
97. “**Governmental Authority**” means any local, provincial or federal level of government in Canada or the United States of America having authority or jurisdiction to regulate the business and affairs of an air carrier, including, without limitation, Transport Canada, the Agency, the Commissioner of Competition, the Canadian Air Transport Security Authority, the Canada Border Services Agency, the United States Federal Aviation Authority, the United States Department of Transportation, the United States Transportation Security Administration, the United States Customs and Border Protection;

98. **“Governmental Regulations”** means the laws, regulations, rules and policies prescribed by a Governmental Authority;
99. **“HGS”** means the “Heads Up Guidance” system;
100. **“Hub Airport”** has the meaning ascribed in Section 7.01 of this Agreement;
101. **“Identification”** means the trademarks, service marks, trade names, corporate names, domain names, website names and world wide web addresses, trade addresses, logos, common law trademarks, trademark registrations and applications therefor, graphics, logos, emblems, uniform designs and distinctive exterior and interior colour schemes and other identification or indication of source or origin;
102. **“Infrastructure Fee”**: has the meaning ascribed in Schedule E-2;
103. **“Infrastructure Fee Payment”** means a payment made by Air Canada pursuant to Section 5.16;
104. **“IFRS”** means the International Financial Reporting Standards, as issued by the International Accounting Standards Board, as amended from time to time;
105. **“Intellectual Property”** means: (i) all domestic and foreign patents and applications therefor and all reissues, divisions, continuations, renewals, extensions and continuations-in-part thereof; (ii) all inventions (whether patentable or not), invention disclosure, improvements, trade secrets, proprietary information, know-how, technology, technical data, schematics and customer lists, and all documentation relating to any of the foregoing; (iii) all copyrights, copyright registrations and applications therefor, and all other rights corresponding thereto throughout the world; (iv) all forms of Identification; (v) all software (both source code and object code form) and any proprietary rights in such software, including documentation and other materials related thereto;
106. **“Invoice Dispute Notice”** has the meaning ascribed in Section 5.12(c) of this Agreement;
107. **“IOSA”** means the International Air Transport Association Operational Safety Audit;
108. **“ISP”** has the meaning ascribed in Section 5.25(a) of this Agreement;
109. **“IT”** means information technology;
110. **“Jazz Affiliate Q400 Spare Engine Lease”** has the meaning ascribed in Schedule L to this Agreement, Section 12(a);
111. **“Jazz Collective Agreements”** has the meaning ascribed in Section 4.10 of this Agreement;
112. **“Jazz Flights”** means those flights on aircraft other than the Covered Aircraft whose routes, schedules and rates are determined by Jazz in accordance with this Agreement;
113. **“Jazz Operation”** has the meaning ascribed in Schedule C to this Agreement, Section 11(a);
114. **“Jazz Revenues”** has the meaning ascribed in Section 5.01(a) of this Agreement;
115. **“Jazz Stations Cycle Rate (Passenger Services) – CAD”** has the meaning ascribed in Schedule D to this Agreement, paragraph J;

116. “**Jazz Stations Cycle Rate (Aircraft Services) – CAD**” has the meaning ascribed in Schedule D to this Agreement, paragraph K;
117. “**Jive**” has the meaning ascribed in Section 1.04(a) of this Agreement;
118. “**Lessor**” for the purpose of Schedule L to this Agreement, has the meaning ascribed in Section 2 (a) of such Schedule L;
119. “**Licensed Trademark**” has the meaning ascribed in Section 9.02 of this Agreement;
120. “**Jive CPA**” has the meaning ascribed in Section 1.04(b) of this Agreement;
121. “**Long Range Fleet Plan**” means the fleet plan identified as such on Schedule F to this Agreement;
122. “**MADUG**” means the minimum average daily utilization guarantee, as identified on Schedule A to this Agreement;
123. “**Maintenance PT Costs**” has the meaning ascribed in Section 5.19(a) of this Agreement;
124. “**Maintenance Rate Costs**” has the meaning ascribed in Section 5.19(a) of this Agreement;
125. “**Maintenance Saving Opportunities**” has the meaning ascribed in Section 5.19(a) of this Agreement;
126. “**Manuals**” has the meaning ascribed in Section 2.15 of this Agreement;
127. “**Marketing and Commercial Cancellation Block Hour Rate**” has the Rate ascribed in Schedule E-3;
128. “**Marketing and Commercial Cancellation Payment**” means the payment made pursuant to Section 5.09 of this Agreement;
129. “**Marks**” has the meaning ascribed in the recitals of this Agreement;
130. “**MFN Right**” has the meaning ascribed in Section 7.05 of this Agreement;
131. “**Monthly Schedule**” has the meaning ascribed in Section 4.01(c)(ii) of this Agreement;
132. “**MSA**” means the Master Services Agreement between Jazz and Air Canada dated September 24, 2004, as amended, updated or supplemented from time to time;
133. “**Non-Compete Geographic Area**” has the meaning ascribed in Section 7.01 of this Agreement;
134. “**Non-Covered Aircraft**” means any aircraft operated by Jazz which are not Covered Aircraft;
135. “**Party**” or “**Parties**” means a party to this Agreement, as well as its successors and permitted assigns;
136. “**Passenger Payment**” means the payment made pursuant to Section 5.06 of this Agreement;
137. “**Passenger Rate – CAD**” has the meaning ascribed in Schedule D, paragraph L;

138. **“Passenger Services”** has the meaning ascribed in Section 2.17 of this Agreement;
139. **“Passenger Services Rate”** has the Rate ascribed in Schedule I;
140. **“Pass-Through Costs”** has the meaning ascribed in Section 5.12(a) of this Agreement;
141. **“PAWOBS”** has the meaning ascribed in Schedule C to this Agreement, Section 9;
142. **“PCIDSS”** means Payment Card Industry Data Security Standard, as may be amended from time to time;
143. **“Performance Incentive Payment”** means the payment made pursuant to Section 5.13 of this Agreement;
144. **“Performance Incentive Targets”** has the meaning ascribed in Schedule C to this Agreement, Section 1;
145. **“Performance Period”** means each three (3) month period ending on March 31, June 30, September 30 or December 31 occurring during the Term;
146. **“Person”** means an individual, corporation, company, cooperative, partnership, trust, unincorporated association, and entity with juridical personality or governmental body; and pronouns which refer to a **“Person”**, shall have similar extended meaning;
147. **“PMA”** means the pilot mobility arrangement more fully described in Schedule “K”;
148. **“PML”** means the pilot mobility list, established pursuant to the PMA;
149. **“Pre-Activation Ownership Payment”** has the meaning set forth in Section 5.07 of this Agreement;
150. **“PTH Excluded Stations”** means the Stations designated as PTH Excluded Stations in Schedule “H”;
151. **“Q400 Purchase Agreement”** means the purchase agreement between Jazz and Bombardier Inc. dated April 30, 2010, as amended, updated or supplemented from time to time;
152. **“Ramp Services”** has the meaning ascribed in Section 2.17 of this Agreement;
153. **“Ramp Services Rate”** has the Rate ascribed in Schedule I;
154. **“Rates”** has the meaning set forth in Section 5.23 of this Agreement;
155. **“Receiving Party”** has the meaning set forth in Section 8.02 of this Agreement;
156. **“Regulatory Certification”** means any and all certifications and approvals by Transport Canada, the Agency and other Governmental Authorities required for Jazz to operate the Aircraft and to provide Air Services pursuant to the terms of this Agreement and all Governmental Regulations;
157. **“Return Condition Liability”** has the meaning ascribed in Section 3.21(a) of this Agreement;

158. “**Scheduled Flights**” means those flights on the Covered Aircraft whose routes, schedules and fares are determined by Air Canada in accordance with this Agreement. For greater certainty, “**Scheduled Flights**” shall not include Jazz Flights or Charter Flights;
159. “**Schedule Period**” has the meaning ascribed in Section 4.01 of this Agreement;
160. “**Scheduling Process and Parameters Document**” has the meaning set forth in Section 4.04 of this Agreement;
161. “**Seasonal Operating Plan**” has the meaning ascribed in Section 4.01(b) of this Agreement;
162. “**Spare Engine**” means any spare engine used to support a Covered Aircraft;
163. “**Specified Stations**” means the Stations designated as Specified Stations in Schedule “H”;
164. “**Stations**” means those cities identified from time to time by Air Canada to and from which Jazz shall operate Scheduled Flights;
165. “**Station Provisioning Costs**” has the meaning ascribed in Section 3.10(f) of this Agreement;
166. “**Station Termination Costs**” has the meaning ascribed in Section 3.10(g) of this Agreement;
167. “**Systems Cycle Rate – CAD**” has the meaning ascribed to it in Schedule D, paragraph F;
168. “**Systems Cycle Rate – USD**” has the meaning ascribed to it in Schedule D, paragraph G;
169. “**Taxes**” has the meaning ascribed to it in Section 5.29 of this Agreement;
170. “**Term**” has the meaning ascribed to it in Section 12.01;
171. “**Termination Date**” means the date on which this Agreement terminates whether by the expiry of the Term or as a result of a termination pursuant to Section 12.03;
172. “**Ticketing Services**” has the meaning ascribed in Section 2.14(a) of this Agreement;
173. “**Tier III Carrier**” means an air carrier operating in Canada that has a commercial agreement with Air Canada to operate propeller aircraft with a maximum seating capacity of 19 seats;
174. “**Transport Canada**” means Transport Canada or any successors to its functions with respect to the regulation of air transportation in Canada;
175. “**Unifor CSA Collective Agreement**” has the meaning ascribed in Section 4.10 of this Agreement;
176. “**USD**” or “**US\$**” means the lawful currency of the United States of America;
177. “**VSP**” means a voluntary severance package.
178. “**Weather and ATC Cancellation Block Hour Rate**” has the Rate ascribed in Schedule E-3;
179. “**Weather and ATC Cancellation Cycle Rate**” has the Rate ascribed in Schedule E-3; and

180. **“Weather and ATC Cancellation Payment”** means the payment made pursuant to Section 5.10 of this Agreement.