



April 22, 2016

Mr. Calin Rovinescu
President and Chief Executive Officer
Air Canada
Air Canada Centre
7373 Côte-Vertu Boulevard West
Saint-Laurent QC, H4S 1Z3

Dear Calin,

Re: Incremental Fleet – Addition of Five CRJ900 Aircraft

Reference is made to the Incremental Fleet - Letter of Intent effected as of September 28, 2015 (the "Incremental Fleet – Letter of Intent") between Air Canada and Jazz Aviation LP ("Jazz"). All capitalized terms not otherwise defined in this letter ("**Letter Agreement**") will have the meaning ascribed to them in the amended and restated capacity purchase agreement entered into between Air Canada and Jazz expiring on December 31, 2025 (the "**CPA**").

The CRJ705 and CRJ900 will become a common fleet type going forward for purposes of the CPA.

This Letter Agreement details the principal commercial terms agreed upon in respect of the acquisition of five CRJ900 aircraft as depicted in Schedule A (the "**CRJ900 Aircraft**") for introduction into the fleet of Covered Aircraft and the corresponding amendments to the CPA. The number of CRJ705 Covered Aircraft detailed in Section A of Schedule F (*Long Range Fleet Plan and Flight Crew Model and Cabin Crew Model Block Hours*) of the CPA will be increased in 2017 by the inclusion of CRJ900 Aircraft for a year-end total of 21 Covered Aircraft. The provisions of the CPA and the Incremental Fleet – Letter of Intent relating to CRJ705 Covered Aircraft will apply to the CRJ900 Aircraft except the provisions relating to acquisition of the CRJ900 Aircraft shall be as follows:

1. **Certain Definitions.**

- (a) "**CRJ900 Purchase Agreement**" means the purchase agreement between Bombardier Inc. and Chorus bearing No. PA-0912 and dated April 22, 2016.
- (b) **[Details relating to calculation of the CRJ900 Aircraft Purchase Price omitted]**
- (c) "**CRJ900 Transaction Costs**" means all of the transaction costs incurred by Jazz, Chorus Aviation Inc. ("**Chorus**") and Jazz's Affiliate lessor entities in connection with the financing, leasing and acquisition of the CRJ900 Aircraft **[text describing the CRJ900 Transaction Costs including the percentage of the maximum amount of CRJ900 Transaction Costs omitted]**.
- (d) "**Existing Q400 Aircraft**" means the Bombardier Q400 aircraft leased by Jazz Leasing Inc. and operated by Jazz as of the Effective Time.

- (e) **“Post Delivery IFE Installation”** means the modifications which are requested by Air Canada for the installation of the **[manufacturer’s identity omitted]** in-flight entertainment system on the CRJ900 Aircraft after acceptance of the Aircraft by Jazz.

2. CRJ900 Aircraft Lease Structure.

- (a) Chorus has entered into the CRJ900 Purchase Agreement pursuant to which Chorus has the right to acquire the CRJ900 Aircraft from Bombardier Inc. The CRJ900 Purchase Agreement shall be assigned to one or more of Affiliates of Chorus existing as of the date hereof or that may be created to own one or more of the CRJ900 Aircraft (each a **“CRJ900 Lessor”**). **[Text describing the CRJ900 Transaction Costs including the percentage of the maximum amount of the CRJ900 Transaction Costs omitted]**
- (b) **[Text describing the CRJ900 Transaction Costs including the percentage of the maximum amount of the CRJ900 Transaction Costs omitted]**
- (c) **[Text describing the CRJ900 Transaction Costs including the percentage of the maximum amount of the CRJ900 Transaction Costs omitted]**

3. CRJ900 Aircraft Delivery Schedule.

The delivery schedule for the CRJ900 Aircraft from Bombardier Inc. shall target deliveries set out in the CRJ900 Purchase Agreement, which includes five CRJ900 Aircraft to be delivered on December 29, 2016, unless otherwise agreed in writing by Chorus and Bombardier Inc. (the **“CRJ900 Delivery Schedule”**)

4. CRJ900 Aircraft Entry into Service Schedule.

- (a) Jazz shall provide the CRJ900 Aircraft for entry into service to Air Canada on the following dates: **[entry into service dates omitted]**
- (b) Immediately prior to entry into service, each CRJ900 Aircraft shall undergo a modification program to ensure availability as a Covered Aircraft on the entry into service dates specified in paragraph 4(a) above. Such modification shall include the installation of the **[manufacturer’s identify omitted]** system and the **[manufacturer’s identify omitted]** in-flight internet system.
- (c) Air Canada will provide or cause to be provided all parts required to install the **[manufacturer’s identify omitted]** system and the **[manufacturer’s identify omitted]** in-flight internet system (including the certification by Transport Canada for installation of that system) in each of the CRJ900 Aircraft to Jazz or a Person designated by Jazz. **[Details of installation costs omitted]**
- (d) **[Details of installation costs and schedule omitted]**
- (e) The Parties will ensure that the timing of delivery of all parts required in the two foregoing paragraphs gives sufficient lead time to meet the entry into service dates specified above.
- (f) **[Text describing the scheduling of CRJ900 Aircraft and substitute aircraft in the event of delayed deliveries omitted]**

5. **CRJ900 Lease Agreement Return Conditions.**

CRJ900 Lease Agreement return conditions will be the same terms and conditions specified in Article 22 (*Return of Aircraft*) of the Existing Q400 Aircraft lease agreements by and between Jazz Leasing and Jazz.

6. **CRJ900 Transaction Costs.**

Jazz shall on or before September 30, 2017 perform a reconciliation comparing actual CRJ900 Transaction Costs against the estimated CRJ900 Transaction Costs **[text related to CRJ900 Transaction Costs omitted]**.

7. **CRJ900 Aircraft Impact on Pre-Activation Ownership Payment.**

Notwithstanding paragraph 4 of this Letter Agreement and the period of time for which the Pre-Activation Ownership Payment is payable under Section 5.07 (*Aircraft Ownership Payment and Pre-Activation Ownership Payment*) of the CPA, and provided that Air Canada complies with this Letter Agreement, the Pre-Activation Ownership Payments covering the CRJ900 Aircraft shall be calculated as follows:

[Text related to CRJ900 Aircraft impact on Pre-Activation Ownership Payment omitted]

8. **CRJ900 Aircraft Impact on Maintenance and Ownership Rates.**

- (a) All agreed maintenance Rates for CRJ705 aircraft for the rate period beginning on January 1, 2017 and for subsequent rate periods will be set to reflect the entry dates of the CRJ900 Aircraft.
- (b) The agreed CRJ705 Aircraft Ownership Variable Rates Per Flight Hour – USD for the rate period beginning on January 1, 2017 and for subsequent rate periods will be adjusted to reflect the entry of the CRJ900 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 CRJ705 aircraft set forth pursuant to this Letter Agreement for the rate period beginning on January 1, 2017 and for subsequent rate periods will be adjusted to reflect the entry into service of the CRJ900 Aircraft.
- (d) Schedule “E-3” and applicable Annexes to Schedule “E-3” of the CPA shall be amended to reflect such rates upon their agreement between the Parties in accordance with this Letter Agreement and the CPA.
- (e) **[Details describing the establishment and treatment of the transaction expense component of the Aircraft Ownership Variable Rates omitted]**
- (f) The lease expense component of the Aircraft Ownership Variable Rates applicable to each CRJ900 Aircraft will be adjusted to reflect the monthly amount of the lease expense (the “**Additional Lease Expense**”) for each delivered CRJ900 Aircraft determined as described pursuant to paragraph 8 of this Letter Agreement from the date each such aircraft is delivered to Jazz.

9. **CRJ900 Aircraft Lease Rate.**

[Details relating to calculation of the CRJ900 Aircraft Lease Rate omitted]

10. **CRJ900 Aircraft Maintenance Program.**

[Details relating to the costs per utilization maintenance agreements which Jazz may enter into with third party maintenance organizations omitted]

11. **CRJ900 Aircraft Limitation of Indemnity Obligations.**

In relation to the CRJ900 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 CRJ900 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 CRJ900 Aircraft; or (iii) any Person in the Chorus Group is responsible for the CRJ900 Lessor's change of tax status.

12. **Aircraft Options – CPA Expiry.**

If the CPA 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 12, 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.

13. **Other matters.**

(a) All terms and conditions of the CPA remain unchanged other than as required to implement the amendments contemplated in this Letter Agreement.

(b) The provisions of this Letter Agreement are intended to be binding on the Parties from the date hereof and is subject to (i) execution of PA-0912 between Chorus and Bombardier Inc., (ii) approval of the board of directors of Air Canada on or before March 31, 2016, (iii) approval of the board of directors of Chorus Aviation Inc. on or before March 31, 2016, and (iv) EDC approval of

the changes to the CPA and the leasing structure contemplated by this Letter Agreement for purposes of securing a letter of offer for financing on terms substantially similar to those applicable to the Additional 13 Q400 Aircraft.

Kindly provide your acknowledgement and agreement to the above terms and conditions by signing where indicated below.

Sincerely yours,

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

(signed) *“Joseph Randell”*
By: _____
Joseph Randell
Chief Executive Officer

Accepted and agreed by:

AIR CANADA

(signed) *“Calin Rovinescu”*
By: _____
Calin Rovinescu
President and Chief Executive Officer

Date: April 25, 2016

(signed) *“Kevin Howlett”*
By: _____
Kevin Howlett
Senior Vice President, Regional Markets

Date: _____

Schedule A

**[Diagram depicting layout of passenger accommodations
and related technical specifications omitted]**