chorus
aviation inc.

Delivering regional aviation to the world

Chorus Aviation Inc.

Annual Information Form

February 18, 2021

EXPLANATORY NOTES 3
CORPORATE STRUCTURE 4
THE CHORUS BUSINESS 6
CHORUS BUSINESS SEGMENTS - REGIONAL AVIATION SERVICES 12
CHORUS BUSINESS SEGMENTS - REGIONAL AIRCRAFT LEASING 17
RESOURCES 18
FACILITIES 19
CAPITAL STRUCTURE 19
COMPETITION 29
LOGOS AND TRADEMARKS 30
REGULATORY ENVIRONMENT 31
RISK FACTORS 37
MARKET FOR SECURITIES 56
SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER 57
TRANSFER AGENTS AND REGISTRARS 57
DIVIDENDS 57
DIRECTORS AND OFFICERS 58
CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS 63
LEGAL PROCEEDINGS 63
CONFLICTS OF INTERESTS 64
INTEREST OF EXPERTS 64
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS 64
MATERIAL CONTRACTS 64
ADDITIONAL INFORMATION 65
GLOSSARY OF TERMS 67

EXPLANATORY NOTES

The information in this AIF is stated as at December 31, 2020, unless otherwise indicated.

Corporation - References herein to the "Corporation" refer solely to Chorus Aviation Inc.

Chorus - References herein to "Chorus" include references, as the context may require, to Chorus Aviation Inc. and one or more of its current and former subsidiaries.

Management - References herein to “management” refer to the management of Chorus.

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

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

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

Caution regarding forward-looking information – This AIF contains certain forward-looking information with respect to the Corporation and its subsidiaries, including those regarding its results, its financial position, its outlook for the future and planned measures. Forward- looking information is identified by the use of terms and phrases such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “potential”, “predict”, “project”, “will”, “would”, and similar terms and phrases, including references to assumptions. Such information may involve but is not limited to comments with respect to strategies, expectations, planned operations or future actions.

Forward-looking information relates to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable, and other uncertain events. Forward-looking information, by its nature, is based on assumptions, including those referenced below, and is subject to important risks and uncertainties. Any forecasts or forward-looking predictions or statements cannot be relied upon due to, among other things, external events, changing market conditions and general uncertainties of the business. Such statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to differ materially from those expressed in the forward-looking information. Actual results may differ materially from anticipated results indicated in forward-looking information for a number of reasons, including without limitation, the development of circumstances which differ from the assumptions in the Annual MD&A under the heading “Outlook”; a prolonged duration of the COVID-19 outbreak and/or future restrictive measures to contain its spread; the evolving impact of COVID-19 on Chorus’ contractual counterparties; changes in the aviation industry and general economic conditions; risks relating to Chorus’ economic dependence on and relationship with Air Canada including the continued payment (in whole or in part) of amounts due under the CPA and the risk of disputes under the CPA; including the continued payment (in whole or in part) of amounts due under the CPA and the risk of disputes under the CPA; the failure to close pending aircraft acquisitions or lease commitments relating to future aircraft deliveries; the failure to secure financing for future capital commitments; risks relating to the aviation industry (including the international operation of aircraft in developing countries and areas of unrest); risks relating to aircraft leasing (including the financial condition of lessees, availability of aircraft, access to capital, fluctuations in aircraft market values, competition and political risks); the failure of Chorus or any other party to satisfy conditions precedent to the closing of transactions that are announced prior to their completion; energy prices, general industry, market, credit, and economic conditions (including a severe and prolonged economic downturn which could result in reduced payments under the CPA); increased competition affecting Chorus and/or Air Canada;

insurance issues and costs; supply issues and costs; the risk of war, terrorist attacks, aircraft incidents and accidents; fraud, cybersecurity attacks or other criminal behaviour by internal or external parties; the continuation of the COVID-19 pandemic and/or the emergence of new disease epidemics or pandemics; environmental factors or acts of God; changes in demand due to the seasonal nature of Chorus' business or general economic conditions; the ability to reduce operating costs and employee counts; the ability of Chorus to secure financing or refinance existing indebtedness or assets; the ability of Chorus to attract and retain the talent required for its existing operations and future growth; the ability of Chorus to remain in good standing under and to renew and/or replace the CPA and other important contracts; employee relations, labour negotiations or disputes; pension issues and costs; currency exchange and interest rates; debt leverage and restrictive covenants contained in debt facilities; future changes (if any) to Chorus' dividend policy; managing growth; changes in laws; adverse regulatory developments or proceedings in countries in which Chorus and its subsidiaries operate or will operate; pending and future litigation and actions by third parties; and the risks referred to in the "Risk Factors" section of this AIF as well as the factors identified throughout this AIF. Readers are cautioned that the foregoing list of factors and risks is not exhaustive.

Examples of forward-looking information in this AIF include the discussion under the headings "The Chorus Business", "Chorus Business Segments – Regional Aviation Services", "Chorus Business Segments – Regional Aircraft Leasing" and "Capital Structure", as well as discussion throughout this AIF regarding expectations as to Chorus' future contracted revenues, the Corporation's financial strength and liquidity, the recovery of passenger air travel in Canada and around the world, and the execution of the Corporation's growth strategy**.** The forward-looking information contained in this AIF represents the Corporation's expectations as of the date hereof and is subject to change after such date. However, the Corporation disclaims any intention or obligation to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws.

CORPORATE STRUCTURE

The Corporation is a holding company with various aviation interests incorporated on September 27, 2010 pursuant to the *Canada Business Corporations Act*.

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

The Corporation's Restated Articles of Incorporation, Articles of Amendment, and Third Amended and Restated By-Law No. 1 are available on Chorus' website at www.chorusaviation.com and on SEDAR at www.sedar.com. The Corporation's articles were most recently amended to increase the Corporation's authorized capital by creating Preferred Shares. The amendments to the Corporation's articles were approved by Shareholders at the Corporation's Annual and Special Meeting of Shareholders held on June 29, 2020.

Additional information regarding Chorus' corporate structure is provided in the consolidated financial statements for the year-ended December 31, 2020 and the Annual MD&A, both of which are available on Chorus' website at www.chorusaviation.com and on SEDAR at www.sedar.com.

Organizational Structure

As of the date of this AIF, the table below identifies the Corporation's subsidiaries, where they are incorporated or registered, and the percentage of shares or units of such subsidiaries that the Corporation directly or indirectly beneficially owns or exercises control or direction over.

Subsidiary	Jurisdiction of Incorporation or Registration	Percentage of shares or units directly or indirectly held by Chorus at February 18, 2021
Entities in Regional Aircraft Leasing Segment		
Bloom Aircraft Leasing Limited*	Ireland	100%
Chorus Aviation Capital Corp.	Canada	100%
Chorus Aviation Capital (Ireland) Limited	Ireland	100%
Chorus Aviation Capital (U.K.) Limited	England and Wales	100%
Chorus Aviation Capital (USA), Inc.	Delaware, USA	100%
Chorus Aviation Capital (Singapore) Pte. Ltd.	Singapore	100%
Chorus Aviation Leasing Inc.	Canada	100%
Clare Aircraft Leasing Limited*	Ireland	100%
Clontarf Aircraft Leasing Limited*	Ireland	100%
Commuter Aircraft Leasing Limited*	Ireland	100%
Commuter Aircraft Leasing 2017 I Limited*	Ireland	100%
Commuter Aircraft Leasing 2017 II Limited*	United Kingdom	100%
Commuter Aircraft Leasing 2017 III Limited*	Ireland	100%
Commuter Aircraft Leasing 2017 IV Limited*	Ireland	100%
Commuter Aircraft Leasing 2017 V Limited*	Ireland	100%
Commuter Aircraft Leasing 2017 VI Limited*	Ireland	100%
Commuter Aircraft Leasing 2017 VII Limited*	Ireland	100%
Commuter Aircraft Leasing 2017 VIII Limited*	Ireland	100%
Cork Aircraft Leasing Limited*	Ireland	100%
Dedalus Q400 Leasing Limited*	Ireland	100%
Donegal Q400 Leasing Limited*	Ireland	100%
Galway Aircraft Leasing Limited *	Ireland	100%
Kerry ATR72 Leasing Limited*	Ireland	100%
Kilkenny Aircraft Leasing Limited*	Ireland	100%
Limerick Aircraft Leasing Limited *	Ireland	100%
Malahide Aircraft Leasing Limited *	Ireland	100%
Newgrange Aircraft Leasing Limited *	Ireland	100%
Portlaoise Aircraft Leasing Limited *	Ireland	100%
Sandycove Aircraft Leasing Limited*	Ireland	100%
Slane Aircraft Leasing Limited *	Ireland	100%
Tipperary Aircraft Leasing Limited*	Ireland	100%
Waterford Aircraft Leasing Limited*	Ireland	100%
Entities in Regional Aviation Services Segment		
Aviation General Partner Inc.	Ontario	100%
Jazz Aviation LP**	Ontario	100%
Jazz Leasing Inc.*	Canada	100%
Voyageur Aviation Corp.	Ontario	100%

* Special purpose entities formed to hold the legal or beneficial interest in aircraft and/or aircraft leases.
** Limited partnership. All limited partnership units are owned by the Corporation. The general partner is Aviation General Partner Inc.

THE CHORUS BUSINESS

Chorus' vision is to deliver regional aviation to the world. Headquartered in Halifax, Nova Scotia, Chorus comprises Chorus Aviation Capital, a leading lessor of regional aircraft to airlines around the world, and Jazz and Voyageur, companies that have long histories of safe flight operations with excellent customer service. Through its subsidiaries, Chorus provides a full suite of regional aviation support services that encompasses every stage of an aircraft's lifecycle, including: aircraft acquisition and leasing; aircraft refurbishment, engineering, modification, repurposing and preparation; contract flying; aircraft and component maintenance, disassembly, and parts provisioning.

Chorus groups its businesses into two reporting segments:

(1) **Regional Aviation Services:** This segment includes all three sectors of the regional aviation industry in which Chorus currently operates. This segment also includes corporate expenses, such as interest expense on the 6.00% Debentures, the 5.75% Unsecured Debentures, the Unsecured Revolving Credit Facility and the Operating Credit Facility, executive and share-based compensation, and professional fees.

a) Contract flying: Chorus provides contract flying services, commonly referred to as "wet leasing", through two of its wholly-owned subsidiaries: Jazz and Voyageur.

Jazz is the largest regional airline in Canada and operates more flights into more airports in Canada through its scheduled services under the CPA with Air Canada than any other Canadian airline. Under the CPA, Jazz operates substantially all its capacity on behalf of Air Canada under the Air Canada Express brand. (For additional information, please see "Chorus Business Segments - Regional Aviation Services - Contract Flying - Capacity Purchase Agreement with Air Canada.")

Voyageur provides charter services and specialized contract flying, such as medical, logistical and humanitarian flights, to international and Canadian customers.

b) Aircraft leasing: Jazz currently earns leasing revenue under the CPA from Chorus-owned Dash 8-400s, CRJ900s, Dash 8-300s and Spare Engines. (For additional information, please see "Chorus Business Segments – Regional Aviation Services – Contract Flying – Capacity Purchase Agreement with Air Canada"). Please refer to the Annual MD&A for the number of aircraft and engines from which Chorus earns leasing revenue under the CPA. Voyageur also earns some revenue from aircraft leasing.

c) Maintenance, repair and overhaul ("**MRO**"), part sales and technical services: Jazz, through its Jazz Technical Services division, provides 24/7 MRO services and is certified on Dash aircraft and CRJ aircraft products as well as Embraer 135 and 145 aircraft. Voyageur provides specialty, MRO and engineering services on Dash aircraft and CRJ aircraft products and is Transport Canada, Federal Aviation Administration and European Aviation Safety Agency certified. Capabilities also include technical advisory support as well as aircraft disassembly and aircraft parts provisioning and sales offering. (For additional information, please see "Chorus Business Segments - Regional Aviation Services – Maintenance, Repair and Overhaul Operations".)

(2) **Regional Aircraft Leasing:** Chorus provides aircraft leasing to third-party air operators, commonly referred to as "dry leasing", through its wholly-owned subsidiary, Chorus Aviation Capital. As of February 18, 2021, CAC's portfolio of leased aircraft consists of 62 aircraft of which 49 aircraft are on lease to airline customers comprising 18 Dash 8-400s, 16 ATR72-600s, four CRJ1000s, four E190s, two E195s and five A220-300s. CAC owns 13 aircraft that are currently off-lease and intends to remarket them for lease to other airlines. Please refer to the Annual MD&A for the number

of leased aircraft in CAC's portfolio which section is deemed incorporated into this AIF by reference. (For additional information, please see "Chorus Business Segments - Regional Aircraft Leasing".)

Three-Year History

This section contains forward-looking statements. Please refer to the caution regarding forward-looking statements included in the section of this AIF titled "Explanatory Notes".

2020 (including subsequent events up to and including February 18, 2021)

On January 19, 2021, Chorus announced that Jazz was named one of Canada's Top Employers for Young People for the ninth year. Canada's Top Employers for Young People is an editorial competition organized by the Canada's Top 100 Employers project and recognizes employers that offer the nation's best workplaces, programs and initiatives to attract and retain younger people entering the workforce.

On January 14, 2021, Chorus announced that Jazz was recognized as one of Nova Scotia's Top Employers for the tenth consecutive year by Mediacorp Canada Inc.

On January 7, 2021, Chorus announced that Jazz was recognized as one of Atlantic Canada's Top Employers for the tenth consecutive year by Mediacorp Canada Inc.

On December 23, 2020, Chorus announced the delivery of two new Airbus A220-300 aircraft to airBaltic of Latvia. The aircraft were the final two of five units placed on long-term lease with the airline through a sale and leaseback transaction announced on November 20, 2019.

On November 2, 2020, Chorus announced that Jazz Aviation was named among Canada's Safest Employers 2020 winning gold in the Public Transportation category. This is Jazz's fourth consecutive year accepting awards at the Canada's Safest Employers event. The awards recognize companies from across Canada with outstanding accomplishments in promoting the health and safety of their employees.

On September 21, 2020, Chorus announced the delivery of a new Airbus A220-300 aircraft to airBaltic of Latvia. The aircraft was the third of five units to be placed on long-term lease with the airline through a sale and leaseback transaction announced on November 20, 2019.

On June 30, 2020, the Corporation issued a statement in response to Air Canada's announcement (of the same date) regarding the discontinuation of 30 regional routes.

On June 30, 2020, Aeromexico filed for voluntary Chapter 11 petitions in the United States. At the time of the filing, Chorus Aviation Capital leased three E190s to Aeromexico.

On June 29, 2020, the Corporation announced the election of its directors and the appointment of Richard Falconer as Chairman of its Board of Directors.

On May 25, 2020, Chorus announced that Jazz was a recipient of the 2019 Outstanding Commitment to Employment Equity award by Employment and Social Development Canada.

On April 28, 2020, the Corporation announced that it had executed a US$100 million unsecured revolving credit facility to be used for general corporate purposes.

On April 27, 2020, the Corporation announced that it was adopting a shareholder rights plan effective as of April 27, 2020.

On April 20, 2020, Virgin Australia entered into voluntary administration and in early September 2020, Virgin Australia terminated its lease agreements with Chorus Aviation Capital for three ATR72-600s.

During April 2020, CityJet filed for examinership. During the third quarter, Chorus Aviation Capital repossessed two CRJ900s previously on lease to CityJet pursuant to a negotiated termination agreement.

On April 9, 2020, Chorus announced Jazz's intention to adopt the Canadian Emergency Wage Subsidy ("**CEWS**") in view of a 90% reduction in its flying operations until at least the end of May 2020.

On April 6, 2020, Chorus provided an update on the impact of the COVID-19 pandemic on its business and announced its initiatives to preserve liquidity including, significant employee reductions, deferral of Chorus Aviation Capital's pending transactions, the suspension of Chorus' dividend and its Dividend Reinvestment Plan and the temporary reduction of management and administrative salaries.

On March 18, 2020, Chorus provided a statement on the impact of the COVID-19 pandemic on its business, noting that the measures taken to contain the spread of COVID-19 had resulted in significant reductions in airline passenger volumes, requiring airlines around the world to take immediate measures to reduce costs. The Corporation noted it was working closely with Air Canada to find efficiencies, adjust schedules and implement operational changes, and that many of Chorus Aviation Capital's lessees had requested some measure of temporary rent relief.

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic.

On March 5, 2020, Flybe Limited ceased operating and was placed in administration. Chorus had three ATR 72-600 and five Dash 8-400 aircraft on lease with Flybe.

On January 20, 2020, Chorus announced that Jazz Aviation was named one of Canada's Best Diversity Employers for the ninth consecutive year by Mediacorp Canada Inc.

On January 13, 2020, Chorus announced the progress made by Chorus Aviation Capital in 2019, noting that in December 2019, CAC had grown its portfolio by a further two mid-life Dash 8-400s on lease to Croatia Airlines and two new ATR 72-600s on lease to IndiGo. Additionally, CAC announced that it had extended its lease agreements with Aeromexico Connect, a subsidiary of Aeromexico, in respect of three Embraer 190 aircraft previously acquired in 2017.

2019

As of December 31, 2019, Jazz Technical Services, the MRO division of Jazz, had successfully completed the ESP on 13 Dash 8-300 aircraft since the launch of the ESP in April 2017. Chorus is the launch customer for the Dash 8-300 ESP, the first of its kind for this aircraft type. The ESP extends the life a Dash 8-300 by 50% (or approximately 15 years).

In December, 2019, the Corporation raised gross proceeds of $86.25 million through a public offering of 5.75% senior unsecured debentures due December 31, 2024 (the "**5.75% Unsecured Debentures**"), the net proceeds of which will be used to fund the growth of Chorus Aviation Capital, including the acquisition of aircraft intended for or currently on lease to third parties, as well as for working capital requirements and general corporate purposes. A copy of the short form prospectus for the offering is available on SEDAR at www.sedar.com.

On November 20, 2019, Chorus announced that Chorus Aviation Capital had entered into a sale-leaseback agreement with airBaltic of Latvia to acquire five new Airbus A220-300 aircraft under a sale and lease-back transaction, marking the addition of this new aircraft type to the CAC product offering.

On November 19, 2019, Jazz Aviation, CAE and Seneca announced the launch of the first cadet pilot training program in Canada. This new program provides cadets with a conditional letter of employment from Jazz.

On November 17, 2019, Chorus announced that Voyageur had entered into an agreement with BendixKing to develop a Supplemental Type Certificate (STC) for the design installation of the BendixKing AeroVue™ avionics upgrade for the Dash 8-100/200/300 series of aircraft.

On November 17, 2019, Voyageur and Segers Aviation SA, a Segers Group company, announced the establishment of a regional aircraft parts depot in Dubai, UAE. Under this agreement, Voyageur will be providing a pool of spare parts for Dash aircraft and CRJ aircraft to Segers for sale or exchange.

On October 23, 2019, Chorus announced that Jazz was named among Canada's Safest Employers 2019, taking Gold in the Transportation category. The awards recognize companies from across Canada with outstanding accomplishments in promoting the health and safety of their employees

On October 7, 2019, Chorus announced that Chorus Aviation Capital had acquired two ATR72-600 aircraft on lease to Malindo Air, a Malaysian operator forming part of the Lion Air Group. Earlier in 2019, Chorus Aviation Capital also delivered two new ATR 72-600 aircraft for lease to Malindo Air, bringing the total number of aircraft leased by Chorus Aviation Capital to the Lion Air Group to five.

In October 2019, Chorus sold three Dash 8-400 aircraft that were on lease to Falcon.

On August 21, 2019, Jazz Aviation announced that it had signed an agreement with Toronto Airways Inc. to expand their Instructor Pathway Program. The carrier become the 20th organization in the Jazz Aviation Pathways Program.

On June 13, 2019, Chorus announced that Chorus Aviation Capital had entered into agreements to deliver six new ATR72-600 aircraft to IndiGo of India under a sale and leaseback transaction.

On May 21, 2019, Chorus announced that Chorus Aviation Capital had entered into a purchase agreement to acquire five, mid-life Dash 8-400 aircraft currently on lease with Europe's largest independent regional airline, Flybe.

On May 13, 2019, Chorus received court approval of its plan of arrangement effecting amendments to the Corporation's articles and by-laws to align the permitted level of non-Canadian ownership and control of its voting shares within its articles with those prescribed by the new definition of "Canadian" under the Canada Transportation Act (as amended in June 2018).

On April 17, 2019, the Corporation announced that Chorus Aviation Capital entered into agreements to deliver five new Dash 8-400 aircraft to SpiceJet of India under a sale and leaseback transaction.

On March 11, 2019, the Corporation announced an executive realignment to support its growth and diversification strategies.

On March 1, 2019, the Corporation announced that Jazz Aviation was named one of Canada's Best Diversity Employers for the eighth consecutive year, by Mediacorp Canada Inc.

On February 21, 2019, Chorus announced it had entered into an agreement to acquire two ATR72-600s on lease to Azul of Brazil, and four Dash 8-400s on lease to two other existing customers of Chorus Aviation Capital. The acquisition of the aircraft on lease to Azul was complete at the time of the announcement with the remaining acquisitions of the aircraft on lease to the other two lessees to be completed in the first quarter of 2019 subject to the satisfaction of customary conditions precedent.

On February 6, 2019, Chorus announced it had entered into a firm purchase agreement to acquire nine new CRJ900 aircraft. These aircraft are expected to be delivered in 2020. Once delivered, they will be operated by Jazz and earn revenue for Chorus under the CPA.

On February 4, 2019, the Air Canada Investment was completed (resulting in the issuance of 15,561,600 Voting Shares to Air Canada for gross proceeds of $97.26 million), the Corporation and Air Canada entered into an investor rights agreement (the "**Investor Rights Agreement**"), and the 2019 CPA Amendments became effective on a retroactive basis to January 1, 2019. Copies of the term sheet setting out the 2019 CPA Amendments, the subscription agreement in respect of the Air Canada Investment, and the Investor Rights Agreement are all available on SEDAR at www.sedar.com.

On January 31, 2019, Chorus announced that Jazz's pilots, represented by ALPA, had ratified the amendments to the collective agreement referenced in Chorus' announcement dated January 14, 2019, extending the agreement to December 31, 2035.

On January 21, 2019, Chorus announced that its subsidiary, CACIL, secured a US $300.0 million committed, revolving credit facility to be used to finance future aircraft acquisitions for its regional aircraft leasing business.

On January 14, 2019, Chorus announced that it had reached an agreement with Air Canada to amend the CPA and extend its term for an additional 10 years ending December 31, 2035 (the "**2019 CPA Amendments**"). The 2019 CPA Amendments were subject to certain material conditions precedent to closing, including the ratification of amendments to the collective agreement tentatively agreed between Jazz and its pilots, as represented by ALPA. Chorus also announced that Air Canada would make a $97.26 million equity investment in the Corporation, which was expected to result in Air Canada holding approximately 9.99% of the Corporation's issued and outstanding shares (the "**Air Canada Investment**"). Copies of the Corporation's Material Change Reports dated January 24, 2019 and February 13, 2019 describing the foregoing transactions in further detail are available on SEDAR at www.sedar.com and are deemed incorporated into this AIF by reference.

On January 1, 2019, Voyageur Aviation Corp., Voyageur Aerotech Inc., Voyageur Airways Limited, Voyageur Avparts Inc., North Bay Leasing Inc. and Chorus Aviation Holdings II Inc. were amalgamated under the Business Corporations Act (Ontario) as "Voyageur Aviation Corp.". Voyageur continues to use "Voyageur Airways", "Voyageur Aerotech" and "Voyageur Avparts" as registered business names in conducting its ACMI, MRO and USM businesses, respectively.

2018

As of December 31, 2018, Chorus Aviation Capital grew its portfolio of aircraft to 34 with the following additions occurring over the course of 2018 (inclusive of five transactions pending completion):

- One ATR72-600 aircraft leased to Azul Airlines;
- Two CRJ900 aircraft leased to CityJet;
- One Dash 8-400 aircraft leased to Ethiopian Airlines;
- Two Dash 8-400 aircraft leased to Jambojet;
- Four ATR72-600 aircraft leased to the Lion Air Group; and
- Three Dash 8-400 aircraft leased to Philippine Airlines.

As of December 31, 2018, Jazz Technical Services, the MRO division of Jazz, successfully completed the ESP on an additional four Dash 8-300 aircraft, bringing the total to eight aircraft completed since the launch of the ESP in 2017. Chorus is the launch customer for the Dash 8-300 ESP, the first of its kind for this aircraft type. As each ESP is completed on an aircraft, Chorus starts to earn lease revenue on that aircraft under the CPA.

On November 28, 2018, Chorus provided an overview of its proposed format for segmented financial reporting. On December 21, 2018, Chorus filed Supplement Segment Reporting Transition Information for

Q1 and Q2 2018. Chorus' reportable business segments are: Regional Aviation Services, and Regional Aircraft Leasing.

On September 27, 2018, Chorus announced that Voyageur, through its Voyageur Avparts division, had expanded its product offerings with the acquisition of a Dash 8-400 aircraft. This expanded Voyageur's parts offering beyond Dash 8-100, Dash 8-300 and CRJ200 inventory.

On September 26, 2018, Chorus announced that Jazz Technical Services was awarded a contract for heavy maintenance work for airBaltic of Latvia. Under the terms of the agreement, Jazz Technical Services will provide airframe maintenance in support of airBaltic's 12 Dash 8-400 aircraft at Jazz's facility in Halifax, Nova Scotia.

On September 25, 2018, Chorus announced that Jazz Technical Services, the MRO division of Jazz, received Transport Canada certification to perform airframe heavy maintenance on Embraer 135 and 145 regional aircraft.

On April 23, 2018, Jazz was Bombardier's North American recipient of its 2017 Airline Reliability Performance Awards in two categories: CRJ100/200 aircraft programs for North America; and, CRJ700/900/1000 aircraft programs for North America. Jazz has been the recipient of Bombardier's reliability awards for five consecutive years.

In March 2018, the Corporation raised gross proceeds of $112.0 million through a public offering of Common Shares, the majority of which was raised to fund the growth of Chorus Aviation Capital, Chorus' aircraft leasing business, including the acquisition of aircraft intended for or currently on lease to third parties, as well as for working capital requirements and other general corporate purposes. A copy of the short form prospectus for the offering is available on SEDAR at www.sedar.com.

On February 9, 2018, Chorus announced that Voyageur Aviation was undertaking an extensive redevelopment of its specialized maintenance, repair and overhaul facilities in North Bay with the support of funding from the Northern Ontario Heritage Fund Corporation. Voyageur has invested this funding in facility improvements, new equipment and technology and personnel training.

On February 7, 2018, Chorus announced that Jazz's Airport Services employees ratified a tentative agreement reached on January 9, 2018. The term of the collective agreement expires in January 2022.

On February 1, 2018, the Corporation implemented a Dividend Reinvestment Plan (the "**DRIP**") which provides Shareholders who are resident in Canada the opportunity to purchase additional Common Shares using cash dividends paid on Common Shares enrolled in the DRIP (see "Dividends - Dividend Reinvestment Plan").

Chorus' Strategy

Chorus' long-term strategy remains focused on providing an integrated and comprehensive suite of regional aviation services, including aircraft leasing and support services, to customers around the world by drawing on our expertise in all areas of regional operations.

Each of Chorus' subsidiaries possesses unique expertise and capabilities in regional aviation. Their combined capabilities afford Chorus the opportunity to offer a full suite of flight, maintenance, repair, overhaul, parts provisioning and sales, aircraft conversion, refurbishment, modification and leasing solutions to regional aircraft owners and operators around the globe. Combined with Chorus' values of listening, collaborating and improving, Chorus is uniquely positioned to deliver regional aviation to the world.

Since the onset of the COVID-19 pandemic, Chorus has been focused on maintaining liquidity. As a result, Chorus has curtailed or deferred previously planned investments in growth. Although Chorus intends to resume reinvesting in growth when it is able, there can be no assurance as to the timing of such resumption or Chorus' ability to access the capital necessary to fund future growth (see "Risk Factors").

Additional information on Chorus' strategy is discussed in section 3 "Strategy" of Chorus' Annual MD&A, which section is incorporated into this AIF by reference.

Segment Revenues

The revenues reported for each of the Corporation's two reportable business segments (Regional Aviation Services and Regional Aircraft Leasing) for the years ended December 31, 2020 and December 31, 2019 are as follows:

	For the Year Ended December 31, 2020			**For the Year Ended December 31, 2019**		
	Regional Aviation Services	Regional Aircraft Leasing	Consolidated	Regional Aviation Services	Regional Aircraft Leasing	Consolidated
Revenue ($000's)	801,336	147,385	948,721	1,239,404	127,043	1,366,447

CHORUS BUSINESS SEGMENTS - REGIONAL AVIATION SERVICES

The Regional Aviation Services segment includes contract flying (including ACMI and charter operations) and MRO services (including parts provisioning and sales and technical services) that are carried on by Jazz and Voyageur. Aircraft leasing under the CPA and aircraft leasing by Voyageur to third parties are also included in the Regional Aviation Services segment.

This segment also includes corporate expenses, such as interest on the 6.00% Debentures and the 5.75% Unsecured Debentures, the Unsecured Revolving Credit Facility and the Operating Credit Facility, the cost of executive and share-based compensation and professional fees.

Contract Flying

Capacity Purchase Agreement with Air Canada

Overview

Jazz is the largest regional airline in Canada and operates more flights into more airports in Canada than any other airline. Jazz and Air Canada are parties to the CPA under which Air Canada purchases substantially all of Jazz's fleet capacity. Air Canada is responsible for scheduling, pricing, product distribution, seat inventories, marketing and advertising, and customer service at certain airports staffed or administered directly by Air Canada. Air Canada is entitled to all revenues associated with the operation of the Covered Aircraft, including revenue from passenger ticket sales and cargo services. Accordingly, Air Canada bears all market risk associated with fluctuations in those revenues.

Jazz's operations provide a significant part of Air Canada's domestic and transborder network under the Air Canada Express brand. Under the CPA, Jazz provides service to and from lower density markets, along with higher density markets at off-peak times, throughout Canada and to and from certain destinations in the United States. Jazz uses Air Canada's two-letter flight designator code (AC), and any other code specified by Air Canada and belonging to a Star Alliance® partner or other partner of Air Canada, to identify Scheduled Flights.

As a result of the COVID-19 pandemic, the number of flights operated by Jazz on behalf of Air Canada was significantly reduced through most of 2020 relative to 2019 levels. As at December 31, 2020, Jazz operated scheduled passenger service on behalf of Air Canada with approximately 150 departures per day to 44 destinations in Canada and 5 destinations in the United States. For comparison, as at December 31, 2019, Jazz operated scheduled passenger service on behalf of Air Canada with approximately 690 departures per day to 59 destinations in Canada and 28 destinations in the United States.

As Chorus derives most of its revenue from the CPA, it is substantially dependent on the CPA (see "Risk Factors" for a description of the risks relating to Chorus' relationship with Air Canada).

Aircraft Fleet Under the CPA

As part of the 2019 CPA Amendments, Jazz and Air Canada agreed to reduce the minimum number of Covered Aircraft to 105 over the period starting January 1, 2019 through December 31, 2025. From January 1, 2026 through December 31, 2035, Air Canada has the right to determine the composition of the fleet of Covered Aircraft on the condition that the fleet must have a minimum of 80 aircraft with 75 to 78 seats.

Revenues and Costs Under the CPA

Jazz earns revenue under the CPA from five sources:

1) Fixed Margin
2) Performance Incentives
3) Controllable Cost Revenue
4) Pass-Through Revenue
5) Aircraft leasing under the CPA

Jazz incurs two types of costs under the CPA:

1) Controllable Costs
2) Pass-Through Costs

In 2020, Chorus derived approximately 77% of its revenue from the CPA (83% in 2019); however, approximately 55% of Chorus' consolidated revenue in 2020 (68% in 2019) was attributable to Pass-Through Revenue and Controllable Cost Revenue and is largely offset by related expenses.

Fixed Margin

Jazz earns a Fixed Margin which was set for 2019 and 2020 as an aggregate amount of $75.2 million for each year irrespective of the number of Covered Aircraft and thereafter the annual Fixed Margin is based on the number of Covered Aircraft under the CPA. (Please refer to the caution regarding forward-looking statements included in the section of this AIF titled "Explanatory Notes".)

Performance Incentives

Performance incentives are available under the CPA for achieving established performance targets in relation to controllable on-time performance, controllable flight completion, incidences of mishandled luggage at airports where Jazz is responsible for baggage handling, and other customer satisfaction measures related to the in-flight and check-in experience.

Controllable Cost Revenue

Jazz is paid Controllable Cost Revenue rates based on Controllable Costs that are estimated using certain variables. The CPA includes provisions which, subject to limited exceptions, limit Jazz's exposure to $2.0 million annually for variances between the Controllable Cost Revenue Jazz receives from Air Canada and the Controllable Costs actually incurred by Jazz to perform its services for Air Canada (referred to as the "**Controllable Cost Guardrail**"). Controllable Cost Revenue rates are set annually, and Jazz and Air Canada complete an annual reconciliation and payment once the variance, if any, between the Controllable Cost Revenue paid by Air Canada and Jazz's actual Controllable Costs is determined. If Jazz's Controllable Costs exceed the revenue received from Air Canada by more than $2.0 million, Air Canada pays Jazz an amount equal to the excess over $2.0 million. Conversely, if the Controllable Cost Revenue paid by Air Canada to Jazz exceeds Jazz's actual Controllable Costs by more than $2.0 million, Jazz pays Air Canada an amount equal to the excess over $2.0 million.

Controllable Costs include costs relating to items such as wages and benefits, certain depreciation and amortization, certain aircraft maintenance, materials and supplies, third party operating leases, and other general overhead expenses, such as crew variable expense, professional fees, travel, and training. Substantially all Controllable Costs are subject to the Controllable Cost Guardrail and related reconciliation.

Pass-Through Revenue

Jazz receives Pass-Through Revenue, which is based on Pass-Through Costs reimbursed by Air Canada.

Aircraft Leasing under the CPA

Jazz earns aircraft leasing revenue under the CPA from the following owned assets: Dash 8-400s, CRJ900s, Dash 8-300s and spare engines. Jazz is investing in ESPs for its owned Dash 8-300s. As each ESP was completed, the aircraft start to earn leasing revenue under the CPA. For the number of aircraft and Spare Engines owned by Chorus, please refer to section 5 "Fleet" of the Annual MD&A, which section is incorporated into this AIF by reference.

Pursuant to the 2019 CPA Amendments, Chorus acquired nine new CRJ900s between June 2020 and February 2021 for operation and lease by Jazz under the CPA. Should Air Canada require further Covered Aircraft, Chorus has agreed to acquire and lease the next five 75-78 seat aircraft under the CPA in 2025.

Operating Plans and Scheduling

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

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

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

No less than three months before the first day of any schedule period, Air Canada is required to provide Jazz with the final schedule for the period covered by the seasonal operating plan. There are two seasonal schedule periods: winter (from approximately November 1 to March 31) and summer (from approximately April 1 to October 31).

Under the CPA, Air Canada provides rolling monthly schedules which may vary from the final seasonal schedule. Jazz operates based on such monthly schedules as long as the volume of flying required to meet the schedule change does not increase or decrease the total Block Hours for any aircraft type by more than 5%, as compared with the guaranteed Block Hours. If the variance is greater than 5%, Air Canada and Jazz are required to meet to discuss potential rate changes.

The parties can vary the scheduling process from time to time on mutual agreement.

Passenger and Ramp Handling Services

Airport handling includes both passenger handling and ramp handling services.

As at December 31, 2020, Jazz operated to 44 airports in Canada, and Jazz employees provided the passenger handling function at 32 of these airport locations and the ramp handling function at two. As at December 31, 2019, prior to the onset of the COVID-19 pandemic, Jazz operated to 59 airports in Canada, and Jazz employees provided the passenger handling function at 38 of these airport locations and the ramp handling function at two. Jazz provides airport handling services to Air Canada at agreed upon rates.

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

Facilities

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

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

Return of Aircraft

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

Term

The CPA expires on December 31, 2035. Neither party has the right to terminate the CPA prior to its expiry date for convenience.

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

When the CPA expires or is terminated by either party, Jazz generally ceases to earn leasing revenue under the CPA from Covered Aircraft and Spare Engines owned by Chorus.

Termination for Default

During the term of the CPA, Air Canada or Jazz (in either case, as non-defaulting party) may terminate the CPA upon determination through arbitration that the other party has committed an event of default. Events of default applicable to either party include, without limitation:

- bankruptcy or insolvency;
- failure to pay amounts when due where such default continues for a period of 30 days after notice;
- failure to comply with any of its obligations under the CPA, where such default continues for a period of 30 days after notice; and
- default with respect to a material term of any other material agreement between Jazz and Air Canada if such default continues for more than the applicable period, if any.

Events of default applicable to Jazz include, without limitation:

- suspension or revocation of any of Jazz's regulatory authorizations and licenses required for Jazz to perform the air services required by the CPA;
- more than 50% of the Covered Aircraft (and certain substitutes therefor) do not operate any Scheduled Flights for more than seven consecutive days or 25% of those aircraft do not operate any Scheduled Flights for more than 21 consecutive days, other than as a result of an order of a governmental authority affecting the industry generally or as a result of any action by Air Canada, any strike by Air Canada employees or any force majeure (including any cessation, slow-down, interruption of work or any other labour disturbance);
- default by Jazz with respect to a material term of any other material agreement to which it is a party if such default continues for more than the applicable period, if any;
- failure by Jazz to maintain adequate insurance;
- failure of Jazz to maintain specified critical service levels for four consecutive quarters or five of the prior eight quarters; and
- failure by Jazz to comply with Air Canada's audit and inspection rights.

Force Majeure

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

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

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

Change of control

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

Charter Operations

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

Under the "Voyageur Airways" name, Voyageur uses owned and leased aircraft to provide specialized contract flying operations to Canadian and international customers in four primary segments: ACMI contract operations; aeromedical operations; ad-hoc charter services; and special flying missions. ACMI contracts often involve medical, logistical and humanitarian flights to customers comprised primarily of government entities and international non-governmental organizations.

Maintenance, Repair and Overhaul Operations

Jazz Technical Services, a division of Jazz, is certified to perform heavy maintenance on Mitsubishi (formerly Bombardier) and De Havilland (formerly Bombardier) and Embraer 135 and 145 regional aircraft. Jazz Technical Services is Transport Canada, Federal Aviation Administration and European Aviation Safety Agency certified.

Voyageur Aerotech, a division of Voyageur, is an Approved Maintenance Organization ("**AMO**") and Design Approval Organization, specializing in comprehensive regional aircraft MRO activities, and aircraft design engineering on Mitsubishi (formerly Bombardier), De Havilland (formerly Bombardier) and Beechcraft aircraft. Its AMO approvals are designed to satisfy a worldwide client base and include Transport Canada Civil Aviation, the United States Federal Aviation Administration, and the European Aviation Safety Agency. Voyageur Aerotech provides client-dedicated solutions for all levels of aircraft inspections, heavy checks, modifications, installations, and repairs. AMO activities are also supported by Voyageur's Transport Canada Approval for the Manufacture Certification of Aeronautical Products.

Voyageur Avparts, a division of Voyageur, provides parts provisioning and sales and aeronautical product support for regional aircraft to customers around the world. It serves airlines, maintenance organizations, leasing companies, and other aviation-related companies in the provisioning of aircraft parts, inventory management, inventory consignment services, component repair and overhaul, and aircraft disassembly management.

CHORUS BUSINESS SEGMENTS - REGIONAL AIRCRAFT LEASING

Chorus Aviation Capital was established at the start of 2017 with the objective of developing Chorus' aircraft leasing activity into a global business with a diverse customer base and a fleet of regional jet and turbo-prop aircraft. Chorus Aviation Capital is focused on building a diversified portfolio of regional aircraft manufactured by Airbus, ATR, De Havilland and Embraer for lease to regional aircraft operators around the world.

In March 2017, the Corporation raised $200.0 million gross proceeds from the issuance of Convertible Units to Fairfax and in March 2018, the Corporation raised a further $112.0 million gross proceeds through a public offering of Common Shares. On February 4, 2019, the Air Canada Investment was completed, providing further gross proceeds of $97.26 million, approximately 40% of which was invested in Chorus Aviation Capital's leasing business. In December 2019, the Corporation raised a further $86.25 million gross proceeds pursuant to an offering of 5.75% Unsecured Debentures for, among other uses, investment in Chorus Aviation Capital.

Over the course of the last three years, Chorus Aviation Capital has also invested in establishing and building its subsidiary in Ireland: Chorus Aviation Capital (Ireland) Limited. CACIL has recruited a highly-experienced management team possessing core competencies in critical disciplines for aircraft leasing operations, including contract administration, aircraft technical oversight, and legal and capital markets.

Chorus Aviation Capital's current portfolio of leased aircraft is described in section 5 "Fleet" of the Annual MD&A.

RESOURCES

Fleet

For a description of Chorus' owned and operated aircraft fleet as at December 31, 2020 and December 31, 2019, please refer to section 5 "Fleet" of the Annual MD&A which is available on Chorus' website at www.chorusaviation.com and on SEDAR at www.sedar.com.

People

As at December 31, 2020, Chorus had 2,875 full-time equivalent employees compared to 4,910 full-time equivalent employees as at December 31, 2019. The year-over-year reduction in employees is attributable to the effects of the COVID-19 pandemic, which dramatically reduced passenger demand for air travel and, therefore, the number of flights performed by Jazz under the CPA.

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

- Pilots, represented by ALPA, expires on December 31, 2035. This collective agreement contains a no strike or lockout provision which continues for the length of the agreement. The collective agreement allows for an increase in wages in 2029 during an open bargaining period, in which the parties can freely negotiate, subject to final binding arbitration.
- Flight attendants, represented by CFAU, expires on December 31, 2025.
- Flight dispatchers, represented by CALDA, expires on December 31, 2025.
- Maintenance and engineering employees, represented by Unifor under two collective agreements that expire on December 31, 2021. These agreements contain annual rollover provisions for four years expiring on December 31, 2025.
- Airport services employees, represented by Unifor, expires on January 13, 2022.
- Crew schedulers, represented by Unifor, expires on June 30, 2021.

Through an updated pilot mobility agreement between Jazz and Air Canada, Air Canada offers Jazz's pilots, on an annual basis and subject to Air Canada's applicable hiring policies, a minimum of 60% of total course capacity for all Air Canada new hire course dates that occur in the applicable calendar year. Jazz pilots are able to participate in this new pilot mobility agreement with increased access to pilot vacancies. This mobility agreement, as well as previous mobility agreements between Jazz and Air Canada, provide Jazz the ability to attract the pilots required for its operations at industry competitive wages for the regional airline sector.

FACILITIES

Chorus currently owns an office building and land in Dartmouth, Nova Scotia. Jazz leases office space from Chorus at this location. Chorus also leases a portion of the Dartmouth building to third party tenants.

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

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

- Hangar at Toronto Pearson International Airport.
- Hangar at Calgary International Airport.
- Hangar at Montreal-Pierre Elliott Trudeau International Airport.
- Hangar at Vancouver International Airport.
- Office space at Airway Centre in Mississauga, Ontario.

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

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

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

CACIL currently leases office space in Dublin, Ireland.

CAPITAL STRUCTURE

Chorus' capital structure consists primarily of issued and outstanding Common Shares, authorized but unissued preferred shares, and debt, including the 6.0% Debentures, the 5.75% Unsecured Debentures, senior secured amortizing aircraft loan facilities, revolving loan facilities and lease liabilities.

For more information on Chorus' capital structure (including amounts outstanding) as at December 31, 2020 and December 31, 2019, please refer to section 8 "Capital Structure" of the Annual MD&A, which section is incorporated into the AIF by reference. The Annual MD&A is available on Chorus' website at www.chorusaviation.com and on SEDAR at www.sedar.com.

Share Capital

The authorized share capital of the Corporation consists of an unlimited number of Variable Voting Shares and Voting Shares (referred to collectively in this AIF as "**Common Shares**") and up to 80,750,000 Preferred Shares. As at January 31, 2021, 161,867,388 Common Shares were issued and outstanding and no Preferred Shares were issued and outstanding. The following summaries describe the rights, privileges, restrictions and conditions that are attached to the Variable Voting Shares, the Voting Shares, and the Preferred Shares. The summaries do not purport to be complete and are subject to, and qualified in their entirety by reference to, the terms of the Corporation's Restated Articles of Incorporation and Articles of Amendment.

Variable Voting Shares

Voting

The holders of the Variable Voting Shares are entitled to receive notice of, and to attend and vote at, all meetings of the Shareholders of the Corporation, except where the holders of a specified class are entitled to vote separately as a class as provided in the CBCA. The Variable Voting Shares may only be held, beneficially owned or controlled, directly or indirectly, by persons who are not Qualified Canadians and shall be entitled to one vote per Variable Voting Share unless any of the thresholds set forth in (a), (b) or (c) below, as the case may be, is exceeded, in which case the vote attached to a Variable Voting Share will decrease in the following circumstances:

a) if at any time:

   i) a single non-Qualified Canadian holder of Variable Voting Shares (a "**Single Non-Canadian Holder**"), either individually or in affiliation with any other person, holds a number of Variable Voting Shares outstanding that, as a percentage of the total number of all voting shares outstanding, exceeds 25% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of the Corporation), or

   ii) the total number of votes that would be cast by or on behalf of a Single Non-Canadian Holder, either individually or in affiliation with any other person, at any meeting would exceed 25% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of the Corporation) of the total number of votes cast at such meeting,

then the vote attached to each Variable Voting Share held by all Single Non-Canadian Holder and by any person in affiliation with such Single Non-Canadian Holder, will decrease proportionately and automatically without further act or formality only to such extent that, as a result (x) the Variable Voting Shares held by all Single Non-Canadian Holder and by any person in affiliation with such Single Non-Canadian Holder do not carry in the aggregate more than 25% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of the Corporation) of the aggregate votes attached to all issued and outstanding voting shares of the Corporation, and (y) the total number of votes cast by or on behalf of all Single Non-Canadian Holder and by any person in affiliation with such Single Non-Canadian Holder at any meeting do not exceed in the aggregate 25% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of the Corporation) of the total number of votes cast at such meeting.

For greater certainty, a single Non-Canadian Holder Authorized to Provide Air Service (as defined below) also constitutes a Single Non-Canadian Holder.

b) if at any time:

   i) one or more non-Qualified Canadians authorized to provide an air service in any jurisdiction (each, a "**Non-Canadian Holder Authorized to Provide Air Service**" and collectively, the "**Non-Canadian Holders Authorized to Provide Air Service**"), collectively hold, either individually or in affiliation with any other person, a number of Variable Voting Shares outstanding that, as a percentage of the total number of all voting shares outstanding, after the application of the automatic proportionate decrease to the votes attached to all of the Variable Voting Shares held by any Single Non-Canadian Holder and by any person in affiliation with such Single Non-Canadian Holder in accordance with (a), above (if any, as may be required thereunder), exceeds 25% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of the Corporation), or

ii) the total number of votes that would be cast by or on behalf of Non-Canadian Holders Authorized to Provide Air Service and persons in affiliation with any Non-Canadian Holders Authorized to Provide Air Service at any meeting would, after the application of the automatic proportionate decrease to the votes attached to all of the Variable Voting Shares held by any Single Non-Canadian Holder and by any person in affiliation with such Single Non-Canadian Holder in accordance with (a), above (if any, as may be required thereunder), exceed 25% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of the Corporation) of the total number of votes cast at such meeting,

then the vote attached to each Variable Voting Share held by such Non-Canadian Holders Authorized to Provide Air Service and by persons in affiliation with any Non-Canadian Holders Authorized to Provide Air Service will decrease proportionately and automatically without further act or formality only to such extent that, as a result (x) the Variable Voting Shares held by such Non-Canadian Holders Authorized to Provide Air Service and by persons in affiliation with any Non-Canadian Holders Authorized to Provide Air Service do not carry in the aggregate more than 25% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of the Corporation) of the aggregate votes attached to all issued and outstanding voting shares of the Corporation, and (y) the total number of votes cast by or on behalf of such Non-Canadian Holders Authorized to Provide Air Service and by persons in affiliation with any Non-Canadian Holders Authorized to Provide Air Service at any meeting do not exceed in the aggregate 25% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of the Corporation) of the total number of votes cast at such meeting.

c) If at any time:

i) the number of Variable Voting Shares outstanding, as a percentage of the total number of all voting shares outstanding, after the application of the automatic proportionate decrease to the votes attached to all of the Variable Voting Shares held by any Single Non-Canadian Holder and by any person in affiliation with such Single Non-Canadian Holder in accordance with (a), above, and after the application of the automatic proportionate decrease to the votes attached to all of the Variable Voting Shares held by Non-Canadian Holders Authorized to Provide Air Service and by persons in affiliation with any Non-Canadian Holders Authorized to Provide Air Service in accordance with (b), above (in each case, if any, as may be required under (a) and (b)), exceeds 49% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of the Corporation), or

ii) the total number of votes that would be cast by or on behalf of holders of Variable Voting Shares at any meeting would, after the application of the automatic proportionate decrease to the votes attached to all of the Variable Voting Shares held by any Single Non-Canadian Holder and by any person in affiliation with such Single Non-Canadian Holder in accordance with (a), above, and after the application of the automatic proportionate decrease to the votes attached to all of the Variable Voting Shares held by Non-Canadian Holders Authorized to Provide Air Service and by persons in affiliation with any Non-Canadian Holders Authorized to Provide Air Service in accordance with (b), above (in each case, if any, as may be required under (a) and (b)), exceed 49% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of the Corporation) of the total number of votes cast at such meeting,

then the vote attached to each Variable Voting Share will decrease proportionately and automatically without further act or formality only to such extent that, as a result (i) the Variable Voting Shares do not carry more than 49% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of the Corporation) of the aggregate votes attached to all issued and outstanding voting shares of the Corporation, and (ii) the total number of votes cast by or on behalf of holders of Variable Voting Shares at any meeting do not exceed 49% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of the Corporation) of the total number of votes cast at such meeting.

Dividends

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

Subdivision or Consolidation

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

Rights upon Liquidation, Dissolution or Winding Up

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

Conversion

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

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

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

There shall be no right to convert the Variable Voting Shares into Voting Shares or to convert Voting Shares into Variable Voting Shares, except in accordance with the conversion procedure set forth in the Corporation's Restated Articles of Incorporation.

Constraints on Ownership of Common Shares

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

Voting Shares

Voting

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

Dividends

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

Subdivision or Consolidation

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

Rights upon Liquidation, Dissolution or Winding Up

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

Conversion

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

In the event that an offer is made to purchase Variable Voting Shares and the offer is one which must, pursuant to applicable securities legislation or the rules of a stock exchange on which the Variable Voting Shares are then listed, be made to all or substantially all the holders of the Variable Voting Shares, each

Voting Share shall become convertible at the option of the holder into one Variable Voting Share that is subject to the offer at any time while the offer is in effect and until one day after the time prescribed by applicable securities legislation for the offeror to take up and pay for such shares as are to be acquired pursuant to the offer. The conversion right may only be exercised in respect of Voting Shares for the purpose of depositing the resulting Variable Voting Shares in response to the offer.

If the Variable Voting Shares resulting from the conversion and deposited pursuant to the offer are withdrawn by the Shareholder or are not taken up by the offeror or the offer is abandoned or withdrawn, the Variable Voting Shares resulting from the conversion shall be re-converted automatically, and without further act from the Corporation or the holder, into Voting Shares.
There shall be no right to convert the Variable Voting Shares into Voting Shares or to convert Voting Shares into Variable Voting Shares, except in accordance with the conversion procedure set forth in the Corporation's Restated Articles of Incorporation.

Constraints on Ownership of Common Shares

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

Declaration as to Canadian Status

The Corporation's Restated Articles of Incorporation provide that: (i) the Voting Shares may only be held, beneficially owned and controlled, directly or indirectly, by persons who are Qualified Canadians; and (ii) the Variable Voting Shares may only be held, beneficially owned or controlled, directly or indirectly, by persons who are not Qualified Canadians.

Exemptive Relief from Take-Over Bid and Early Warning Rules

On October 14, 2016, the Corporation received an exemption to treat its Variable Voting Shares and Voting Shares as a single class for the purposes of applicable take-over bid requirements and early warning reporting requirements contained under Canadian securities laws. The Corporation applied for the exemption to facilitate investment in Variable Voting Shares by persons who are not Qualified Canadians.

The securities regulatory authorities in each of the provinces of Canada granted exemptive relief (the "**Decision**") from (i) applicable formal take-over bid requirements, as contained under Canadian securities laws, such that those requirements would only apply to an offer to acquire 20 per cent or more of the outstanding Variable Voting Shares and Voting Shares of the Corporation on a combined basis, and (ii) applicable early warning reporting requirements, as contained under Canadian securities laws, such that those requirements would only apply to an acquirer who acquires or holds beneficial ownership of, or control or direction over, 10 per cent or more of the outstanding Variable Voting Shares and Voting Shares of the Corporation on a combined basis (or five per cent in the case of acquisitions during a take-over bid), and (iii) applicable alternative monthly reporting requirements, as contained under Canadian Securities laws, such that eligible institutional investors may meet the eligibility criteria for alternative monthly reporting by calculating its security holdings using a denominator comprised of all outstanding Voting Shares and Variable Voting Shares on a combined basis, and a numerator including all of the Voting Shares or Variable Voting Shares, as the case may be, beneficially owned or controlled by the eligible institutional investor. A copy of the Decision is available on SEDAR at www.sedar.com.

The Decision takes into account that the Corporation's dual class shareholding structure was implemented solely to ensure compliance with the foreign ownership requirements of the Canada Transportation Act. An investor does not control or choose which class of Common Shares it acquires and holds. The class of Common Shares ultimately available to an investor is only a function of whether the investor is or is not a Qualified Canadian. Due to the relatively small number of outstanding Variable Voting Shares, absent the Decision, it may have been more difficult for investors who are not Qualified Canadians to acquire Common

Shares in the ordinary course without the apprehension of inadvertently triggering the take-over bid rules or early warning requirements. The Decision considered the fact that the Variable Voting Shares and Voting Shares have identical terms except for the foreign ownership voting limitations applicable in the case of the Variable Voting Shares.

Preferred Shares

Authority to Issue

Subject to the limitation on the aggregate number of Preferred Shares that may be issued, the directors of the Corporation may issue Preferred Shares at any time and from time to time in one or more series and are authorized to determine for each series the designation, rights, privileges, restrictions and conditions, including dividend rates, redemption prices, maturity dates and other matters.

Ranking and Priority

The Preferred Shares are entitled to priority over the Variable Voting Shares, the Voting Shares and any other shares of any other class of the Corporation ranking junior to the Preferred Shares with respect to priority in the payment of dividends, the return of capital and the distribution of assets in the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among Shareholders for the purpose of winding up its affairs.

Parity Among Series

Each series of Preferred Shares rank on a parity with every other series of Preferred Shares with respect to priority in the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, and any other distribution of the assets of the Corporation among Shareholders for the purpose of winding-up its affairs.

Dividends

The holders of each series of Preferred Shares shall be entitled to receive dividends (which may be cumulative, non-cumulative or partially cumulative and variable or fixed) as and when declared by the Board.

Voting Limitation

Holders of Preferred Shares are not entitled (except as otherwise required by law and except for meetings of the holders of the Preferred Shares or a series thereof) to receive notice of, to attend or to vote at any meeting of the shareholders of the Corporation. The holders of any particular series of Preferred Shares will, if the directors so determine prior to the issuance of any such series, be entitled to such voting rights as may be determined by the directors if the Corporation fails to pay dividends on that series of Preferred Shares for any period as may be so determined by the directors.

Limitation on Conversion Rights

The directors of the Corporation may assign conversion rights to Preferred Shares when issued, provided that the maximum number of Variable Voting Shares and Voting Shares, in aggregate, that may be issuable upon conversion of all Preferred Shares will be limited to 32,250,000 Variable Voting Shares and Voting Shares, in aggregate.

Shareholder Rights Plan

On April 27, 2020, the Corporation adopted a shareholder rights plan (the "**Rights Plan**"). The Rights Plan was ratified by Shareholders at the 2020 Annual and Special Meeting of Shareholders held on June 29, 2020. The Rights Plan must be reapproved by the Shareholders at every third annual meeting of Shareholders.

In adopting the Rights Plan, the Corporation's directors considered the existing legislative framework governing take-over bids in Canada, as amended in 2016. The Corporation's directors determined that there is a role for shareholder rights plans in protecting issuers and preventing the unequal treatment of shareholders. Some areas of concern include:

- protecting against "creeping bids" (the accumulation of more than 20% of shares) through purchases exempt from Canadian take-over bid rules, such as (i) purchases from a small group of shareholders under private agreements at a premium to the market price not available to all shareholders, (ii) acquiring control through the slow accumulation of shares not available to all shareholders, (iii) acquiring control through the slow accumulation of shares over a stock exchange without paying a control premium, or (iv) through other transactions outside of Canada (that may not be subject to the take-over bid rules), and requiring the bid to be made to all shareholders; and

- preventing the use of "hard" lock-up agreements by offerors whereby existing shareholders commit to tender their shares to an offeror's take-over bid in lock-up agreements that are either irrevocable or revocable but subject to restrictive termination conditions. Such agreements could have the effect of deterring other potential bidders from bringing forward competing bids, particularly where the number of locked-up shares would make it difficult or unlikely for a competing bidder's bid to achieve the 50% minimum tender requirement imposed by the take-over bid rules.

The Rights Plan discourages the making of certain bids that are structured to be coercive or discriminatory in effect by creating the potential for significant dilution to any offeror who becomes the beneficial owner of 20% or more of the outstanding Variable Voting Shares and Voting Shares on a combined basis. The Rights Plan accomplishes this by providing for the issuance to all Shareholders of rights to acquire additional Common Shares at a significant discount to the then-prevailing market price, which could, in certain circumstances, become exercisable by all Shareholders other than the offeror and its joint actors.

In addition, the Rights Plan is designed to prevent lock-up agreements that are not in the best interest of the Corporation or Shareholders and to encourage offerors to structure lock-up agreements so as to provide the locked-up Shareholders with reasonable flexibility to terminate such agreements in order to deposit their shares to a higher value bid or support another transaction offering greater value.

The foregoing summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the terms of the Rights Plan, which is available on SEDAR at www.sedar.com.

Long-term Debt

The following is a brief summary of the Convertible Units, the 5.75% Unsecured Debentures, the Operating Credit Facility, the Unsecured Revolving Credit Facility and the Warehouse Facility as of the date of this AIF. For more detailed disclosure related to Chorus' long-term debt, refer to section 8 "Capital Structure" of the Annual MD&A, which section is incorporated into this AIF by reference.

Convertible Units

In March 2017, the Corporation issued $200.0 million principal amount of convertible units to Fairfax comprising a $1,000 debenture which matures on December 31, 2024 and bears interest at a rate of 6.00% per annum (collectively, the "**6.00% Debentures**") and 121.21212121 warrants exercisable by the holder of each 6.00% Debenture to acquire one Common Share at an exercise price equal to $8.25 per Common Share payable in cash or by tendering the 6.00% Debenture (the "**Warrants**", and together with the 6.00% Debentures, the "**Convertible Units**"). Pursuant to the terms of their governing indentures, for every $1,000 of 6.00% Debentures transferred, 121.21212121 Warrants must be simultaneously transferred, and vice versa.

The 6.00% Debentures are currently secured by certain Dash 8-100s and Dash 8-300s and real estate property owned by Chorus and are redeemable at par at any time after December 31, 2021, except in the event of the satisfaction of certain conditions after a change of control (in which case the Corporation is required to make an offer to repurchase all of the 6.00% Debentures) or the exercise of the Warrants.

The Warrants are exercisable up to and including the earlier of the redemption of the 6.00% Debentures by the Corporation and the business day immediately preceding the maturity date of the 6.00% Debentures. The Warrants include customary anti-dilution provisions.

Assuming the exercise of all of the Warrants, Fairfax would beneficially own 24,242,424 of the issued and outstanding Common Shares of the Corporation, representing approximately 13% of all issued and outstanding Common Shares after the exercise of all of the Warrants (assuming no other issuances of Common Shares by the Corporation or any adjustments to the Common Shares issuable upon the exercise of the Warrants pursuant to the applicable anti-dilution provisions).

The 6.00% Debentures are listed on the TSX under the symbol CHR.DB. Fairfax had agreed to hold the Convertible Units until at least December 31, 2019. Fairfax is no longer bound by that restriction; however, the collateral pledged as security therefor will be released if Fairfax sells or otherwise disposes of any of the Convertible Units. Pursuant to the terms of their governing indentures, for every $1,000 of 6.00% Debentures transferred, 121.21212121 Warrants must be simultaneously transferred, and vice versa.

The foregoing description does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the terms of the subscription agreement relating to the Convertible Units and the indentures in respect of the 6.00% Debentures and the Warrants, all of which are available on SEDAR at www.sedar.com.

5.75% Unsecured Debentures

In December 2019, the Corporation issued $86.25 million aggregate principal amount of 5.75% Unsecured Debentures. The 5.75% Unsecured Debentures were issued in denominations of $1,000 and, unless previously redeemed or purchased, will mature on December 31, 2024. The 5.75% Unsecured Debentures bear interest at 5.75% per annum, payable semi-annually in arrears on June 30 and December 31 of each year.

The 5.75% Unsecured Debentures are not redeemable by the Corporation prior to December 31, 2022. On or after December 31, 2022 and prior to December 31, 2023, the Corporation may redeem the 5.75% Unsecured Debentures at a price equal to 102.875% of the principal amount of the 5.75% Unsecured Debentures plus accrued and unpaid interest. On and after December 31, 2023 and prior to December 31, 2024, the 5.75% Unsecured Debentures may be redeemed in whole or in part at the option of the Corporation at a price equal to their principal amount plus accrued and unpaid interest. In the event of a change of control of the Corporation, the Corporation is required to make an offer to repurchase all of the 5.75% Unsecured Debentures and may redeem the 5.75% Debentures subject to certain terms and conditions.

Subject to any required regulatory approval and provided no event of default has occurred and is continuing under the indenture governing the 5.75% Unsecured Debentures (the "**5.75% Debenture Indenture**"), the Corporation has the option to satisfy its obligation to pay the principal amount of the 5.75% Unsecured Debentures due at redemption or maturity (together with any applicable premium) by delivering freely tradeable Voting Shares to holders of the 5.75% Unsecured Debentures who are Qualified Canadians or Variable Voting Shares to holders of 5.75% Unsecured Debentures who are not Qualified Canadians. In such event, payment is satisfied by delivering for each $1,000 due, that number of freely tradeable Common Shares obtained by dividing $1,000 by 95% of the current market price (determined in accordance with the 5.75% Debenture Indenture) on the date fixed for redemption or maturity. The 5.75% Unsecured Debentures are not convertible into Common Shares at the option of the holders of the 5.75% Unsecured Debentures at any time.

Accrued and unpaid interest is paid in cash. Subject to any required regulatory approval and provided no event of default has occurred and is continuing under the 5.75% Debenture Indenture, the Corporation may elect to satisfy all or any part of its obligation to pay interest on the 5.75% Unsecured Debentures by issuing Common Shares to the trustee appointed under the 5.75% Debenture Indenture, in which case the trustee will sell the Common Shares and use the proceeds thereof to satisfy all or part of the Corporation's interest payment obligations.

The 5.75% Unsecured Debentures are direct, senior unsecured obligations of the Corporation and rank: (i) subordinate to all existing and future senior secured and other secured indebtedness of the Corporation, but only to the extent of the value of the assets securing such secured indebtedness; (ii) pari passu with one another and equally in right of payment from the Corporation with all other unsubordinated unsecured indebtedness of the Corporation except as prescribed by law; and (iii) senior to any other existing and future subordinated unsecured indebtedness of the Corporation. An agreement (the "**Intercreditor Agreement**") has been entered into between the trustee under the 5.75% Debenture Indenture, on behalf of the 5.75% Debenture holders, and Chorus' lenders under the Operating Credit Facility (the "**Senior Creditors**"). The Intercreditor Agreement provides, among other things, that to the extent any amounts remain outstanding under the Operating Credit Facility after the Senior Creditors have realized on their security in the context of an insolvency event involving the Corporation, any proceeds received by the trustee on behalf of the 5.75% Debenture holders in connection with such event will be directly remitted to the applicable Senior Creditors until the applicable Operating Credit Facility are paid in full (see "Capital Structure – Long-term Debt – Operating Credit Facility" for a further description of the Operating Credit Facility).

The 5.75% Unsecured Debentures are listed on the TSX under the symbol CHR.DB.A.

The foregoing description does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the terms of the 5.75% Debenture Indenture and the short form prospectus relating thereto which are available on SEDAR at www.sedar.com.

Operating Credit Facility

The Corporation, Jazz (including its general partner, Aviation GP), Voyageur and certain other designated subsidiaries of the Corporation from time to time (collectively, the "**Credit Parties**") are parties to a second amended and restated credit agreement dated June 28, 2019 (as further amended and restated from time to time, the "**Operating Credit Facility**"). The Operating Credit Facility, which matures on August 30, 2022, provides the Credit Parties with a committed facility of $75.0 million with the opportunity to borrow up to a further $25.0 million on a demand basis.

Chorus is required to maintain a maximum ratio of total debt to EBITDA, as well as a minimum ratio of EBITDA to fixed charges. Indebtedness under the Operating Credit Facility is secured by all present and after-acquired personal property of the Credit Parties, excluding aircraft, engines and certain real estate property. Any outstanding balance under the Operating Credit Facility may become immediately repayable if the Corporation undergoes a change of control without the consent of the Senior Creditors.

Furthermore, the terms of the Operating Credit Facility may, in certain circumstances, require the Corporation, in the normal course, and subject to any required regulatory approval, to pay accrued and unpaid interest outstanding on the 5.75% Unsecured Debentures by delivering Common Shares to the trustee to convert to cash in accordance with the terms of the 5.75% Debenture Indenture.

The foregoing description does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the terms of the Operating Credit Facility which is available on SEDAR at www.sedar.com.

Warehouse Facility

On January 21, 2019, Chorus secured a revolving credit facility for the purpose of financing aircraft acquisitions for its regional aircraft leasing business (the "**Warehouse Facility**"). In 2020 Chorus amended the terms of the Warehouse Facility to defer the commencement of the term-out period by nine months to January 2022 and reduce the facility to US $127.9 million.

The Warehouse Facility is secured by the aircraft financed under the facility, as well as an assignment of the leases, insurance proceeds and other collateral security customary for financings of this nature. All loans under this facility are cross-defaulted and cross-collateralized, and are guaranteed by CACIL. The facility contains certain covenants that must be met on an ongoing basis (including with respect to the loan-to-value ratio, concentration limits relating to lessees, aircraft types and jurisdictions) and financial covenants (including debt service coverage, minimum tangible net worth, minimum unrestricted cash and debt to equity ratio). The Warehouse Facility matures on January 21, 2025.

The foregoing description does not purport to be complete and only constitutes a summary of the principal attributes of the Warehouse Facility.

Unsecured Revolving Credit Facility

On April 28, 2020, Chorus obtained a US$100.0 million unsecured revolving credit facility from EDC for general corporate purposes (the "**Unsecured Revolving Credit Facility**"). The facility contains customary covenants and events of default including restrictions on share repurchases and the payment of dividends consistent with the Operating Credit Facility (i.e. $0.48 per Common Share per year), a mandatory prepayment upon the occurrence of a change of control of the Corporation, an event of default that would be triggered upon the acceleration of indebtedness of the Corporation or any of its material subsidiaries in excess of US $10.0 million, and an event of default triggered upon an event of default under any other indebtedness owed by the Corporation or any of its subsidiaries to EDC. In addition, the Unsecured Revolving Credit Facility contains a covenant not to exceed a prescribed total leverage ratio of debt to EBITDA. The Corporation's obligation to pay principal and interest under this facility ranks at least pari passu in right of payment with all unsecured and unsubordinated indebtedness of the Corporation.

The Unsecured Credit Facility was originally repayable on April 28, 2022; however, in December 2020 it was amended to be repayable in eight quarterly installments starting in April 2022 and ending in July 2024.

COMPETITION

Jazz's fleet is significantly larger than that of the next largest Canadian regional airline. All other carriers in the Canadian regional airline market are smaller operators of turboprop and regional jet aircraft, most of which operate aircraft in the 19 to 75 seat range. Many of these regional carriers operate primarily independent services, flying in niche markets. Jazz competes with Sky Regional for additional capacity purchase flying for Air Canada. Jazz also competes with a number of smaller regional carriers for charter business from other customers. Jazz's gains a competitive advantage from its scale of operations, and access to and ability to train pilots and other human resources at scale.

With respect to Canadian-based carriers, WestJet and WestJet Encore compete with Air Canada on certain routes in Canada and in the U.S. operated by Jazz. Porter Airlines, which operates from the Billy Bishop

Toronto City Airport, Pacific Costal and PAL Airlines among others compete with Air Canada in various domestic routes operated by Jazz.

Air Canada competes against a variety of U.S. network airlines and their regional carriers in respect of transborder markets, many of whom operate under capacity purchase agreements with various major U.S. network airlines. These carriers operate under their capacity purchase agreement partner brands such as United Express, Delta Connection, American Eagle, Alaska Horizon and Horizon Air.

Voyageur competes with a wide variety of ACMI operators from around the world when bidding on contracts. Some of these operators include: Swiftair from Spain, 748 Air Services from Kenya, ALS Ltd. from Kenya, DAC Aviation International from Kenya and Air Urga from Ukraine. Voyageur's competitive advantage in relation to international ACMI operations is based on it being a Transport Canada approved air carrier and its reputation as a safe and highly reliable operator. Voyageur's competitive advantage stems from its long-standing track record of safe flying for the United Nations.

Chorus Aviation Capital competes primarily with aircraft lessors that are focused on the regional aircraft segment, such as Elix Aviation Capital, Falko Regional Aircraft, Nordic Aviation Capital and TrueNoord Regional Aircraft Leasing. Chorus Aviation Capital may also encounter competition from established lessors currently focused on other segments of the industry such as narrow and wide-body aircraft, as well as from entities that selectively compete with it, including airlines, aircraft manufacturers, financial institutions and aircraft brokers. Chorus Aviation Capital's competitive advantage stems from its affiliation with other Chorus businesses possessing expertise in contract flying and MRO which can be leveraged to provide additional value-added services to lessees.

Jazz and Voyageur compete with several MRO facilities. Jazz's Technical Services primary Canadian competitors include: JD Aero, AAR, and Premier Aviation. Voyageur's Canadian competitors include: PAL Aerospace, Premier Aviation, JD Aero, Avmax, Field Aviation, Skyservice Business Aviation, and Springer Aerospace.

LOGOS AND TRADEMARKS

Chorus owns trademarks for Chorus, Chorus Aviation and the associated design marks (logos) and has registered these trademarks in Canada, the United Kingdom, Ireland and the U.S. Chorus also owns trademarks for Chorus Aviation Capital and the associated design marks (logos) and has registered these trademarks in Canada, the United Kingdom and Ireland and has applied to register Chorus Aviation Capital and the associated design mark (logo) in the U.S.

Jazz™ is a trademark owned by Air Canada in Canada and the U.S. and is used by Jazz under license from Air Canada.

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

Chorus also owns additional trademarks in connection with Voyageur's business.

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

REGULATORY ENVIRONMENT

In Canada, commercial air transportation falls wholly within the jurisdiction of the federal government. The commercial air transportation policy, maintenance standards, operations standards, aircraft airworthiness, pilot and cabin crew licensing and certification, safety, ground services, and navigation facilities are the responsibility of the Minister of Transport.

Chorus' Canadian-registered aircraft, pilots, cabin crew, maintenance engineers, maintenance operations and all aspects of its commercial and charter air service operations are subject to the inspection, licensing, certification and compliance requirements of Transport Canada under the *Aeronautics Act*, *Canadian Aviation Regulations* and the standards issued under that Act and its regulations.

The 1987 deregulation of the domestic airline industry allowed carriers to establish fares as well as terms and conditions of carriage without government regulation. The *Canada Transportation Act* provides for free market entry to the extent that a carrier can demonstrate that (i) it is "Canadian", as defined in the *Canada Transportation Act*; (ii) it can operate safely; (iii) it is suitably insured; and (iv) it meets the minimum financial requirements set out in the *Air Transportation Regulations*.

The Canadian Transportation Agency (the "**Agency**") is responsible under the *Canada Transportation Act* and the *Air Transportation Regulations* for issuing air carrier licenses for both domestic and international services, and for regulating air charter operations, equipment and crew leasing (wet leases, block space and code share arrangements), certain air tariffs and the terms and conditions of carriage. The Agency may also investigate, mediate or hear air travel complaints. The commercial and charter air services of Jazz and Voyageur are subject to the licensing, charter operations, international fare, terms of carriage, insurance requirements and air travel complaint jurisdiction of the Agency, as further described below.

In 2018, Bill C-49, the *Canada Transportation Act* was amended in three significant ways. First, the foreign ownership limits for Canadian air carriers operating a domestic service were increased from 25% to 49%, provided that: (i) no single non-Canadian (individually or by affiliation) may hold, directly or indirectly, more than 25% of the voting interests in the Canadian air carrier; and (ii) no combination of non-Canadian air carriers (individually or by affiliation) may own more than 25% of the voting interests in a Canadian air carrier. In response to this regulatory change, the Corporation amended its articles of incorporation and by-laws (effective May 13, 2019) to align with the new statutory restrictions on the level of non-Canadian ownership and control.

Second, the *Canada Transportation Act* was also amended in 2018 to create a new process by which air carriers are able to seek authorization for joint ventures from the Minister of Transport, and to enable the Minister of Transport to consider the competition impacts (assessed by the Commissioner of Competition) and the public interest when authorizing such joint venture proposals. The amended legislation, which took effect on April 3, 2019, specifies deadlines and deliverables for six distinct steps that are to be followed during the 285 calendar days joint venture review process.

Third, the *Canada Transportation Act* was amended to require the Agency to make regulations establishing a new air passenger rights regime that applies to flights to, from, and within Canada. The new regulations, titled the *Air Passenger Protection Regulations* (the "**APPRs**"), took full effect on December 15, 2019 and set out an air carrier's obligations towards passengers with respect to: the communication of terms and conditions of carriage and passenger recourse; the minimum standards of treatment, compensation, and communication in the case of flight delays, cancellations and denial of boarding; the minimum compensation for lost or damaged baggage; the assignment of seats to children under the age of 14; the terms and conditions respecting the transportation of musical instruments; and the minimum standards of treatment and communication in the case of tarmac delays over 3 hours. On March 13, 2020, the Agency issued temporary exemptions to certain APPR provisions to address the COVID-19 pandemic. On December 21, 2020, Canada's Minister of Transport announced that the ongoing COVID-19 pandemic highlighted a gap in the air passenger protection framework because the APPRs did not foresee the potential for large-scale and lengthy flight cancelations and groundings of domestic and international air carrier fleets. Consequently, the Minister of Transport issued a Ministerial Direction directing the Agency to develop a new regulation to address passengers' rights in the context of large-scale flight cancelations, such as a pandemic.

In addition to laws and regulations affecting the aviation industry specifically, Chorus is subject to employment, human rights and pay equity legislation in Canada and in other jurisdictions in which its entities operate.

Chorus monitors and implements measures to comply with regulatory requirements; however, there can be no assurance that Chorus will not incur substantial costs to comply with these or any further new regulatory requirements.

Accessibility

Airlines, as transportation service providers in Canada, are subject to the *Accessible Transportation for Persons with Disabilities Regulations* (the "**ATPDRs**"). Registered on June 25, 2019, the ATPDRs are a single, legally binding set of accessible transportation regulations that require transportation service providers to: meet the communication needs of passengers with disabilities; train employees to provide assistance to passengers with disabilities; comply with technical requirements regarding aircraft and terminals (such as airports); and provide accessible services, including by making border and security screening accessible. Most provisions of the ATPDR came into force on June 25, 2020 while other more complex requirements will be phased-in over three years. Due to the COVID-19 pandemic, the Agency made an order granting transportation service providers an exemption from the application of certain ATPDRs until December 31, 2020. The Agency continues to seek feedback from transportation service providers, the disability community and other interested stakeholders to determine if another exemption order ought to be put in place.

Organizations under federal jurisdiction are also now subject to Bill C-81, the new *Accessible Canada Act*. The federal accessibility legislation received royal assent on June 21, 2019 and came into force on July 11, 2019 as an attempt to remove the barriers to inclusion persons with disabilities face in society. Under this legislation, the Government of Canada will develop new accessibility standards and regulations in priority areas such as employment, the built environment, including buildings and public spaces, and the design and delivery of programs and services. Jazz and Voyageur will, among other obligations, be required to follow accessibility regulations and to develop accessibility plans describing how they will identify, remove and prevent barriers across their operations.

Transborder Services

Jazz operates transborder services between Canada and the United States based on the Open Skies Agreement between Canada and the United States, which came into force in 2007. The Open Skies Agreement allows air carriers of both countries (i) to pick up passenger and/or cargo traffic in the other country and carry that traffic to a third country as part of a service to or from the carrier's home country, (ii) to operate stand-alone all-cargo services between the other country's territory and third countries, and (iii) greater pricing flexibility for services between the other country and a third country. The agreement also permits Air Canada to offer code share services with certain Star Alliance® members between Canada and the United States. In addition, some of these Star Alliance® members' codes appear on some transborder flights operated by Jazz.

The carriage of local traffic between points within one country by carriers of the other country, commonly known as "cabotage", remains prohibited.

Other International Services

None of the Corporation's subsidiaries currently has a license to operate a scheduled international service to any country other than the U.S., but the Canadian government has entered many bilateral air transport agreements with other countries under which a Chorus subsidiary would be eligible to apply for licensing and operate abroad on a reciprocal basis.

Charter Services

Jazz and Voyageur both maintain licenses issued by the Agency to operate non-scheduled international service between Canada and any other country. Subject to certain exceptions, charter operations are generally not covered by bilateral agreements. Canadian government policy permits any Canadian carrier to operate charter services between Canada and any point in the world subject to prior approval of the Canadian and other applicable regulatory authorities.

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

Charter operations carried on between points located entirely in another country are typically subject to approvals from local aviation authority.

Official Languages Act

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

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

Security and Safety

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

As Canadian airlines with transborder operations, both Jazz and Voyageur work with Transport Canada and other federal and U.S. agencies to continuously improve security measures and to enable innovations adopted by Chorus to maintain the highest degree of security. Their respective internal safety management systems include security related processes, including threat assessment protocols that allow the operation to address any number of potential threats.

The *Canadian Aviation Regulations* require air operators to implement safety management systems in their organizations and appoint executives who are accountable for safety. The goals of safety management systems are to increase the sophistication and proactiveness of safety practices, to instill a consistent and positive safety culture, and to help improve upon the already high safety performance of Canadian airline operators. In October 2020, Transport Canada launched a safety management system policy review of the Canadian aviation sector and its stated objective is to conduct a retrospective review of the initial safety management system implementation from 2005 to its current state by identifying lessons learned and opportunities moving forward. Management cannot predict if or when future amendments to this safety legislation will be introduced or enacted. Jazz and Voyageur have each fully implemented a safety management system.

The President of Jazz serves as the Accountable Executive for Jazz, its Vice President Flight Operations and its Vice President Maintenance & Engineering have responsibility for the implementation and ongoing efficiency of Jazz' safety management system. Jazz's Director of Safety, Quality & Environment has responsibility for the ongoing management of the safety management system. Jazz's highly integrated safety management system model is considered to be industry leading and has attracted a degree of international attention through several forums, including the International Aviation Safety Seminar. In 2019 and again in 2020, Jazz was named among Canada's Safest Employers, taking Gold in the Transportation (2019) and Public Transportation (2020) categories. Jazz is committed to complying with and, where possible, surpassing applicable regulatory safety requirements.

The President of Voyageur serves as the Accountable Executive for Voyageur and oversees Voyageur's Safety and Risk Management System, dedicated to promoting a culture of safety within Voyageur. Employees are focused on incident prevention through critical self-assessment and proactive identification of potential deficiencies. Voyageur is committed to complying with and, where possible, surpassing applicable regulatory requirements.

Jazz and Voyageur, as air carriers, are subject to the *Secure Air Travel Act* (Canada), which replaced the previous legislative framework for identifying and responding to persons who may engage in an act that poses a threat to transportation security or who may travel by air for the purpose of committing a specified terrorism offence. It authorizes the Minister of Public Safety and Emergency Preparedness to establish a list of such persons and to direct air carriers to take any necessary actions to prevent the commission of such acts. It also requires that air carriers provide the Minister with certain information about individuals who are on board or expected to be on board their aircraft for the purpose of identifying listed persons and for the purpose of issuing a unique identifier to them to assist with pre-flight verification of their identity.

On December 20, 2018, the *Canadian Aviation Regulations* were amended to introduce new rules for flight crew hours of work. The changes, which currently only apply to large Canadian passenger and cargo operators, include: (i) prescribed flight and duty time limits to limit the amount of time a flight crew member can be on the job and (ii) the use of fatigue risk management systems, which require air carriers to demonstrate that variances to the prescribed flight and duty limits will not adversely affect the level of flight crew fatigue or alertness. Compliance with the prescriptive requirements may result in incremental costs to air carriers, including the need to hire more flight crew, to update flight crew management computer programs, to provide fatigue-related training to their flight crew members, and to secure additional rest facilities. Air carriers have two years to implement the new requirements.

Environmental Matters

Chorus has an Environmental Policy which codifies Chorus' commitment to environmental responsibility. Among other things, the policy states that Chorus will: promote the efficient use of materials, resources, and its leased assets to minimize waste and fuel emissions; incorporate environmental considerations in business decisions, including when conducting competitive bid processes for goods and services; and raise environmental awareness and understanding with employees, customers and suppliers to encourage environmental responsibility and sustainability.

Jazz and Voyageur each have a dedicated leader in charge of safety and environmental matters who reports directly to the Accountable Executive. Both entities maintain a safety and environment committee which meets regularly with members of the business units' executive team to review safety and environmental performance. Jazz and Voyageur present a safety and environmental report to the Audit, Finance and Risk Committee of the Corporation's Board of Directors on a quarterly basis.

Jazz is committed to environmentally responsible air travel and participates in voluntary and mandatory carbon emission reduction measures adopted by the Canadian federal government. Both Voyageur and Jazz have undertaken several fuel conservation and carbon emission reduction initiatives, including:

- planning more efficient flight profiles;
- reducing thrust on takeoff, when safe to do so, to reduce both fuel burn and noise emissions;
- using the thrust of only one engine to taxi, when safe to do so, to reduce fuel burn by approximately 50% of a standard taxi profile;
- reducing auxiliary power unit usage during ground operations to reduce both fuel burn and noise emissions;
- reducing fuel consumption through various weight-reduction initiatives, including equipping pilots with navigation charts, manuals and technical bulletins on electronic tablets rather than in paper form; using light weight flight attendant trollies; and using light-weight paint on aircraft;
- developing and implementing virtual training classes;
- conducting internal base audits virtually; and
- encouraging customers to conduct external audits virtually.

Chorus considers the environment a component of business decisions in planning for and making changes to its processes, equipment and facilities; however, fleet decisions (whether in the contract flying or leasing business) are predominantly made by Chorus' customers having regard to their requirements.

Canada's Action Plan to Reduce Greenhouse Gas Emissions from Aviation

In 2015, a global industry fuel efficiency target of a 1.5 percent annual average improvement between 2008 and 2020 was adopted. The plan identified the following measures as the greatest opportunities to improve fuel efficiency and reduce GHG emissions: fleet renewals and upgrades; more efficient air operations; and improved capabilities in air traffic management.

In June 2012, the Government of Canada and the Canadian aviation industry released Canada's Action Plan to Reduce Greenhouse Gas Emissions from Aviation. The plan formed the basis for the Government of Canada's response to the International Civil Aviation Organization's Assembly Resolution A37-19, which encouraged member states to submit national action plans setting out measures each state will take to address international aviation emissions. The plan set a target to improve fuel efficiency of Canada's air carriers by 2 percent per year until 2020. The plan further supports the goals of carbon neutral growth from 2020 onwards and absolute greenhouse gas emission reduction by 2050.

Jazz has voluntarily participated in the plan since its inception and continued to support the plan in 2020.

Carbon Offsetting and Reduction Scheme for International Aviation ("CORSIA")

In 2016, the International Civil Aviation Organization adopted the Carbon Offsetting and Reduction Scheme for International Aviation ("**CORSIA**") to address carbon dioxide emissions from international civil aviation. CORSIA is a short-term, market-based measure that, in conjunction with a broader basket of measures, is designed to stabilize carbon dioxide emissions from international aviation at 2020 levels. CORSIA will be implemented in phases beginning on a voluntary basis in 2021 and, subject to certain limited exceptions, will become mandatory in 2027 for all member states of the International Civil Aviation Organization. Canada signaled its intent to participate voluntarily from 2021.

To support CORSIA's carbon offsetting requirements, all aircraft operators falling under CORSIA's obligations must develop a monitoring, reporting and verification system for carbon dioxide emissions. These requirements began on January 1, 2019 and continue until December 31, 2035. To ensure compliance with these requirements, Jazz developed an emissions monitoring plan which has received approval from Transport Canada. The plan includes information about Jazz's fleet, operations, fuel use monitoring method(s) and data management. The plan will provide the basis for compliance with the regulatory requirements of CORSIA. On a yearly basis, beginning in 2022, Transport Canada will inform Canadian operators of their carbon dioxide offsetting requirements for the previous year, which will be determined by each operator's annual carbon dioxide emissions and the global industry's growth factor. Offsetting will be achieved through the acquisition and cancellation of emissions units from the global carbon market.

Chorus anticipates that Jazz will fully recover its CORSIA compliance related costs under the CPA. As Voyageur's operations do not reach the prescribed emissions threshold, it does not participate in CORSIA.

Potable Water on Board Aircraft

The *Potable Water on Board Trains, Vessels, Aircraft and Buses Regulations* govern the safety and quality of drinking water on federally regulated airplanes, trains, ships and buses. The regulations require Canadian aircraft operators to take steps to ensure the safety of water served to passengers through measures such as ensuring safe water supplies, maintaining potable water systems, taking action in cases of suspected or confirmed contamination, completing routine sampling and keeping related records.

Jazz has established a potable water management program to ensure that water onboard Jazz aircraft is safe for consumption. In compliance with the regulations, Jazz conducts routine microbiological testing to verify the quality and safety of potable water onboard its aircraft.

Chorus believes that it is in compliance in all material respects with the terms of current government regulations applicable to its business and is committed to conducting its operations in a manner that complies with all legal requirements relating to health and safety and the environment, and regularly evaluates and monitors its related activities. Chorus has processes in place to ensure compliance with applicable environmental laws and communicates with regulatory agencies and its stakeholders in order to resolve environmental issues that may arise from time to time. Chorus proactively conducts ongoing environmental audits and takes corrective action to enable compliance with environmental law and continuous improvement to its management system, policies and procedures.

To date, environmental laws and regulations have not had a material adverse effect on Chorus' business. However, changes in such government laws and regulations, including the implementation of new international commitments, may significantly increase the cost of environmental compliance. Chorus is not able to predict future costs which may be incurred in order to comply with future environmental regulations.

Privacy

Chorus and each of its subsidiaries are subject to various privacy laws regarding the collection, use, disclosure and protection of personal information in the course of their respective commercial activities. The *Personal Information Protection and Electronic Documents Act* ("**PIPEDA**") governs the Corporation and its subsidiaries carrying on business in Canada, and the privacy laws of countries in which the Corporation's subsidiaries carry on business govern those subsidiaries (such as CACIL in Ireland).

In 2015, PIPEDA was amended to include requirements with respect to record keeping and reporting of certain personal information data breaches. Regulations prescribing particulars of the record keeping and reporting obligations came into force on November 1, 2018.

On November 17, 2020, the Government of Canada introduced Bill C-11, the *Digital Charter Implementation Act*. This bill proposes to enact the *Consumer Privacy Protection Act* (the "**CPPA**") to replace Part 1 of PIPEDA, which is the part of PIPEDA that addresses privacy in the private sector, and enact the *Personal Information and Data Protection Tribunal Act* to establish a tribunal, which would hear recommendations of and appeals from decisions of the Privacy Commissioner of Canada. The proposed changes to the legislation include: expanded requirements for obtaining consent, expanded exceptions to consent, enhanced individual rights regarding the disposal of personal information and mobility, and an expanded range of potential sanctions, including significant monetary penalties and awards, and a civil right of action for breaches of privacy laws.

On May 25, 2018, the *General Data Protection Regulation* (Regulation (EU) 2016/679) of the European Union replaced the European Union's existing Data Protection Directive 95/46/EC and applies to any Chorus entity that collects or processes personal data of data subjects residing in the European Union.

Regardless of which privacy laws apply, such laws typically require notice to, and informed consent by, the individuals whose personal information or data is collected, used or disclosed. The personal information or data may then only be used for the purposes for which it was originally collected, and for which consent from individuals has been obtained or for limited other purposes specified in, or allowed by, applicable legislation.

As Chorus' customers are primarily other businesses, most of the personal information or data Chorus collects and processes relates to its own employees. Chorus has a privacy policy and internal procedures which are designed to meet Chorus' obligations under applicable privacy legislation.

RISK FACTORS

The COVID-19 pandemic has resulted in governments around the world enacting emergency measures to contain the spread of COVID-19, including travel restrictions and mandatory quarantine requirements for travelers, many of which continue as at the date of this AIF. Independent of such restrictive measures, the COVID-19 pandemic has also negatively impacted passenger demand for air travel owing to general health and safety concerns. Although Chorus' business model does not directly expose it to the market risks ordinarily faced by airlines who sell tickets to the traveling public, substantially all Chorus' revenue is derived from airlines through its CPA with Air Canada and the leasing of aircraft to airlines around the world. As a result, the COVID-19 pandemic has heightened the risks inherent in Chorus' business.

The risks described below should be read carefully when evaluating Chorus' business and its forward-looking statements and are not intended to be an exhaustive list of all risks facing Chorus. Other risks of which Chorus is not currently aware or which Chorus currently deems immaterial may arise and have a material adverse impact on Chorus' business, results of operations, cash flows, financial position and prospects.

Counterparty Risk

Chorus is exposed to credit risk through its contractual arrangements with third parties, including the risk of non-payment by Air Canada of amounts owing under the CPA, non-payment of rent and other amounts owing from aircraft lessees, and the failure by hedge counterparties to perform their obligations under interest rate, foreign exchange and equity price risk hedging arrangements entered into in the ordinary course of business.

Non-payment by Air Canada of amounts owing under the CPA

The payments to Chorus under the CPA are dependent on the financial strength of Air Canada, which is currently adversely impacted by the COVID-19 pandemic. As most of Chorus' revenue is derived from the CPA, if Air Canada is not able to make full payment of amounts owing, or a dispute with respect to Air

Canada's payment obligations were to arise, this could have a material adverse effect on Chorus' business, results of operations, cash flows, financial position and prospects. For a more detailed description of the risk factors associated with Chorus' economic dependence on Air Canada refer to the section entitled "Risk Factors – Controllable Cost Revenue and Performance Incentives under the CPA".

Chorus' management is committed to diversifying Chorus' business to reduce the risk of Chorus' economic dependence on the CPA and, to this end, Chorus acquired Voyageur in 2015 and established Chorus Aviation Capital in 2017. Management also continually evaluates opportunities in the market to further diversify Chorus' business. Notwithstanding these efforts, management expects that Chorus will remain economically dependent on the CPA for the foreseeable future, particularly since the impact of the COVID-19 pandemic may make it more difficult for Chorus to secure growth capital. There can be no assurance that efforts to diversify Chorus' business will materially reduce Chorus' economic dependence on the CPA over the long-term.

Rent deferral arrangements, non-payment of rent and other amounts owing from aircraft lessees

In order to manage its exposure to credit risk and assess credit quality in the leasing business, Chorus conducts a credit analysis of potential lessees when considering aircraft leasing transactions and takes the strength of the credit into account in determining pricing and other terms. Chorus also monitors the financial condition of its lessees. Notwithstanding the foregoing, Chorus may not correctly assess the credit risk of lessees, and lessees may fail to meet their basic or supplemental rent obligations, which could require Chorus to repossess the affected aircraft or negotiate changes to the terms of the lease which are less favourable to Chorus. For a more detailed description of the risk factors associated with Chorus' aircraft leases refer to the section entitled "Risk Factors – Aircraft Repossession, Remarketing and Loan Repayment".

As a result of the COVID-19 pandemic, substantially all of CAC's lessees requested lease rent deferral or other rent relief arrangements during 2020, several of which remain outstanding or unresolved. These arrangements will reduce Chorus' cash flow over the period of the deferral or relief arrangements. These arrangements may also increase Chorus' receivable risk due to the weakened financial state of its lessees. In addition, Chorus' liquidity could be placed under stress where CAC is required to service principal and interest payments under its loans during the term of the deferral or relief arrangements. If the COVID-19 pandemic and associated government restrictions and depressed demand for air travel persist, the risks associated with the payment of deferred and future rent payments could significantly increase which could have a material adverse effect on Chorus' business, results of operations, cash flows, financial position and prospects.

Several of CAC's leasing customers are undergoing some type of court supervised restructuring process and it is possible that others might also seek to restructure. If any of CAC's leases are rejected during the restructuring process and its aircraft returned, Chorus may be required to recognize impairment charges which could be material, both individually and in aggregate. For more detailed disclosure related to Chorus' leasing customers, refer to section 4 "Outlook" of the Annual MD&A, which section is incorporated into this AIF by reference.

While CAC has the right to repossess the aircraft and to exercise other remedies upon a lessee default, repossession of an aircraft after a lessee default can lead to significantly increased costs. In the event of a repossession, there can be no assurance that the aircraft will be successfully recovered or that it will meet the required redelivery conditions in the lease (thereby requiring Chorus to invest in the aircraft prior to selling or re-leasing it) or that the aircraft can be sold or leased to another customer at an amount that is sufficient for Chorus to fully repay any debt outstanding against the aircraft and achieve its target returns. Delays resulting from any of these proceedings would increase the period of time during which the relevant aircraft is not generating revenue. Furthermore, the aircraft may be subject to liens for unpaid debts of the lessee which Chorus would need to discharge (by paying those debts) in order to successfully repossess the aircraft.

Failure by hedge counterparties to perform their obligations

In the event that hedge counterparties fail to meet their obligations to Chorus, Chorus could lose the benefit of interest or equity price hedges, thereby potentially substantially reducing the economic benefits to Chorus of the affected transactions or even resulting in losses to Chorus. If the foregoing were to occur, the resulting circumstances could have a material adverse effect on Chorus' business, financial condition, results of operations and prospects.

Aircraft Repossession, Remarketing and Loan Repayment

The COVID-19 pandemic has caused liquidity challenges for many of Chorus' lessees. If it becomes necessary for Chorus to repossess aircraft from its lessees due to their inability to meet their obligations under the leases, Chorus may face significant obstacles to repossessing its aircraft due to governmental travel restrictions that could make the movement of technical crews and aircraft into or out of a jurisdiction impossible or impractical. Furthermore, if aircraft remain off-lease in excess of the allowable remarketing periods under the relevant loan, Chorus may be required to repay the principal amount of the loan in advance of its maturity date. In addition, Chorus may experience difficulty finding new lessees or buyers for the aircraft, which could result in a prolonged remarketing period and/or a sale or re-lease of the aircraft at historically-depressed prices or lease rates.

In addition, the terms of CAC's aircraft loans typically allow the lender to cause CAC to terminate the leases and remarket the aircraft if the lessee commits a default that has not been cured or waived. Upon terminating a lease, Chorus will typically have a prescribed period of time ranging from six to 24 months during which to place the aircraft on lease with another operator on terms acceptable to the lender, failing which Chorus is required to pay the principal amount outstanding under the loan (including accrued and unpaid interest, swap breakage and other costs, if any). If this were to occur, and the lender did not extend the deadline for repayment, Chorus would be required to incur loan repayment obligations earlier than anticipated, putting further strain on Chorus' liquidity and increasing the risk of loan defaults and associated cross-defaults. Any such default could have a material adverse effect on Chorus' business, results of operations, cash flows, financial position and prospects.

Defaults and Cross-Defaults under Indebtedness

Chorus' debt agreements contain covenants, which if breached and not waived by the relevant lenders, could result in the acceleration of indebtedness owing under those agreements. Since some of these agreements are cross- defaulted to other debt agreements, a default or acceleration under one agreement could cause a default or acceleration under another agreement. Therefore, if Chorus were to default under any of its debt agreements, this could have a material adverse effect on Chorus' business, results of operations, cash flows, financial position and prospects.

Termination of the CPA

The majority of Chorus' revenues on a consolidated basis are currently derived from the CPA, and the Covered Aircraft are mostly dedicated to that operation.

Neither Air Canada nor Jazz has the right to terminate the CPA for convenience. However, each party has the right to terminate the CPA in certain circumstances following certain defaults by the other party, if Jazz undergoes a change in control in certain circumstances, or if the other party is prevented by a force majeure event from performing all or substantially all of its obligations under the CPA for more than 60 days.

If the CPA were terminated, Chorus' revenue and earnings would be significantly reduced unless Chorus were able to enter into satisfactory substitute arrangements. There is no assurance that Chorus would be able to enter into satisfactory substitute arrangements or that such arrangements would be as favourable to Chorus as the CPA. A termination of the CPA, or any failure of Chorus to enter into satisfactory substitute arrangements in the event of any such termination, would have a material adverse effect on Chorus' business, results of operations, cash flows, financial position and prospects.

If the CPA were terminated as a result of Chorus' default, all leases from Air Canada (or any affiliate of Air Canada) to Chorus in respect of Covered Aircraft and Spare Engines would not be automatically terminated. In such event, Chorus would remain liable for its obligations under such leases with no corresponding ability to earn income under the CPA to cover its lease obligations, which could have a material adverse effect on Chorus' business, results of operations, cash flows, financial position and prospects (see "Chorus Business Segments – Regional Aviation Services - Contract Flying - Capacity Purchase Agreement with Air Canada- Termination for Default").

Chorus owns Dash 8-400s, CRJ900s and Dash 8-300s which are operated as Covered Aircraft under the CPA. There can be no assurance that Chorus will be able to deploy these aircraft on terms as favourable as the terms of the CPA if Air Canada terminates the CPA as a result of Chorus' default or when Air Canada removes certain aircraft types from the fleet of Covered Aircraft. Any inability to redeploy these aircraft could have a material adverse effect on Chorus' business, results of operations, cash flows, financial position and prospects.

Upon the expiration or termination of the CPA, Jazz may lose access to airport facilities at key locations where Air Canada supplies facilities and other services to Jazz. Jazz may also lose access to such airport facilities should Air Canada be unable to secure such access to airport facilities in the future. Most of the airport facilities at Jazz's principal domestic destinations are leased by Air Canada from airport authorities. Under the CPA, Jazz may use these facilities to fulfill its obligations to Air Canada. All of Jazz's airport takeoff or landing slots used for Scheduled Flights are under Air Canada's name. Upon the expiry or termination of the CPA, Jazz may lose access to those airport facilities, airport takeoff or landing slots, and Chorus may have to enter into alternative arrangements to use the same or other airport facilities and slots at higher rates. There can be no assurance that Chorus would have access to other airport facilities or slots or as to the terms upon which Chorus could do so. Chorus' inability to secure access to sufficient airport facilities or slots, or ability to do so only with a significant cost increase, could have an adverse effect on Chorus' business, results from operations, cash flows, financial position and prospects.

Early termination of the CPA, a material adverse change to the CPA or any default under the CPA constitutes an event of default under certain of Chorus' financing arrangements with EDC and could also constitute an event of default under Chorus' Operating Credit Facility. Upon the occurrence of such an event of default, the relevant lenders would have the right to require Chorus to immediately repay all indebtedness owing to them under their respective credit facilities, which could trigger cross-defaults under other Chorus credit facilities. A requirement to repay all debt outstanding to EDC and/or Chorus' senior lenders prior to the maturity of those loans would, and any associated defaults under other credit facilities could reasonably be expect to, have a material adverse effect on Chorus' business, results of operations, cash flows, financial position and prospects.

Potential Conflicts with Air Canada

Parties to contracts, such as the CPA, may disagree from time to time on the appropriate interpretation of their respective rights and obligations. Conflicts or disputes may arise between Air Canada and Jazz under the CPA in several areas, including:

- the nature and quality of the services Air Canada provides to Jazz and the services Jazz provides to Air Canada;
- the terms of Air Canada's and Jazz's respective collective bargaining agreements;
- the Controllable Costs Jazz incurs in providing services to Air Canada (see "Chorus Business Segments – Regional Aviation Services – Contract Flying - Capacity Purchase Agreement with Air Canada - Revenues and costs under the CPA");

- the scope and applicability of force majeure and non-competition provisions (see "Diversification and Growth"); and
- Jazz's and Air Canada's respective rights and obligations under the CPA or other agreements between Chorus and Air Canada.

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

Diversification and Growth

Chorus is focused on growing its regional aircraft leasing business to reduce its dependence on the CPA and grow Chorus' business overall. Whether Chorus ultimately succeeds in doing so is dependent on a wide range of factors, many of which are discussed in greater detail in this AIF, including, without limitation, the impact of the COVID-19 pandemic, competitive dynamics in the aircraft leasing sector, Chorus' cost of capital, the availability and obsolescence of aircraft, general risks relating to the aviation industry, Chorus' ability to attract and retain the talent it requires to operate a leasing business, and Chorus' discipline in executing its strategy. The COVID-19 pandemic, including the uncertainty of the duration, has negatively impacted the aircraft leasing sector including Chorus' regional aircraft leasing business.

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

Any one or more of the restrictions imposed by the CPA (summarized below) may prevent Chorus from entering into potentially beneficial arrangements, which may have a material adverse effect on Chorus' business, results of operations, cash flows, financial position and prospects
Under the CPA, Chorus is prevented from carrying on or undertaking certain passenger airline services. Except in certain permitted circumstances, Chorus may not provide passenger services using fixed-wing aircraft over a certain number of seats between two destinations located within the Non-Compete Geographic Area (as defined in the CPA).

Under the CPA, Chorus may enter into contracts for charter services performed entirely outside of the Non-Compete Geographic Area. However, Chorus requires Air Canada's consent to enter into contracts for charters with more than a certain number of rotations between the same cities for the same customer and over agreed levels, to or from any Extended Hub Airport, or on any Air Canada routes. A Hub Airport is an airport bearing the International Air Transport Association code YVR, YYC, YEG, YYZ, YOW or YUL and an Extended Hub Airport includes the Hub Airports and any airport located within 175 kilometres of the Hub Airports.

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

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

In the CPA, the parties have agreed on certain restrictions for Chorus acquisitions of airline operators in the Non-Compete Geographic Area. There are no restrictions on Chorus providing Cargo Services (as defined in the CPA) with dedicated cargo aircraft.

Air Canada provides several important services to Jazz, including certain information technology, de-icing services and glycol supply, fuel purchasing services, passenger insurance claims services, and aircraft and traffic handling services. As Jazz does not sell scheduled air service directly to the public, Jazz does not perform ticket sales, reservations or call centre services. If the CPA is not renewed beyond December 31, 2035, or is otherwise terminated, and Chorus were to decide to operate its own at-risk airline services, it would either need to provide these services internally or contract with third parties for such services. There can be no assurance that Chorus would be able to replace these services on a cost effective or timely basis and this may have a material adverse effect on Chorus' business, results of operations, cash flows, financial position and prospects.

Epidemics and Pandemics

Widespread outbreaks of contagious diseases, such as COVID-19, or any governmental or global travel advisories or restrictions (whether relating to Canadian or international cities or regions) could result in a significant reduction in passenger demand for air travel which could affect the operating performance and financial condition of airlines, including Air Canada and Chorus' lessees. Any such event could result in reduced revenues for Chorus which could result in a material adverse effect on Chorus' business, results of operations, cash flows, financial position and prospects (see also "Third Party Credit Risk").

Access to Capital / Refinancing Risk

Chorus is dependent upon access to equity and debt capital to finance its growth initiatives (particularly its regional aircraft leasing business which requires a significant amount of capital to grow) and maintain adequate liquidity through the COVID-19 pandemic. The negative impact of COVID-19 on global debt and equity markets, including the trading price of the Chorus' securities, may negatively impact Chorus' ability to access capital markets at a reasonable cost. Any of these factors could have a material adverse effect on Chorus' business, results of operations, cash flows, financial position and prospects.

Chorus also has significant debt repayment obligations, many of which take the form of lump sum repayments of principal due at maturity of the loan (known as "balloon payments"). Examples include the principal due at maturity under the 6.00% Debentures and the 5.75% Unsecured Debentures, as well as balloon payments due under aircraft loans in Chorus' leasing business.

Further, a continued depressed market price of the Corporation's securities or another significant decline in the market price or trading volume of the Corporation's securities could negatively impact Chorus' ability to raise capital, issue debt, retain employees, make strategic acquisitions or enter into business arrangements. The market price of the Corporation's securities has been negatively impacted by the COVID-19 pandemic and could be further negatively impacted by a wide range of factors, including the continuation of government-imposed travel restrictions, prolonged depressed demand for passenger air travel as a result of the COVID-19 pandemic, a failure by the Corporation to meet analysts' earnings expectations or maintain adequate liquidity, general trends negatively impacting investor perception of the aviation industry, or a general decline in the public equity markets.

Global financial conditions have been characterized by periodic high levels of volatility and on occasion major financial institutions have faced significant liquidity and other challenges. If financial institutions were to face difficulties in the future, this could negatively impact the ability of Chorus to obtain new financing to fund growth or to refinance existing indebtedness (including balloon payments). In addition, the level of

Chorus' indebtedness from time to time could impair Chorus' ability to obtain additional financing on a timely basis to maintain liquidity or take advantage of business opportunities that may arise. Any failure of Chorus in the future to obtain required financing on acceptable terms in these circumstances could result in Chorus being unable to finance capital commitments, refinance existing indebtedness, or place Chorus at a competitive disadvantage, which could have a material adverse effect on Chorus' business, results of operations, cash flows, financial position and prospects.

Leverage and Restrictive Covenants in Current and Future Indebtedness

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

Dilution of Shareholders

The Corporation is authorized to issue an unlimited number of Voting Shares and Variable Voting Shares and up to 80,750,000 Preferred Shares, for consideration, and on terms and conditions, determined by the Board. With the exception of Air Canada, which has certain pro rata pre-emptive rights (see "The Chorus Business – Three-Year History"), Shareholders have no pre-emptive rights in connection with further issues of Voting Shares, Variable Voting Shares or Preferred Shares.

Chorus implemented the DRIP effective February 1, 2018. During the second quarter of 2020, in response to the COVID-19 pandemic, Chorus suspended both the dividend and the DRIP. When active, the DRIP provided Shareholders resident in Canada the opportunity to purchase additional Common Shares using cash dividends paid on Common Shares enrolled in the DRIP.

Chorus has issued Warrants exercisable to acquire up to 24,242,424 Common Shares at a price of $8.25 per Common Share in connection with the private placement of Convertible Units.

Subject to any required regulatory approval and provided no event of default has occurred and is continuing under the 5.75% Debenture Indenture, the Corporation has the option to satisfy its obligation to pay the principal amount of the 5.75% Unsecured Debentures due at redemption or maturity (together with any applicable premium) by delivering Common Shares to holders of the 5.75% Unsecured Debentures and to satisfy its obligation to pay interest on the 5.75% Unsecured Debentures by delivering Common Shares to the trustee under the 5.75% Debenture Indenture for conversion to cash.

The DRIP, the Warrants, the 5.75% Unsecured Debentures and future financings or other transactions involving the issuance of securities of the Corporation may be dilutive, result in a decreased market price for the Common Shares or be otherwise materially adverse to the interests of Shareholders.

Reliance on Key Personnel

If the COVID-19 pandemic has a prolonged, negative impact on Chorus' financial condition and growth prospects, Chorus may experience difficulty retaining and attracting key personnel. The success of Chorus depends on the abilities, experience, industry knowledge and personal efforts of senior management and other key employees, and Chorus' ability to retain and attract skilled employees. As Chorus seeks to diversify and grow its business, this may put additional strain and demand on management and on Chorus' employees, increasing risks to both productivity and retention. In addition, Chorus may not be able to attract and retain additional qualified management as needed in the future. The loss of such key personnel could have a material adverse effect on Chorus' business, results of operations, cash flows, financial position and prospects.

Consequences of a Change of Control

The CPA may be terminated by Air Canada in certain circumstances if Jazz undergoes a change in control without Air Canada's consent (see "Chorus Business Segments – Regional Aviation Services- Contract Flying - Capacity Purchase Agreement with Air Canada - Change of Control"). Furthermore, (i) any indebtedness outstanding under the Operating Credit Facility and the Unsecured Revolving Credit Facility become immediately repayable if the Corporation undergoes a change of control without the consent of the lenders, (ii) certain of Chorus' loans with EDC may become immediately repayable if Jazz undergoes a change of control without EDC's consent (however, a change of control of the Corporation is deemed not to be a change of control of Jazz for purposes of the EDC loan agreements so long as the Common Shares remain publicly traded), and (iii) certain loans to Chorus Aviation Capital may become immediately repayable if certain Chorus Aviation Capital entities (such as CACIL) cease to be ultimately controlled by the Corporation (see "Capital Structure – Long-term Debt").

Therefore, if a change of control were to occur, this could have a material adverse effect on Chorus' business, results of operations, cash flows, financial position and prospects.

Controllable Cost Revenue and Performance Incentives under the CPA

Controllable Cost Revenue is based on estimates and includes Controllable Costs such as salaries, wages and benefits, certain depreciation and amortization, certain aircraft maintenance, materials and supplies, third party operating leases, and other general overhead expenses, such as crew variable expense, professional fees, travel and training. Air Canada pays Jazz Controllable Cost Revenue rates based on Controllable Costs. The 2019 CPA Amendments introduced provisions which limit Jazz's exposure to $2.0 million annually for variances between Controllable Cost Revenue and actual Controllable Costs (see "Chorus Business Segments – Regional Aviation Services – Contract Flying – Capacity Purchase Agreement with Air Canada – Controllable Cost Revenue").

Although Chorus currently anticipates that the items excluded from the Controllable Cost Guardrail should not result in significant cost variances for Jazz, it is possible that those costs may turn out to be higher than anticipated, thereby reducing Jazz's profit margin in those periods, which at the relevant time could have a material adverse effect on Chorus' business, results of operations, cash flows, financial position and prospects.

Although Jazz can earn performance incentive revenue under the CPA, it may be increasingly difficult for Jazz to earn this revenue. Depending on Chorus' revenues and earnings at the relevant time, this could have a material adverse effect on Chorus' business, results of operations, cash flows, financial position and prospects.

Impact of Competition on Air Canada's Profitability

The airline industry is highly competitive. Air Canada competes with other major carriers as well as low cost carriers on its routes, including routes that Jazz flies under the CPA. Competitors could rapidly enter markets Jazz serves for Air Canada, and quickly discount fares, which could lessen the economic benefit of Jazz's regional operations to Air Canada. In recent years, several ultra-low-cost carriers have entered the Canadian market, increasing competitive pressures on routes served by Air Canada and Jazz on its behalf.

The airline industry generally, and scheduled service in particular, are characterized by low gross profit margins and high fixed costs. The costs of operating any particular flight do not vary significantly with the number of passengers carried and, therefore, a relatively small change in the number of passengers or in fare pricing or traffic mix could have a significant effect on Air Canada's operating and financial results. These dynamics have been exacerbated by the COVID-19 pandemic, which has resulted in fewer flights operated, lower passenger loads on operated flights, and significant operating losses for airlines. If Air Canada were unable to meet its obligations under the CPA due to a significant decline in its expected revenue or profit levels, that could have a material adverse effect on Chorus' business, results of operations, cash flows, financial position and prospects.

Leasing Risk under the CPA related to Dash 8-400s, CRJ900s and Dash 8-300s

Air Canada pays Jazz a Fixed Margin for an agreed number of Covered Aircraft during the term of the CPA. When Chorus owned aircraft exit the Covered Aircraft fleet or the CPA expires, there is a risk that Chorus will be unable to find use for its owned aircraft to generate equivalent revenue. With the establishment of Chorus Aviation Capital, management anticipates that Chorus will have options not previously available to it to redeploy these aircraft; however, there can be no assurance that such aircraft can be redeployed on comparable economic terms or at all, particularly during the COVID-19 pandemic. Any inability to utilize or redeploy such aircraft on comparable economic terms could have a material adverse effect on Chorus' business, results of operations, cash flows, financial position and prospects.

Variability in the Supply of and Demand for Leased Aircraft

The aviation industry has experienced periods of aircraft oversupply and weak demand. Due to the ongoing COVID-19 pandemic and the resulting impact on the aircraft leasing industry, there is a significant supply of off-lease aircraft. If there is an oversupply of a specific type of aircraft in the market, the value of, and lease rates for, that type of aircraft may decline. The supply and demand for aircraft is affected by various cyclical and non-cyclical factors that are not under Chorus' control, including: general economic conditions affecting the financial position and liquidity of lessees; changes in interest and foreign exchange rates; environmental (including climate change) regulation and initiatives; technological change; aircraft noise and emissions regulations; aircraft age limits and other factors leading to reduced demand for, early retirement or accelerated obsolescence of certain aircraft models; changes in control of, or restructurings of, airlines and aircraft leasing companies; manufacturers merging or exiting the industry or ceasing to produce aircraft or engine types; and other risks relating to the aviation industry generally.

Any of these factors could produce sharp and prolonged decreases in aircraft values and achievable lease rates, which would have a negative impact on the value of Chorus' leased aircraft fleet, and may prevent Chorus from leasing or re-leasing those aircraft on favorable terms, or at all. Any such events could have a material adverse effect on Chorus' business, results of operations, cash flows, financial position and prospects.

Competition for Aircraft Leasing Opportunities

Competition for aircraft leasing transactions are based principally upon lease rates and terms, aircraft types and configuration, aircraft condition and redelivery terms, delivery schedules, reputation and management expertise. Competitors focused on the regional aircraft leasing market currently include, but are not limited to, Elix Aviation Capital, Falko Regional Aircraft, Nordic Aviation Capital and TrueNoord Regional Aircraft Leasing.

Due to the COVID-19 pandemic, many lessors and lenders have had to repossess aircraft that were previously on lease to airlines around the world. This has resulted in a significant supply of aircraft and competition among lessors and lenders to sell or re-lease those aircraft. The increased competition in respect of these aircraft may make it challenging for Chorus to realize sufficient proceeds to fully repay any debt outstanding against its off-lease aircraft, secure adequate rental streams to service such indebtedness or achieve its target returns.

Chorus may also encounter competition from new entrants in the regional aircraft leasing segment, some of which may be experienced lessors in the narrow and wide-body aircraft leasing segments of the market. Chorus may also encounter such lessors to the extent that the distinction between large regional jets and narrow body aircraft diminishes. Certain of these potential competitors, particularly experienced lessors, may have significantly greater resources than Chorus and, as a result, may have a lower overall cost of capital together with the ability to provide financial services, maintenance services or other inducements to potential lessees that Chorus cannot provide. In addition, Chorus may encounter competition from entities that selectively compete with it, including, but not limited to airlines, aircraft manufacturers, financial institutions (including those seeking to dispose of repossessed aircraft at distressed prices), and aircraft brokers.

If any of the above risks were to materialize, they could have a material adverse effect on Chorus' business, results of operations, cash flows, financial position and prospects.

Terrorist Attacks and Other Geopolitical Instability

The occurrence of a terrorist attack (whether international or domestic and whether involving Chorus, another carrier or no carrier at all) and increasingly restrictive security measures, such as restrictions on the content of carry-on baggage, passenger identification requirements and passenger screening procedures could have a material adverse effect on passenger demand for air travel and on the number of passengers traveling on Chorus' flights.

Geopolitical instability in various areas of the world could have the effect of reducing demand for air travel. It could also lead to a substantial increase in insurance, security and other costs. Any such negative effect on demand and/or increase in costs, could have a material adverse effect on Chorus' business, results of operations, cash flows, financial position and prospects.

Cyber-attacks and Dependence on Technology

Chorus relies in part on technology, including hardware, software and network communication infrastructure, to operate its business. Jazz depends on several technology applications to operate its business under the CPA, including Air Canada's reservations and passenger check-in systems as well as other applications managed by Jazz for functions such as flight and crew scheduling and aircraft maintenance. The Corporation's other subsidiaries also depend on technology to manage their assets and operate their business.

The performance and reliability of Chorus' technology, and the technology of Air Canada, are critical to Chorus' ability to compete effectively. Any individual sustained or repeated failure of Chorus' technology or that of Air Canada could impact Chorus' ability to conduct its business, lower the utilization of its aircraft and result in increased costs.

Chorus' technology systems and related data, and that of Air Canada, may be vulnerable to a variety of sources of failure, interruption or misuse, including by reason of natural disasters, cyber-attacks, network communication failures, computer viruses, hackers and other security issues. Information systems are subject to an increasing threat of continually evolving cybersecurity risks. Unauthorized parties may attempt to gain access to Chorus' systems or information through fraud or other means of deception. The methods used to obtain unauthorized access, disable or degrade service or sabotage systems are constantly evolving, and may be difficult to anticipate or to detect for long periods of time. While Chorus maintains and continues to invest in technology security initiatives and disaster recovery plans, Chorus does not manage all of the systems it relies on (such as Air Canada's reservations and passenger check-in systems) and the measures Chorus is able to implement may not be sufficient to avoid, or mitigate the impact of, a system failure. Any failure in technology systems used by Chorus, or Air Canada, could have a material adverse effect on Chorus' business, reputation, results of operations, cash flows, financial position and prospects.

Chorus regularly invests in new technology initiatives to reduce its costs, increase its revenues and adjust to changes in the cyber-security landscape. An inability to invest in technological initiatives or implement them appropriately could have a material adverse effect on Chorus' business, reputation, results of operations, cash flows, financial position and prospects.

Air Canada Reduction Right, External Factors and Prior Performance under the CPA

Factors such as economic conditions, war or the threat of war or terrorist attacks, fare levels, weather conditions and the spread of communicable diseases affect demand for air travel. If there are three consecutive quarters of negative growth in Canada’s gross national product, Air Canada has the right under the CPA to reduce the minimum average daily utilization guarantee by up to 10%. If Air Canada exercises that right, it cannot enter into any other capacity purchase agreement with a third party or increase the number of aircraft operated by any third party under capacity purchase agreements in effect on the date that the utilization guarantee is reduced, until such time as Air Canada restores that utilization guarantee to the level in effect before it exercised that right. It would have to reimburse Jazz for all costs arising from exercising that right. Air Canada must restore that utilization guarantee to the level in effect before it exercised that right as soon as there are three consecutive quarters of positive growth in Canada’s gross national product. Air Canada may not exercise that right a second time unless it restores that utilization guarantee to the level in effect before Air Canada first exercised that right. Due to these and other factors, operating results for an interim period are not necessarily indicative of operating results for an entire year, and operating results for a historical period are not necessarily indicative of operating results for a future period.

Under the CPA, Jazz is paid by Air Canada through rates based on a variety of different metrics and Jazz’s estimated Controllable Costs in the applicable period plus a certain predetermined Fixed Margin during the remaining term of the CPA. However, Chorus’ actual quarterly results could differ from those contemplated by the target margin based on a variety of factors, including the timing of capital expenditures and changes in operating expenses, such as personnel and maintenance costs, over the course of a fiscal year. A significant mismatch between Jazz’s costs and revenues not subject to the Controllable Cost Guardrail could have a material adverse effect on Chorus' business, results of operations, cash flows, financial position and prospects.

Air Canada Pilots Association Scope Clauses

Air Canada’s collective bargaining agreement with Air Canada Pilots Association limits the number of regional jet aircraft which can be operated by any Air Canada Express carrier. That limitation may restrict Chorus’ ability to increase the capacity it provides Air Canada, which could have a material adverse effect on Chorus’ business, results of operations, cash flows, financial position and prospects. Chorus cannot be certain that any future Air Canada collective bargaining agreement will not contain similar, or more severe, limitations potentially affecting Chorus.

Absence of Exclusivity Arrangements with Air Canada

Subject to certain exceptions, Chorus has the right under the CPA to bid on (i) aircraft leasing opportunities under the CPA, and (ii) opportunities to operate aircraft with 50 seats or less under a capacity purchase agreement with Air Canada as well as the right to match third-party offers.

Notwithstanding the foregoing, Chorus does not benefit from exclusivity arrangements preventing Air Canada from allocating all or some of any of Air Canada’s additional regional capacity requirements internally or to another carrier under a capacity purchase agreement or other forms of contractual arrangements. Air Canada’s use of other regional carriers could negatively impact opportunities for increasing Jazz’s flying under the CPA.

In order to improve Jazz's long-term competitiveness as a regional air carrier, management is focused on continuous improvement within the Jazz operation. Such efforts include the renewal of the Covered Aircraft fleet, ongoing overhead cost reductions, and a strong organizational emphasis on operational performance. Notwithstanding the foregoing, there can be no assurance that these efforts will succeed, and the lack of exclusivity arrangements with Air Canada could have an adverse effect on Chorus' business, results from operations or financial condition.

Competition in the Regional Airline Industry

Chorus' ability to provide regional air services is limited by existing relationships that network airlines have with other regional operators. In addition, many of the network airlines are subject to scope clause restrictions under their collective bargaining agreements with employees that restrict their ability to add new regional jet capacity. New competitors may also enter the regional airline industry, particularly as network airlines such as Air Canada reduce service to regional markets due to the effects of the COVID-19 pandemic. Market entry or capacity expansion by other regional airlines in the regional jet market would lead to significantly greater competition and may result in lower rates of return in the regional airline industry. Further, many of the network airlines are focused on reducing costs, which may also result in lower operating margins in the regional airline industry. Aggressive competition among tour operators and carriers providing flying services can limit Chorus' ability to expand in those markets. Any of the foregoing events could have a material adverse effect on Chorus' business, results of operations, cash flows, financial position and prospects.

Legislative and Regulatory Changes, Changes in Law, Litigation and Regulatory Proceedings

The airline industry is subject to extensive Canadian and foreign legal, regulatory and administrative controls and oversight relating to, among other things, security, safety, data privacy, licensing, competition, the environment (including noise levels and carbon emissions), passenger and consumer rights, compensation relating to passenger rights, flight crew and other labour rules, and, in some measure, pricing. Additional future laws and regulations could include, without limitation, laws and regulations establishing new limits on the age of aircraft that may be operated, greenhouse gas emissions by aircraft, the screening of individuals who may pose a risk to aviation safety, new data privacy standards, and airworthiness directives. Decisions rendered from time to time by Canadian and foreign courts, administrative tribunals and/or governmental agencies, such as Transport Canada, the Canadian Transportation Agency, the Competition Bureau and/or Competition Tribunal and their foreign equivalents, may also impose additional requirements or restrictions on airline operations. If new laws, regulations or decisions are made, adopted or rendered, Chorus could face additional compliance costs or restrictions on its business that could have a material adverse effect on its business, results of operations, cash flows, financial position and prospects. (For further information, see "Regulatory Environment".)

Chorus is also party to various legal proceedings that arise during the ordinary course of its business. Litigation, regulatory investigations or legal proceedings could result in Chorus having to expend significant costs and management time as well as result in sizeable damage awards or negotiated settlements and could have a material adverse effect on Chorus' business, results of operations, cash flows, financial position and prospects.

Energy, Emissions, and Noise Regulations and Policies

There is mounting public pressure on industry, including the aviation industry, to reduce carbon emissions. This type of continued public pressure could ultimately harm the reputation of the aviation industry, including the participants therein, and lead to increased regulation and public policy and ultimately result in increased operational costs for the aviation industry, higher costs for air travel and potentially decreased public demand along with a reduction in access to capital.

Over time, it is possible that governments will adopt additional regulatory requirements and/or market-based policies that are intended to reduce energy usage, emissions, and noise levels from aircraft. Such initiatives may be based on concerns regarding climate change, energy security, public health, local impacts, or other factors, and may also impact the global market for certain aircraft and cause behavioral shifts that result in decreased demand for air travel. These concerns could also result in greater limitations on the operation or use of aircraft owned, particularly aircraft equipped with older technology engines.

In particular, compliance with current or future regulations, taxes or duties could cause Chorus and its lessees to incur higher costs and lead to higher air travel costs, which could mean lower demand for travel and adverse impacts on the financial condition of Chorus and its lessees. Such developments may also adversely affect the ability of Chorus and its lessees to make payments under aircraft loans and leases, respectively, and reduce the market for aircraft in Chorus' portfolio, which could negatively affect the residual value of Chorus' aircraft and Chorus' revenues and profits.

Chorus is unable to predict whether, or the manner in which, the regulatory and/or market-based policies that are intended to reduce energy usage, emissions, and notice levels from aircraft will be ultimately implemented or the potential impact of these initiatives on Chorus; however, these future developments may adversely impact Chorus.

Although Chorus does not currently anticipate such changes will have a material impact on its business due to the nature of its contractual arrangements with its customers, Chorus cannot predict whether, and the manner in which, the foregoing dynamics will affect Chorus' business. Should such dynamics have a material adverse effect on the growth of air travel, the profitability of airlines and/or the value of aircraft currently owned by Chorus, this could have a material adverse effect on Chorus' business, reputation, results of operations, cash flows, financial position and prospects.

Maintenance and Obsolescence of Leased Aircraft

Aircraft generally have long service lives but risk becoming obsolete as newer, more advanced aircraft are introduced to the market. Although Chorus' management believes that regional aircraft are generally less susceptible to obsolescence than other types of aircraft, the value of Chorus' leased aircraft fleet could decline particularly if unanticipated events shorten the life cycle of such aircraft, such as government regulation (including relating to carbon emissions and noise reduction) or changes in customers' preferences. If the value of Chorus' fleet were to decline, the lease rates Chorus could secure for those aircraft would also be expected to decline, and depreciation expense or impairment charges would likely increase. Such developments could have a material adverse effect on Chorus' business, results of operations, cash flows, financial position and prospects.

The risks above are heightened to the extent that Chorus acquires used aircraft. Furthermore, unlike new aircraft, used aircraft may not carry any warranties as to their condition, increasing the risk that Chorus may acquire aircraft with defects that are not discovered until after their acquisition. Variable expenses, like fuel, crew size, corrosion control or modification programs and related airworthiness directives, could make the operation of older aircraft more costly to lessees, resulting in the renegotiation of lease terms, the re-leasing of aircraft on less favourable terms, and increased maintenance and repair costs to Chorus.

Lessee Maintenance Obligations in Respect of Leased Aircraft

The standards of maintenance followed by lessees and the condition of the aircraft at the time of lease or sale may affect the future values and rental rates for Chorus' aircraft. In accordance with the terms of each lease, Chorus' lessees are responsible for maintaining the aircraft and complying with all governmental requirements applicable to the lessee and the aircraft, including, without limitation, operational, maintenance, and registration requirements and airworthiness directives. Failure of a lessee to perform required aircraft maintenance or required airworthiness directives could result in a decrease in value of such aircraft, an adverse effect on Chorus' ability to lease the aircraft at favorable rates or at all, or a potential grounding of such aircraft, and will likely require Chorus to incur increased maintenance and modification costs upon the termination of the lease to restore such aircraft to an acceptable condition.

Under some of Chorus' leases, the lessee is required to make periodic payments to provide cash reserves for major maintenance of the aircraft. Chorus will reimburse the payments to the lessee after such maintenance is performed. A substantial number of Chorus' leases do not provide for any periodic maintenance reserve payments to be made. Some lessees are required to make payments at the end of the lease term for required maintenance on the aircraft. However, in the event such lessees default, the value of the aircraft could be negatively affected by the maintenance condition and Chorus may be required to fund the entire cost of performing major maintenance on the relevant aircraft without having received compensating maintenance payments from these lessees.

Compliance with Anti-bribery Laws

Canada's Corruption of Foreign Public Officials Act and anti-bribery laws in other jurisdictions generally prohibit companies and their agents from making improper payments for the purpose of obtaining or retaining business or other commercial advantage. Chorus' Code of Ethics and Business Conduct and internal policies mandate compliance with these anti-bribery laws.

Voyageur and Chorus Aviation Capital conduct business in jurisdictions that have experienced governmental and private sector corruption to varying degrees, and, in certain circumstances, strict compliance with anti-bribery laws may conflict with certain local customs and practices. Although Chorus' policies demand strict compliance with anti- bribery laws, there can be no assurance that its policies and control measures will protect it from inappropriate acts committed by its employees or agents. Violations of these laws can carry significant penalties. Any such violations, or even allegations of such violations, could have a material adverse effect on Chorus' reputation, as well as its business, results of operations, cash flows, financial position and prospects.

International Operations and Doing Business in Foreign Countries

Chorus' aircraft leasing and contract flying businesses are exposed to local economic and political conditions that can influence the performance of Chorus' customers and the security of Chorus' aircraft located in particular regions. Conditions adverse to Chorus' interests could include regional economic recessions, financial or political emergencies, armed conflict, additional regulation, and/or the seizure of aircraft belonging to Chorus. Chorus' exposure to these risks is likely to increase with increased exposure to emerging markets which may have less developed economies and infrastructure and may be more vulnerable to business and political disturbances.

In addition, domestic and international sanctions and trade laws restrict with whom, where and/or how Chorus can conduct business. Such laws are complex and a failure to comply can result in criminal prosecution, fines, administrative penalties, breaches of debt covenants, the loss of insurance coverage, debarment from government contracts and reputational damage. A failure by Chorus to effectively mitigate the above risks could have a material adverse effect on Chorus' business, results of operations, cash flows, financial position and prospects.

Suppliers

Chorus secures goods and services from a number of third-party suppliers. Any significant interruption in the provision of goods and services from such suppliers, some of which would be beyond Chorus' control, could have a material adverse effect on Chorus' business, results of operations, cash flows, financial position and prospects.

Bombardier has sold the entire Dash aircraft program and the in-production Dash 8-400 program to De Havilland and the entire CRJ regional jet program to Mitsubishi Heavy Industries. If either of Bombardier's successors are unable or unwilling to provide adequate support for the Dash or CRJ aircraft products, this could significantly increase Chorus' costs of maintaining the Dash and CRJ aircraft in its fleet and/or adversely impact their residual values.

Chorus' ability to obtain parts, materials, inventory, consumables and services from third party vendors and outside service providers on commercially reasonable terms could also impact its operating cost structure and the loss of any such suppliers or service providers, or a significant change in the applicable commercial terms, could negatively impact Chorus' business. This risk has been heightened by the COVID-19 pandemic, which has adversely impacted many businesses in the aviation supply chain.

If the foregoing risks were to materialize, they could have a material adverse effect on Chorus' business, results of operations, cash flows, financial position and prospects.

Reliance on Labour

Chorus' business is labour-intensive and requires a large number of pilots, flight attendants, mechanics and other personnel. Consequently, labour costs constitute the largest percentage of Chorus' total operating costs. Prior to the COVID-19 pandemic, the airline industry was experiencing a global shortage of commercial pilots and an emerging shortage of mechanics. Management expects once the airline industry recovers, this global shortage will reappear. Chorus must compete to attract and retain these workers for its commercial air passenger operations at both Jazz and Voyageur. Although the COVID-19 pandemic has resulted in a surplus of pilots and other skilled personnel, if a pilot shortage were to re-emerge in future, this could pose challenges for Chorus in relation to certain customer contracts that contain minimum pilot experience requirements.

Although Chorus maintains various programs to attract the skilled employees it requires (particularly new pilots), Chorus may not be able to attract and retain qualified pilots and mechanics in sufficient numbers to meet its operational requirements, particularly if there is a robust return for passenger air travel following the end of the COVID-19 pandemic. Furthermore, because Chorus must recruit, hire and train all new employees, high turnover may strain Chorus' resources and ability to fulfil its labour requirements.

There can be no assurance that Chorus will be able to locate, hire, train and retain a sufficient number of qualified pilots, mechanics or other operations employees that it needs to carry out its plans or replace departing employees. Chorus' inability to hire and retain a sufficient number of qualified employees at a reasonable cost could have a material adverse effect on its business, results of operations, cash flows, financial position and prospects.

The majority of Chorus employees are unionized (see "Resources – People" for information about Jazz's collective agreements). There can be no assurance that any of the collective agreements will be further renewed without labour conflict or action, or that there will not otherwise be a labour conflict or action that could lead to an interruption or stoppage in Chorus' operations. Furthermore, there can be no assurance that its collective agreements will be on terms that are consistent with agreements entered into by its competitors. If any of the foregoing risks were to materialize, it could have a material adverse effect on Chorus' business, results of operations, cash flows, financial position and prospects.

Transaction Completion Risk

Transactions are sometimes announced before all of the conditions precedent to closing have been satisfied. If all of the conditions precedent to closing are not satisfied or waived on or before the deadline specified in the transaction agreement, the transaction may not be completed on the terms previously announced, or at all. If a transaction is abandoned or ultimately completed on different terms, this could have a material adverse effect on Chorus' business, results of operations, cash flows, financial position and prospects.

Lessee Insurance Coverage and Indemnity Obligations

Liability may be placed on an aircraft owner or lessor in certain jurisdictions around the world even under circumstances in which the owner or lessor is not directly controlling the operation of the relevant aircraft.

Chorus' leases include indemnification and insurance provisions which require lessees to indemnify Chorus for, and insure against, liabilities arising out of the use and operation of the aircraft, including third-party claims for death or injury to persons and damage to property for which Chorus may be deemed liable. Chorus' leases also include provisions obligating lessees to maintain public liability, property damage and hull all risk and hull war risk insurance on the aircraft at agreed upon levels.

The insurance carried by Chorus' lessees may not be sufficient to cover all types of claims that may be asserted against Chorus. Any inadequate insurance coverage or default by lessees in fulfilling their indemnification or insurance obligations may reduce the proceeds that would be received by Chorus upon an event of loss under the respective leases or upon a claim under the relevant liability insurance.

Off Balance Sheet Arrangements and Guarantees

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

Maintenance, Repair and Overhaul & Parts Provisioning and Sales Businesses

Due to the nature of the MRO and the parts provisioning and sales lines of business, Chorus may be subject to liability claims arising out of incidents or accidents involving aircraft of other carriers maintained, modified or repaired by Chorus, or to which Chorus supplied used aircraft parts. Liability claims could include claims for serious personal injury or death. Any such incident or accident could significantly harm Chorus' reputation for safety and there can be no assurance that Chorus' insurance coverage would be sufficient to cover any liability arising from such claims. If this were to occur, it could have a material adverse effect on Chorus' business, results of operations, cash flows, financial position and prospects.

Foreign Exchange Rate Risk

Chorus receives revenue and incurs expenses in U.S. Dollars, Canadian Dollars and in Euros. Chorus manages its exposure to currency risk in its Regional Aviation Services segment by billing for its services within the CPA in the underlying currency related to the expenditure and matching the currency of debt for leased aircraft with the currency of the related lease rents.
Chorus mitigates the currency risk associated with its Regional Aviation Leasing segment by borrowing in the same currencies as the related lease revenues. Chorus has some leases and related loans that are denominated in Euros and that have significant principal payments due at maturity (known as "balloon payments"). As aircraft generally trade in U.S. Dollars, Chorus is subject to foreign exchange risk when prepaying loans denominated in Euros or making balloon payments under Euro denominated aircraft loans. Chorus mitigates the impact these payments might have on liquidity by limiting balloon payments under its aircraft loans to amounts below the estimated residual value of the aircraft at loan maturity.

Fluctuations in currency rates can cause gains and losses on the U.S. Dollar denominated cash, accounts receivable and accounts payable as well as unrealized gains and losses on obligations under finance leases and long-term debt.

A 1¢ change in the US exchange rate would result in a change in the unrealized gain or loss of approximately $5.5 million. A 1¢ change in the Euro versus Canadian dollar exchange rate would not have a material impact in the unrealized gain or loss. Despite Chorus' efforts to manage these risks, the realization of significant foreign exchange losses could have a material adverse effect on Chorus' business, results of operations, cash flows, financial position and prospects (see "Third Party Credit Risk").

Interest Rate Risk

The majority of Chorus' debt is not subject to interest rate volatility as it bears interest at fixed rates or at floating rates that are fixed via interest rate swaps. Excluding revolving debt facilities, as at December 31, 2020, 97.1% of Chorus' debt was fixed rate debt (inclusive of floating rate debt with swaps that effectively fix the rates thereunder) and 2.9% was floating rate debt. Approximately 33% of the floating rate debt relates to aircraft for which Chorus has a variable lease rate with the underlying lessee and therefore has limited the exposure to the fluctuating rate of those loans.

Chorus has entered into interest rate swaps on certain of its amortizing term loans and the Warehouse Facility thereby converting a portion of its floating interest rate debt to fixed rates for the average duration of each loan and facility. Each interest rate swap is intended to hedge the variability of future interest rates and related interest payments on its respective loan. All interest rate swaps are designated and effective as cash flow hedges.

Chorus manages interest rate risk on a portfolio basis and seeks financing terms in individual arrangements that are most advantageous taking into account all relevant factors, including credit margin, term and basis. The risk management objective is to minimize potential for changes in interest rates to cause adverse changes in cash flows at Chorus.

A 1% change in the interest rate would not have had a material impact on net income for the year ended December 31, 2020. If Chorus were to refinance any or a substantial portion of such debt at higher interest rates or on a floating rate basis, or if counterparties under interest rate hedges failed to meet their obligations, the resulting consequences could have a material adverse effect on Chorus' business, results of operations, cash flows, financial position and prospects.

Pension Plans

Chorus maintains a registered defined benefit pension plan for Jazz pilots. Canadian federal pension legislation requires that the funded status of registered pension plans be determined periodically, on both a going concern basis (which assumes indefinite plan continuation) and a solvency basis (which assumes immediate plan termination).

Chorus' pension funding obligations (including projected funding obligations) may vary significantly based on a wide variety of factors, including pension plan solvency valuations, regulatory changes, plan demographics, changes to plan provisions, assumptions and methods used and changes in economic conditions (mainly the return on fund assets and changes in interest rates) and other factors, as well as the application of normal past service contribution rules which would generally require one fifth of any solvency deficit in a domestic registered plan, determined on the basis of an average over the previous three years, to be funded each year. Actual contributions that are determined on the basis of future valuation reports filed annually may vary significantly from projections. In addition, current service contributions in respect of a domestic registered plan are required unless they are funded (if permitted subject to applicable plan rules and legislation) through a sufficient surplus in such plan. Furthermore, deteriorating economic conditions or a prolonged period of low or decreasing interest rates may result in significant increases in Chorus' funding obligations. Significant increases in Chorus' funding obligations or a failure or inability by Chorus to make its required cash contributions could have a material adverse effect on Chorus, its business, results from operations and financial condition.

Taxation

In the ordinary course of business, Chorus is subject to ongoing audits by tax authorities. While Chorus has determined that its tax filing positions are appropriate and supportable, from time to time certain matters are reviewed and challenged by the tax authorities. Should the ultimate tax liability materially exceed its tax provision, Chorus' effective tax rate and its earnings could be negatively affected in the period in which the matters are resolved, and this could have a material adverse effect on Chorus' business, results of operations, cash flows, financial position and prospects.

In addition, the Organization for Economic Cooperation and Development has undertaken the Base Erosion and Profit Shifting Project ("**BEPS**"), which aims to restructure the taxation scheme currently affecting multinational entities. Canada, Ireland and numerous other countries have signed a Multilateral Convention which amends various bilateral tax treaties to implement certain BEPS proposals. Depending on which proposals under BEPS are implemented, the tax rules to which Chorus is subject may increase its liability for taxes.

Casualty Losses

Chorus may be subject to liability claims arising out of incidents or accidents involving Chorus aircraft or aircraft of other carriers maintained, modified or repaired by Chorus, including claims for serious personal injury or death. Any such incident or accident may significantly harm Chorus' reputation for safety. There can be no assurance that Chorus' insurance coverage will be sufficient to cover one or more large claims and any shortfall could be material. Additionally, any incident or accident involving Chorus' aircraft or aircraft of another carrier maintained, modified or repaired by Chorus or repaired using aircraft parts supplied by Chorus, could significantly harm its reputation for safety, which could have a material adverse effect on Chorus' business, results of operations, cash flows, financial position and prospects.

Insurance Risk

The insurance industry, and specifically airline insurers, have seen diminishing profitability in recent years, which has led to reduced capacity levels coupled with premium increases. This situation may have an adverse effect on Chorus should the limit of available insurance coverage be meaningfully reduced, the desired insurance limits become unavailable or insurance costs increase for a sustained period of time. To the extent that Chorus' existing insurance carriers are unable or unwilling to provide Chorus with adequate insurance coverage or if such coverage is only made available at significant premium cost, this could have a material adverse effect on Chorus' business, results of operations, cash flows, financial position and prospects.

Fuel Price Risk

Fuel prices have and may continue to fluctuate significantly depending on many factors, including international market conditions, geopolitical events, carbon taxes, and the Canada/US dollar exchange rate. Pursuant to the CPA, fuel costs are treated as Pass-Through Costs and, therefore, Chorus is largely protected from these price fluctuations insofar as the Jazz business is concerned. However, fluctuating fuel prices could negatively impact passenger demand for air travel, thereby having an adverse effect on the aviation industry generally, including Chorus' lessees. If fuel price increases were to adversely impact the financial performance and condition of Chorus' lessees, this could in turn have a material adverse effect on Chorus' business, results of operations, cash flows, financial position and prospects.

Potential Future Joint Ventures

Chorus may enter into joint ventures with third parties or issue equity in one or more of its subsidiaries in order to raise capital for investment, expand its capabilities or facilitate access to new markets. Chorus may not control strategic or operational decisions in joint ventures or subsidiaries that are not wholly-owned (directly or indirectly) by the Corporation. As a result, Chorus may have to share decision-making authority with a third party in relation to a wide range of decisions, including, among other matters, the selection of personnel who manage the business, the acquisition or disposition of assets, and the terms on which capital raises are undertaken by the joint venture or subsidiary. If Chorus is unable to resolve a dispute with a joint venture partner that retains material veto rights, Chorus may reach an impasse that may require it to liquidate its investment at a time and in a manner that could result in Chorus losing some or all of its original investment in the venture. These strategic ventures and investments may also subject Chorus to unforeseen risks, including adverse tax consequences and additional reporting and compliance requirements. If any of these risks were to materialize, they could have a material adverse effect on Chorus' business, results of operations, cash flows, financial position and prospects.

Renewal of Voyageur's Customer Agreements

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

MARKET FOR SECURITIES

Trading Price and Volume

During the year ended December 31, 2020, the Common Shares traded on the TSX under the symbol "CHR" and the 5.75% Unsecured Debentures traded on the TSX under the symbol CHR.DB.A. The following tables set forth the price range and trading volume of the Common Shares and the 5.75% Unsecured Debentures as reported by the TSX for the months of January to December 2020 inclusive. Although the 6.00% Debentures were listed on the TSX under the symbol CHR.DB, there were no trades in 2020.

Common Shares – Trading Symbol: CHR

2020	High $	Low $	Average Daily Trading Volume	Total Monthly Volume
January	8.40	7.81	307,183	6,758,040
February	8.04	6.49	724,920	13,773,483
March	6.52	2.11	1,864,041	41,008,911
April	3.80	2.29	1,890,674	39,704,165
May	3.40	2.39	1,367,119	27,342,388
June	4.30	2.88	1,946,157	42,815,471
July	2.90	2.36	779,065	17,139,446
August	2.82	2.30	926,294	18,525,890
September	2.64	2.21	600,525	12,611,027
October	3.18	2.17	937,449	19,686,433
November	4.42	3.01	1,582,333	33,229,013
December	4.48	3.56	740,289	15,546,086

5.75% Unsecured Debentures – Trading Symbol: CHR.DB.A

2020	High $	Low $	Average Daily Trading Volume	Total Monthly Volume
January	103.00	101.58	2,242	49,340
February	103.5	99.25	1,499	28,490
March	101.00	59.00	1,390	30,590
April	78.98	69.00	648	13,620
May	76.00	62.51	946	18,930
June	78.00	65.00	573	12,620
July	76.00	70.00	675	14,850
August	72.30	67.00	666	13,330
September	71.99	62.00	477	10,030
October	83.67	57.50	1,634	34,330
November	87.00	80.00	572	12,030
December	87.50	73.07	795	16,700

Prior Sales

During the financial year ended December 31, 2020, the Corporation did not issue any securities of a class that are not listed or quoted on a marketplace.

SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

Investor Rights Agreement

Air Canada has agreed, subject to certain exceptions set forth in the Investor Rights Agreement, not to transfer its Common Shares in the Corporation until February 4, 2024 (unless the restrictions on transfer are terminated earlier in accordance with the terms and conditions of the Investor Rights Agreement). Under the terms of the Investor Rights Agreement:

- Air Canada has the right to nominate one (1) director to the Corporation's board of directors so long as Air Canada holds at least 8.0% (subject to certain adjustments) of the Corporation's issued and outstanding Common Shares. Air Canada's current nominee is Amos Kazzaz, Air Canada's Executive Vice President and Chief Financial Officer.
- Subject to certain limited exceptions, Air Canada commits to the following until February 4, 2024: (i) not dispose of its Voting Shares (save to maintain its holdings under 10% of all issued and outstanding Common Shares); (ii) enroll 100% of its Voting Shares in the Corporation's dividend reinvestment plan; and (iii) comply with certain customary standstill provisions in favour of the Corporation.
- Air Canada has pro rata pre-emptive rights in respect of the issuance by the Corporation of additional Common Shares (subject to certain limited exceptions).
- Air Canada has customary demand and piggy-back registration rights so long as it holds at least 5% of all issued and outstanding Common Shares.

The foregoing restrictions are summarized below:

Designation of Class	Securities that are subject to a contractual restriction on transfer	Expiry	Percentage of Class
Class B Voting Shares	15,561,600 Class B Voting Shares*	February 4, 2024	9.61% of all Voting Shares and Variable Voting Shares (on a combined basis)*

* As of January 31, 2021.

TRANSFER AGENTS AND REGISTRARS

The transfer agent and registrar for the Common Shares is AST Trust Company (Canada).

The trustee, transfer agent and registrar for the 6.00% Debentures is AST Trust Company (Canada).

The trustee, transfer agent and registrar for the 5.75% Unsecured Debentures is Computershare Trust Company of Canada.

DIVIDENDS

Dividend Record

On April 6, 2020, Chorus suspended its dividend. Prior to its suspension, Chorus paid a monthly dividend of $0.04 per Common Share for the last three years. The last dividend was payable on April 17, 2020 to Shareholders of record on March 31, 2020. For the year ended December 31, 2020, Chorus paid $18.7 million in dividends to Shareholders (2019 - $55.3 million, 2018 - $53.6 million).

Under the terms of the Operating Credit Facility and the Unsecured Revolving Credit Facility, the Corporation is required to obtain lender consent prior to increasing its dividend beyond $0.48 per Common Share annually. The 5.75% Debenture Indenture and the Operating Credit Facility also prohibit the payment of dividends by the Corporation during the continuation of an event of default thereunder, and loan agreements under which subsidiaries of the Corporation are borrowers typically contain a prohibition on the payment of dividends and other distributions during the continuation of an event of default thereunder.

The declaration of dividends is subject always to the approval of the Corporation's Board of Directors in its sole discretion.

Dividend Reinvestment Plan

On April 6, 2020, Chorus suspended the DRIP. Prior to its suspension, the DRIP provided Shareholders resident in Canada the opportunity to purchase additional Common Shares using cash dividends paid on Common Shares enrolled in the DRIP. All Common Shares purchased under the DRIP were newly issued by the Corporation from treasury, and the proceeds received by the Corporation were used for general corporate purposes. Of the 6,270,500 Common Shares reserved for issuance under the DRIP, 5,791,876 Common Shares were issued as of April 17, 2020 (the final dividend payment date preceding the suspension of the dividend and DRIP).

The DRIP provides that the price for Common Shares purchased under the DRIP shall be equal to 100% of the average market price; however, the Corporation may, from time to time, offer a discount of up to 5% from the average market price for Common Shares purchased under the DRIP.

DIRECTORS AND OFFICERS

Directors of the Corporation

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

Name and Municipality of Residence	Principal Occupation	Director of Chorus or its Predecessors Since
Margaret Clandillon (1) Dublin, Ireland	Corporate Director	May 4, 2018
Gary Collins (2) Vancouver, British Columbia	Senior Advisor, Lazard Canada	May 8, 2008
Karen Cramm(3) Halifax, Nova Scotia	Corporate Director	December 6, 2010
Richard D. Falconer (4) Mississauga, Ontario	Senior Advisor, Lazard Canada	March 1, 2012 Chairman of the Board since June 29, 2020
R Stephen Hannahs (5) Corona Del Mar, California	Chief Executive Officer, Wings Capital Partners	August 10, 2015

Sydney John Isaacs (6) Westmount, Quebec	Corporate Director	January 1, 2008
Amos Kazzaz St. Laurent, Quebec	Executive Vice President and Chief Financial Officer, Air Canada	June 29, 2020
Richard H. McCoy (7) Toronto, Ontario	Corporate Director	January 24, 2006
Marie-Lucie Morin (8) Ottawa, Ontario	Consultant, Corporate Director	February 17, 2016
Joseph D. Randell Wellington, Nova Scotia	President & Chief Executive Officer, Chorus	January 24, 2006

(1) Member of the Governance and Nominating Committee and Member of the Human Resources and Compensation Committee.
(2) Chair of the Human Resources and Compensation Committee and Member of the Audit, Finance and Risk Committee.
(3) Chair of the Audit, Finance and Risk Committee and Member of the Governance and Nominating Committee.
(4) Chairman of the Board of Directors.
(5) Member of the Audit, Finance and Risk Committee and Member of the Human Resources and Compensation Committee.
(6) Member of the Governance and Nominating Committee and Member of the Human Resources and Compensation Committee.
(7) Member of the Audit, Finance and Risk Committee.
(8) Chair of the Governance and Nominating Committee and Member of the Human Resources and Compensation Committee.

Each of the foregoing directors has held the same principal occupation for the previous five years, except (i) Mr. Collins who was Senior Advisory Partner of Verus Partners & Co. Inc. until its acquisition by Lazard Ltd. in September 2016 (ii) Mr. Falconer who was Senior Director of Verus Partners & Co. Inc. until its acquisition by Lazard Ltd. in September 2016; and (iii) Mr. Kazzaz who was Senior Vice President, Finance of Air Canada from August 2015 to February 2021.

Executive Officers of the Corporation

The following table sets out the executive officers of the Corporation as of the date of this AIF. For each such executive officer, the table below sets out the executive officer's name, municipality of residence, position with the Corporation and the date of her or his first appointment as an executive officer of Chorus or one of its predecessors. Except for Messrs. Falconer, Lopes and Ridolfi, each of the executive officers named below has been an executive officer with the Corporation or one of its affiliates or predecessors for more than five years.

Name and Municipality of Residence	Executive Position	Officer of Chorus or its Predecessors Since
Richard D. Falconer(1) Toronto, Ontario	Chairman of the Board	June 29, 2020
Joseph D. Randell Wellington, Nova Scotia	President & Chief Executive Officer	January 1, 2001
Colin Copp Kelowna, British Columbia	Chief Operating Officer, Chorus Aviation and President, Chorus Aviation Services	August 1, 2004

Gary Osborne Hammonds Plains, Nova Scotia	Chief Financial Officer	May 9, 2013
Dennis Lopes(2) Mississauga, Ontario	Senior Vice President, Chief Legal Officer & Corporate Secretary	July 11, 2016
Jolene Mahody Halifax, Nova Scotia	Executive Vice President & Chief Strategy Officer	August 1, 2004
Steven Ridolfi (3) Toronto, Ontario	President, Chorus Aviation Capital	October 1, 2015

(1) Mr. Falconer was appointed Chairman of the Board of Directors on June 29, 2020.
(2) Mr. Lopes has served in his current position since March 2019. Previously, he was Senior Vice President, General Counsel and Corporate Secretary for the Corporation (July 2016 to March 2019) and Assistant General Counsel at Microsoft Canada Inc. (June 2014 to June 2016).
(3) Mr. Ridolfi has served in his current position since January 2017. Previously, he was Senior Vice President, Strategic Investments, Mergers and Acquisitions for the Corporation (October 2015 to January 2017).

As of February 18, 2021, the Directors and Officers mentioned in the above tables, as a group, owned, or had control or direction over, directly or indirectly 1,841,373 Common Shares representing approximately 1.1% of the outstanding Common Shares.

Audit, Finance and Risk Committee

The primary purpose of the Audit, Finance and Risk Committee is to assist the Board of Directors of the Corporation in its oversight of (i) the integrity of the Corporation's financial statements and public disclosure documents, (ii) the qualifications, performance and independence of the Corporation's external auditor, (iii) the performance of the Corporation's internal audit and risk management function, (iv) the adequacy of the Corporation's internal controls and enterprise risk management framework, and (v) compliance with laws. The Audit, Finance and Risk Committee also considers other risks to the business and affairs of Chorus, in particular, risks associated with operational safety and the environment.

Charter of the Audit, Finance and Risk Committee

The charter of the Audit, Finance and Risk Committee is set out in Schedule A to this AIF.

Composition of the Audit, Finance and Risk Committee

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

Relevant Education and Experience of the Audit Committee Members

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

(1) **Karen Cramm**, FCPA, FCA, is a corporate director. A Chartered Professional Accountant since 1977, Mrs. Cramm holds master's degrees in business administration (MBA) and in public administration (MPA). Mrs. Cramm was a senior partner of Deloitte & Touche ("**Deloitte**") in the Financial Services Group specializing in Reorganization as well as Forensic & Dispute services. While a partner of Deloitte,

she served as the Managing Partner of the Halifax Office, was elected to the Canadian Deloitte board of directors for 14 years and chaired the Deloitte Foundation, a registered charity focusing on corporate responsibility and giving back to communities across Canada. Mrs. Cramm has served as President of the Institute of Chartered Accountants of Nova Scotia and was elected as a Fellow of the Institute in recognition of distinguished service to the profession. She has also had extensive experience leading and serving on community-based, non-profit boards including Chair of the boards of the Izaak Walton Killam Hospital and the Art Gallery of Nova Scotia and serving on the boards and executive of both Dalhousie University and Mount Saint Vincent University. Mrs. Cramm was a director of Medavie Inc. and served as the Chair of its Audit and Risk Management Committee. She was also on the board of directors of Blue Cross Life Insurance Company of Canada and served as a member of its Audit and Conduct Review Committee.

(2) **Gary M. Collins** is a Senior Advisor with Lazard Canada, a financial advisory and asset management firm. From August 2012 until April 2014, he was the President of Coastal Contacts Inc., a direct-to-customer online retailer of replacement contact lenses and eye glasses. In May 2014 Coastal was purchased by Essilor International. From April 2007 to July 2012, Mr. Collins was Senior Vice President of Belkorp Industries Inc. Prior to that, Mr. Collins was the President and Chief Executive Officer of Harmony Airways from December 2004 until December 2006. From October 1991 to December 2004 he was a member of the British Columbia Legislative Assembly and held the portfolio of Minister of Finance from June 2001 to December 2004. Mr. Collins is the chair of the board of directors of DRI Healthcare Trust. Mr. Collins is also a director of Rogers Sugar Inc, and serves as a member of the Audit Committee, the Strategic Initiatives Committee and the Compensation Committee and is also a director of Fiera Capital Corporation, and serves as a member of its Audit Committee and Governance Committee. Mr. Collins was previously a director of D-Box Technologies Inc and served as a member of its Compensation and Governance Committee. He previously served as a director, chair of the Compensation and Human Resources Committee and a member of the Audit Committee of Catalyst Paper Corporation and as a director of Liquor Stores N.A. Ltd, chair of its Compensation Committee, and a member of its Audit Committee. Mr. Collins was also previously a director of Stuart Olson Inc. and served as a member of its Governance Committee.

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

(4) **Richard H. McCoy** is a corporate director. Mr. McCoy was the Chair of the Chorus Board of Directors for 12 years ending June 29, 2020. He has over 35 years of experience in the investment industry. From May 1997 to October 31, 2003, Mr. McCoy was Vice-Chairman, Investment Banking at TD Securities. Prior to joining TD Securities in 1997, Mr. McCoy was Deputy Chairman of CIBC Wood Gundy Securities. He was also on the board of directors of Uranium Participation Corporation and Pizza Pizza Royalty Corporation and served as a member of their Audit Committees. Mr. McCoy holds a Bachelor of Commerce degree from Concordia University and a Master of Business Administration degree from Ivy Business School at Western University.

Independence of External Auditors

The Audit, Finance and Risk Committee reviews and approves the nature of all non-audit services, as permitted by securities legislation and regulations, to be provided to any Chorus entity by the Corporation's and its affiliates' external auditor prior to the commencement of such work.

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

Auditor's Fees

Fees payable for the years ended December 31, 2020 and December 31, 2019 to PricewaterhouseCoopers LLP, the Corporation's external auditor, and its affiliates were $991,598 for 2020 and $1,024,605 for 2019, as detailed below:

(in Canadian Dollars)	**Years ended December 31,**	
	2020	**2019**
Audit fees	$911,598	$655,455
Audit-related fees	$24,000	$122,900
Tax fees – compliance/preparation	$35,100	$204,970
Tax fees – other	$20,900	$41,280
	$991,598	$1,024,605

The nature of each category of fees is described below.

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

Audit-related fees. Audit-related fees were paid for professional services related to pension plan audits in 2020. The 2019 year's audit-related fees related to services in respect of the 2018 public offering of Shares, the offering of the 5.75% Unsecured Debentures and general accounting consultation.

Tax fees – compliance/preparation. Tax fees were paid for professional services rendered with respect to indirect tax, income tax and payroll tax compliance.

Tax fees - other. Tax fees were paid for consulting services related to specific tax issues or projects.

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

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

Corporate Cease Trade Orders or Bankruptcies

Other than as set forth below, to the knowledge of the Corporation, no director or executive officer of the Corporation is, or has been in the last 10 years: (i) a director, chief executive officer or chief financial officer of any company that (A) while that person was acting in that capacity, was the subject of a cease trade order or similar order, or an order that denied the relevant company access to any exemptions under the securities legislation, for a period of more than 30 consecutive days, or (B) was the subject of an order of the type referred to in (A) above that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer of that company and which resulted from an event that occurred while that person was acting in a capacity as director, chief executive officer or chief financial officer of that company; or (ii) a director or executive officer of any company, that while that person was acting as director or executive officer of that company, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceeding, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, except that (A) Margaret Clandillon ceased to be a director of Waypoint Leasing (Ireland) Limited within one year prior to it filing for bankruptcy protection under chapter 11 of title 11 of the United States Code on November 25, 2018; (B) Richard D. Falconer was a member of the board of directors of Jaguar Mining Inc. when it filed for a voluntary proceeding under the Companies' Creditors Arrangement Act on December 23, 2013, and (C) Joseph D. Randell ceased to be a director of Pluna Líneas Aéreas Uruguayas S.A. within one year prior to it being petitioned into bankruptcy by the government of Uruguay.

Penalties or Sanctions

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

Personal Bankruptcies

To the knowledge of the Corporation, in the last 10 years, no director or executive officer of the Corporation has become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or executive officer.

LEGAL PROCEEDINGS

Chorus is party to various legal proceedings and claims that arise during the ordinary course of business. It is the opinion of Chorus' management as of the date of this AIF that the final determination of these claims will not have a material adverse effect on Chorus' business, results of operations, cash flows, financial position and prospects. Accordingly, the provisions that have been recorded for such matters are not material.

CONFLICTS OF INTERESTS

To the best of management's knowledge, there are no known existing or potential material conflicts of interest among the Corporation and its directors, officers or other members of management as a result of their outside business interests, except that certain directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to Chorus and their duties as a director or officer of such other companies. In such circumstances, directors may choose or be required to abstain from participating in the Board's deliberation or the consideration of any resolution on the matter. See "Directors and Officers" for information concerning each director's principal occupation and directorships with other reporting issuers as at the date of this AIF. See also "Securities Subject to Contractual Restriction on Transfer – Investor Rights Agreement" with respect to the nomination of Mr. Amos Kazzaz, the Executive Vice President and Chief Financial Officer of Air Canada, to the Board of Directors, and the description of the CPA between Chorus and Air Canada under "Chorus Business Segments – Regional Aviation Services." The information provided in this section is current as of the date of this AIF.

INTEREST OF EXPERTS

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

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

None of (i) the directors or executive officers of the Corporation, (ii) the Shareholders of the Corporation that, to the knowledge of the Corporation, beneficially own or control, directly or indirectly, more than 10% of the Common Shares of the Corporation, or (iii) any associate or affiliate of the persons referred to in (i) or (ii), has or has had any material interest, direct or indirect, in any transaction within the past three years or in any proposed transaction that has materially affected or will materially affect the Corporation or any of its subsidiaries. The information provided in this section is current as of the date of this AIF.

MATERIAL CONTRACTS

The contracts that are material to the Corporation and that were entered into within the year ended December 31, 2020, or before such year but which are still in effect, and which are required to be filed with Canadian securities regulatory authorities in accordance with section 12.2 of National Instrument 51-102 – Continuous Disclosure Obligations, are as follows:

(1) Debenture Indenture made as of December 6, 2019 between Chorus Aviation Inc., as issuer, and Computershare Trust Company of Canada, as trustee. The indenture sets out the terms governing the 5.75% Unsecured Debentures. The 5.75% Unsecured Debentures are described in this AIF under the heading "Capital Structure – Long-term Debt – 5.75% Unsecured Debentures";

(2) Underwriting Agreement dated November 22, 2019 between CIBC World Markets Inc. and RBC Dominion Securities Inc., as co-lead underwriters and joint bookrunners, and Scotia Capital Inc., National Bank Financial Inc., TD Securities Inc., BMO Nesbitt Burns Inc., Canaccord Genuity Corp., Cormark Securities Inc., and Paradigm Capital Inc. (collectively, the "**Underwriters**") and Chorus Aviation Inc. This agreement sets out the terms under which the Underwriters agreed to purchase $75,000,000 aggregate principal amount of 5.75% Unsecured Debentures and were granted a one-time over-allotment option for up to an additional $11,250,000 aggregate principal amount of 5.75% Unsecured Debentures;

(3) Amended and Restated Capacity Purchase Agreement made as of January 1, 2015 between Jazz Aviation LP and Air Canada, together with amendments thereto. This agreement is described in this AIF under the heading "Chorus Business Segments – Regional Aviation Services – Contract Flying - Capacity Purchase Agreement with Air Canada";

(4) Term Sheet executed January 14, 2019 among Chorus Aviation Inc., Jazz Aviation LP and Air Canada. This agreement sets out the principal terms and conditions on which the parties have agreed to further amend and restate the CPA;

(5) Subscription Agreement made as of December 19, 2016 between Chorus Aviation Inc., Fairfax Financial Holdings Limited and certain subsidiaries of Fairfax Financial Holdings Limited designated as purchasers of the Debentures and Warrants, together with any amendment thereto. This agreement sets out the terms and conditions on which Fairfax agreed to subscribe for Convertible Units, including the representations, warranties and covenants provided by Chorus Aviation Inc. in connection therewith. The Convertible Units (comprising the Debentures and Warrants) are described in this AIF under the heading "Capital Structure – Long-term Debt – Convertible Units";

(6) Indenture made as of March 6, 2017 between Chorus Aviation Inc., as issuer, and CST Trust Company, as trustee, together with an amendment thereto. The indenture sets out the terms governing the Debentures;

(7) Warrant Indenture made as of March 6, 2017 between Chorus Aviation Inc. and CST Trust Company, as Warrant Agent. The indenture set out the terms governing the Warrants;

(8) Underwriting Agreement made as of February 26, 2018 between Chorus Aviation Inc., RBC Dominion Securities Inc., CIBC World Markets Inc., Scotia Capital Inc., National Bank Financial Inc., TD Securities Inc., Cormark Securities Inc., Canaccord Genuity Corp. and Paradigm Capital Inc. This agreement sets out the terms and conditions on which Chorus Aviation Inc. sold, and the underwriters purchased, the Common Shares contemplated therein;

(9) Subscription Agreement dated January 14, 2019 between Chorus Aviation Inc. and Air Canada. This agreement sets out the terms and conditions on which Air Canada agreed to subscribe for Class B Voting Shares, including the representations, warranties and covenants provided by Chorus Aviation Inc. in connection therewith; and Investor Rights Agreement dated February 4, 2019 between Chorus Aviation Inc. and Air Canada. This agreement sets out the rights and obligations of the parties in respect of Air Canada's investment in Chorus Aviation Inc.

ADDITIONAL INFORMATION

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

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans is contained in the Corporation's management proxy circular for its Annual and Special Meeting of Shareholders held on June 29, 2020 and will be contained in the Corporation's management proxy circular for its annual meeting of Shareholders expected to be held on May 13, 2021. Additional financial information is provided in the Corporation's Consolidated Financial Statements for the year ended December 31, 2020 and in the Annual MD&A.

The Corporation will, upon the delivery of a written request to the Corporate Secretary of the Corporation, at 3 Spectacle Lake Drive, Suite 100, Dartmouth, Nova Scotia, B3B 1W8, provide to any person or entity, the documents specified below:

1) when Chorus is in the course of a distribution of its securities under a short form prospectus, or has filed a preliminary short form prospectus in respect of a proposed distribution of its securities:

   a) one copy of the Corporation's latest AIF, together with one copy of any document or the pertinent pages of any document, incorporated therein by reference;

   b) one copy of the consolidated audited financial statements of the Corporation for the most recently completed financial year for which financial statements have been filed, together with the auditors' report thereon, and one copy of any unaudited interim condensed consolidated financial statements of the Corporation for any period after its most recently completed financial year;

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

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

2) at any other time, the Corporation shall provide to any person or company one copy of any of the documents referred to in subparagraphs (1)(a), (b) and (c) above, provided that the Corporation may require the payment of a reasonable charge if the request is made by a person or company who is not a holder of the Corporation securities.

GLOSSARY OF TERMS

"**2019 CPA Amendments**" has the meaning set out at page 10 of the AIF;

"**5.75% Unsecured Debentures**" has the meaning given at page 8 of the AIF;

"**5.75% Debenture Indenture**" has the meaning given at page 27 of the AIF;

"**6.00% Debentures**" has the meaning given at page 26 of the AIF;

"**ACMI**" means aircraft, crew, maintenance and insurance;

"**Agency**" has the meaning given at page 31 of the AIF;

"**Air Canada Investment**" has the meaning given at page 10 of the AIF;

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

"**Airbus**" means Airbus Canada Limited Partnership and its affiliates;

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

"**AMO**" has the meaning given at page 17 of the AIF;

"**Annual MD&A**" means the MD&A for the fourth quarter and year-ended 2020 dated February 18, 2021;

"**APPRs**" has the meaning given at page 31 of the AIF;

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

"**ATPDRS**" has the meaning given at page 31 of the AIF;

"**ATR72-600**" means the ATR 72-600 aircraft manufactured by Avions de Transport Régional G.I.E.;

"**BEPS**" has the meaning given at page 54 of the AIF;

"**Block Hour**" has the meaning given in the CPA;

"**Board**" means the board of directors of the Corporation;

"**Bombardier**" means Bombardier Inc. and its affiliates;

"**CACC**" means Chorus Aviation Capital Corp. (formerly, Chorus Aviation Holdings Inc.), a corporation incorporated under the Canada Business Corporations Act on November 28, 2013. CACC is a subsidiary of the Corporation;

"**CACIL**" means Chorus Aviation Capital (Ireland) Limited, a private company limited by shares incorporated under the Companies Act, 2014 of Ireland on March 16, 2017. CACIL is a subsidiary of the Corporation;

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

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

"**CEWS**" means the Canadian Emergency Wage Subsidy;

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

"**Chorus Aviation Capital**" or "**CAC**" means CACC and its subsidiaries;

"**Common Shares**" means the Voting Shares and Variable Voting Shares, and "**Share**" refers to either a Voting Share or a Variable Voting Share;

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

"**Controllable Cost Guardrail**" has the meaning given at page14 of the AIF.

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

"**Convertible Units**" has the meaning given at page 27 of the AIF;

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

"**CORSIA**" has the meaning given at page 35 of the AIF;

"**COVID-19**" means the disease caused by the coronavirus called SARS-CoV-2;

"**COVID-19 pandemic**" means the coronavirus pandemic declared by the World Health Organization on March 11, 2020;

"**CPA**" means the amended and restated capacity purchase agreement effective January 1, 2015, between Air Canada and Jazz, as further amended and extended by the 2019 CPA Amendments, and as may be further amended;

"CPPA" has the meaning given at page 37 of the AIF;

"**CRJ100**", "**CRJ200**", "**CRJ705**", "**CRJ900**" and "**CRJ1000**" means, respectively, Bombardier CRJ 100, CRJ 200, CRJ 705, CRJ 900 and CRJ 1000 regional jet aircraft, and "**CRJ aircraft**" refers to any or all of the foregoing;

"**Credit Parties**" has the meaning given at page 28 of the AIF;

"**Cycle**" has the meaning given in the CPA;

"**Dash 8-100**", "**Dash 8-200**", "**Dash 8-300**" and "**Dash 8-400**" and means, respectively, De Havilland Dash 8-100, Dash 8-200, Dash 8-300 and Dash 8-400 turboprop aircraft, and "**Dash aircraft**" refers to any or all of the foregoing;

"**De Havilland**" means De Havilland Aircraft of Canada Limited and its affiliates;

"**DRIP**" has the meaning given at page 11 of the AIF;

"**EASA**" means the European Aviation Safety Agency;

"**EBITDA**" means earnings before net interest expense, income taxes, depreciation and amortization. EBITDA is a non-GAAP financial measure. See the "Non-GAAP Financial Measures" section of the Annual MD&A;

"**EBITDAR**" means earnings before net interest expense, lease rental payments, income taxes, depreciation, amortization, other rent and restructuring costs. EBITDAR is a non-GAAP financial measure commonly used in the airline industry to evaluate results by excluding differences in the method by which an airline finances its aircraft. See the "Non-GAAP Financial Measures" section of the Annual MD&A;

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

"**ESP**" means the Extended Service Program for extending the service life of Dash-8-300s;

"**E190**" and "**E195**" means, respectively, Embraer E-190 and E195 regional jet aircraft;

"**FAA**" Federal Aviation Administration of the United States of America;

"**Fairfax**" means Fairfax Financial Holdings Limited and/or certain of its subsidiaries;

"**Fixed Margin**" means the fixed fee under the CPA that is paid to Jazz by Air Canada for the operation of the Covered Aircraft under the CPA;

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

"**Infrastructure Fee per Covered Aircraft**" means the fixed fee that, prior to January 1, 2019, was paid to Jazz by Air Canada for each Covered Aircraft for the additional services Jazz provided in support of Air Canada's regional flying network under the CPA;

"**Intercreditor Agreement**" has the meaning given at page 28 of the AIF;

"**Investor Rights Agreement**" has the meaning given at page 10 of the AIF;

"**Jazz**" means Jazz Aviation LP, a limited partnership established under the laws of the Province of Ontario on November 18, 2010. All of the limited partnership units are owned by the Corporation, and all of the general partnership units are owned by Aviation GP. Jazz is referred to in this AIF and in the Corporation's public disclosure record as a subsidiary of the Corporation;

"**Jazz Leasing**" means Jazz Leasing Inc., the successor by amalgamation to Jazz Leasing Inc. and Jazz Aircraft Financing Inc. under the Canada Business Corporations Act on December 31, 2016. Jazz Leasing is a subsidiary of the Corporation;

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

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

"**MRO**" means maintenance, repair and overhaul;

"**Non-Canadian Holder(s) Authorized to Provide Air Service**" has the meaning set out at page 20 of the AIF;

"**Operating Credit Facility**" has the meaning given at page 28 of the AIF;

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

"**Pass-Through Revenue**" means revenue received by Jazz under the CPA in payment of Pass-Through Costs;

"**PIPEDA**" has the meaning given at page 36 of the AIF;

"**Preferred Shares**" means Preferred Shares in the capital of the Corporation;

"**Qualified Canadian**" means a "Canadian" as defined in the Canada Transportation Act;

"**Rights Plan**" has the meaning given at page 26 of the AIF;

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

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval;

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

"**Single Non-Canadian Holder**" has the meaning as set out in page 20 of the AIF;

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

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

"**Underwriters**" has the meaning given at page 64 of the AIF;

"**Unsecured Revolving Credit Facility**" has the meaning given at page 29 of the AIF;

"**U.S.**" means the United States of America;

"**Variable Voting Shares**" mean Class A Variable Voting Shares in the capital of the Corporation;

"**Voting Shares**" mean Class B Voting Shares in the capital of the Corporation;

"**Voyageur**" means Voyageur Aviation Corp., the successor by amalgamation to Voyageur Aviation Corp., Voyageur Airways Limited, Voyageur Aerotech Inc., Voyageur Avparts Inc., Chorus Holdings II Inc., and North Bay Leasing Inc. under the Business Corporations Act (Ontario) on January 1, 2019. Voyageur is a subsidiary of the Corporation;

"**Warehouse Facility**" has the meaning given at page 29 of the AIF; and

"**Warrants**" has the meaning as set out in page 27 of the AIF.

SCHEDULE "A"

AUDIT, FINANCE AND RISK COMMITTEE CHARTER CHORUS AVIATION INC.
(the "Corporation")

GENERAL PURPOSE

The audit, finance and risk committee (the "Committee") has been established by the board of directors of the Corporation (the "Board", and each member thereof, a "Director") in order to assist the Board in its oversight of:

(a) the integrity of the Corporation's financial statements and public disclosure documents;

(b) the qualifications, performance and independence of the Corporation's external auditor (the "External Auditor");

(c) the performance of the Corporation's internal audit and risk management function ("Internal Audit");

(d) the adequacy of the Corporation's internal controls and enterprise risk management framework; and

(e) compliance with applicable laws.

COMMITTEE COMPOSITION

1. **Qualifications**. The Committee shall consist of three (3) or more Directors as determined by the Board (collectively, the "Members"), all of whom shall be Independent and Financially Literate, and a majority of whom shall be Canadian. Notwithstanding the foregoing, a Member who is not Financially Literate may be appointed to the Committee provided that the Member becomes Financially Literate within a reasonable period of time following his or her appointment and provided further that the Board has determined that appointing the Member in these circumstances will not materially adversely affect the ability of the Committee to act independently and satisfy its other obligations.

   (a) A Member is considered to be "Independent" if (i) the Member has no direct or indirect relationship with the Corporation which, in the view of the Board, could reasonably be expected to interfere with the exercise of the Member's independent judgment, and (ii) the Member is not an individual who is considered to have a material relationship with the Corporation under section 1.4 or 1.5 of National Instrument 52-110 – Audit Committees. Material relationships may include commercial, charitable, industrial, banking, consulting, legal, accounting or familial relationships.

   (b) A Member is considered to be "Financially Literate" if the Member has the ability to read and understand a set of financial statements that present a breadth and complexity of the issues that can reasonably be expected to be raised by the financial statements of the Corporation. It is not necessary, however, that a Member have comprehensive knowledge of Generally Accepted Accounting Principles or Generally Accepted Auditing Standards to be considered Financially Literate.

   (c) A Member is considered to be "Canadian" if he or she is a Canadian citizen or permanent resident within the meaning of subsection 2(1) of the Immigration and Refugee Protection Act.

2. **Appointment; Removal**. The Members shall be appointed by the Board and serve until the next annual meeting of the Corporation's shareholders, unless they are removed by the Board, they resign or

otherwise cease to serve on the Committee or the Board. Unless a Chair is appointed by the Board, the Members may designate a Chair by a majority vote of all the Members. The Board may fill vacancies on the Committee by appointing another Director to the Committee. The Board shall fill any vacancy if the membership of the Committee is less than three (3) Directors.

DUTIES AND RESPONSIBILITIES

The Committee is directed and empowered by the Board to perform the following duties and responsibilities:

1. Financial Reporting.

(a) **Consolidated Financial Statements**. Recommend to the Board the approval of the interim and annual consolidated financial statements of the Corporation (the "Consolidated Financial Statements"). In this regard, the Committee shall first review, among other things:

(i) the report of the External Auditor on the Consolidated Financial Statements;

(ii) the accounting policies selected by the Corporation's management ("Management") in preparing the Consolidated Financial Statements;

(iii) the reasonableness of all significant estimates, accruals and reserves employed by Management in preparing the Consolidated Financial Statements;

(iv) any unadjusted differences noted by the External Auditor in its review or audit of the Consolidated Financial Statements;

(v) any disagreements between the External Auditor and Management with respect to the Consolidated Financial Statements; and

(vi) the certificates to be executed and filed by the Chief Executive Officer and the Chief Financial Officer in accordance with the requirements of *National Instrument 52-109 – Certification of Disclosure in Issuer's Annual and Interim Filings.*

(b) MD&A. Recommend to the Board the approval of Management's Discussion and Analysis (the "MD&A") relating to the annual or interim Consolidated Financial Statements upon gaining reasonable assurance that the MD&A has been prepared in accordance with applicable legal requirements.

(c) Earnings News Release. Recommend to the Board the approval of the earnings news release (the "Earnings Release") relating to the annual or interim Consolidated Financial Statements.

(d) Accounting Choices. Review, as required, with Management and the External Auditor any significant developments or choices that may impact the Corporation's financial reporting.

2. External Audit.

(a) External Auditor Appointment. Recommend to the Board a firm of chartered professional accountants to be nominated by the Board for appointment by the Corporation's shareholders as the External Auditor.

(b) Audit Fees. Recommend to the Board for approval the fees to be charged by the External Auditor for the audit of the annual Consolidated Financial Statements and the Pension Financial Statements (as defined below), and the review of the interim Consolidated Financial Statements (the "Audit Fees").

(c) External Auditor Oversight. In order to ensure appropriate oversight of the External Auditor's work:

(i) approve the External Auditor's engagement letter;

(ii) review the External Auditor's written disclosure of all relationships between it and the Corporation and its related entities that may reasonably be thought to bear on the External Auditor's independence, as well as the External Auditor's written confirmation to the Committee that, in the External Auditor's professional judgment, it is independent of the Corporation;

(iii) approve the scope, focus areas and materiality thresholds for the audit of the annual Consolidated Financial Statements and the Pension Financial Statements;

(iv) oversee the work of the External Auditor in preparing and issuing an auditor's report or performing other audit, review or attest services for the Corporation;

(v) confirm with the External Auditor that Management has not placed any restrictions on the External Auditor with respect to the scope of its activities, its access to any required information or the reporting of its findings to the Committee;

(vi) attempt to resolve any disagreements that may arise between the External Auditor and Management;

(vii) discuss any observations by the External Auditor with respect to any matters that could reasonably be thought to bear on the reliability of the Consolidated Financial Statements, including, among other things:

A. the reasonableness and consistency from one year to the next of the accounting principles, polices, practices, estimates, judgments or disclosure practices employed by the Corporation;

B. any significant deficiencies or weaknesses in the Corporation's control environment;

C. any significant deviations from the annual audit plan approved by the Board; and

D. any significant adjustments that have been made by Management to the Consolidated Financial Statements as a result of the External Auditor's audit or review activities; and

(viii) review the performance of the External Auditor.

(d) Non-Audit Services. Pre-approve, as required, all fees for non-audit services to be provided by the External Auditor to the Corporation or its subsidiaries. Approve, and review annually, the Corporation's policies on the approval of non-audit services and expenses.

(e) Hiring Policies. Approve, and review annually, the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former External Auditor.

3. Internal Audit and Risk Management.

(a) Review and Appointment. Review, annually, the performance of Internal Audit and approve, as required, the appointment and removal of the head of Internal Audit.

(b) Mandate and Plan. Approve the Internal Audit mandate and plan for each fiscal year of the Corporation;

(c) Engagement Reviews. Review, quarterly, a summary of all Internal Audit engagements and Management's responses to all significant findings, including reports of any confirmed or alleged fraud. In connection therewith, confirm with the head of Internal Audit that Management has not placed any restrictions on Internal Audit with respect to the scope of its activities, access to any required information or the reporting of its findings to the Committee.

(d) Principal Risks. Review, annually, Management's (i) assessment of the principal financial and other risks to the Corporation, and (ii) procedures for continually identifying, monitoring and managing those risks.

4. Controls and Compliance.

(a) Internal Controls over Financial Reporting. Review (i) quarterly, any material weaknesses identified by Management in relation to the design or operation of the Corporation's internal controls over financial reporting ("ICFR") and Management's actions to remediate such weaknesses, and (ii) annually, Management's process for assessing any required updates or changes to the Corporation's ICFR.

(b) Disclosure Controls and Procedures. Review (i) quarterly, any material weaknesses identified by Management in relation to the design or operation of the Corporation's disclosure controls or procedures ("DC&P") and Management's actions to remediate such weaknesses, and (ii) annually, Management's process for assessing any required updates or changes to the Corporation's DC&P. In connection therewith, approve the Corporation's Public Disclosure Policy.

(c) Accounting, Control or Auditing Concerns. Approve, and review annually, procedures for the receipt, retention and treatment of complaints received by the Corporation and its subsidiaries regarding accounting, internal accounting controls, or auditing matters.

(d) Confidential Submission of Wrongdoing. Approve, and review annually, procedures for the confidential, anonymous submission by employees of the Corporation or its subsidiaries of concerns regarding questionable accounting or auditing matters.

(e) Confidential Reports. Review, quarterly, a summary of all complaints and reports submitted pursuant to the procedures referenced in paragraphs (c) and (d) above.

(f) Tax Compliance. Review, quarterly, a certificate from Management confirming compliance by the Corporation and its subsidiaries with all material tax withholding and remittance obligations.

(g) Covenant Compliance. Review, quarterly, a report from Management confirming compliance by the Corporation and its subsidiaries with all debt covenants and providing a forecast of future compliance.

(h) Legal Compliance. Review, as required, reports from the General Counsel concerning material violations of applicable law by the Corporation or any of its subsidiaries.

(i) Litigation. Review, as required, all legal claims or proceedings involving the Corporation or its subsidiaries that Management reasonably expects could have a significant effect on the financial position, results of operations or cash flows of the Corporation.

5. Pension Plans.

(a) Monitoring. Review, quarterly, reports from Management concerning the overall operation of the retirement plans of the Corporation and its subsidiaries (collectively, the “Plans”), including their asset allocations and investment returns, their funded status and their compliance with the applicable Statements of Investment Policies and Procedures (“SIPPs”).

(b) Funding, Auditor, Trustee/Custodian. Recommend to the Board, annually, the approval of the funding policy, the appointment of the external auditor and the trustees/custodians of the assets of the Plans;

(c) SIPP, Actuary, Consultants. Approve, annually, the SIPPs, the actuary and any consultant(s) for the Plans;

(d) Valuation. Accept the annual actuarial assumptions and valuation reports for the Plans;

(e) Financial Statements. Recommend to the Board the approval of the annual audited financial statements for the Plans; and

(f) Pension Committee Charter. Approve, annually, a charter for the Management Pension Committee;

6. Business Plan and Performance.

(a) Year-to-Date. Review, quarterly, the Corporation’s consolidated year-to-date financial performance, including any significant variances to the current year business plan and prior year financial performance.

(b) Balance-of-Year Forecast. Review, quarterly, Management’s most recent financial forecast for the balance of the year, including projected earnings and cash-flows.

7. Other Duties.

Without limiting any of the duties set out above, the Committee shall:

(a) provide oversight of the Corporation’s information technology infrastructure, use and protection policies and practices, including, in respect of cybersecurity, data governance, privacy and compliance;

(b) recommend to the Board, annually, the approval of the Corporation’s delegation of authority policy;

(c) review, annually, the Corporation’s procedures for approving the reimbursement of expenses claimed by the Corporation’s officers;

(d) review the Committee’s report that is included in the Corporation’s annual proxy circular and the information about the Committee that is required to be included in the Corporation’s annual information form;

(e) review this charter annually and provide any comments thereon to the Governance, Safety and Sustainability Committee of the Board for consideration; and

(f) perform such other duties as from time to time are assigned to the Committee by the Board.

Effective February 18, 2021