



*Delivering regional aviation to the world*

**Chorus Aviation Inc.**  
**Annual Information Form**

February 16, 2022





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## **EXPLANATORY NOTES**

The information in this AIF is stated as at December 31, 2021, 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"; the continuation of the COVID-19 pandemic and/or future restrictive measures to contain the spread of COVID-19, including new variants that may emerge from time to time; the evolving impact of the COVID-19 pandemic on Chorus' customers and other contractual counterparties; the emergence of new disease epidemics or pandemics; changes in the aviation industry and general economic conditions; risks relating to Chorus' economic dependence on and relationship with Air Canada, including potential disputes under the CPA and any failure to make continued payment (in whole or in part) of amounts due under the CPA; disputes under aircraft lease agreements with Chorus' customers, including any failure to make continued payment (in whole or in part) of amounts due under those leases; asset impairments and provisions for expected credit losses; the failure to close transactions that are announced prior to closing on the terms originally contemplated or at all; the failure to secure financing for capital commitments or to refinance existing indebtedness; the inability of Chorus to pay its indebtedness and otherwise remain in compliance with its debt covenants; the occurrence of cross defaults under debt agreements and other significant contracts; risks relating to the aviation industry generally (including the operation or lease of aircraft in areas of unrest and/or jurisdictions with legal regimes that are unfavourable to the rights of aircraft operators or lessors); risks relating to aircraft leasing (including the financial condition of lessees, availability of aircraft, access to capital, fluctuations in aircraft market values, competition, legal and political risks);



increased costs for fuel or other energy sources, or a deterioration in general industry, market, credit, and/or economic conditions (including a severe and prolonged economic downturn which could result in reduced payments under the CPA); increased competition affecting Chorus and/or its customers, including Air Canada; increased insurance costs and/or decreased coverage; supply constraints or increased costs; war, terrorist attacks, aircraft incidents and accidents; fraud, cybersecurity attacks or other criminal behaviour by internal or external parties; environmental disasters or acts of God; changes in demand due to the seasonal nature of the passenger aviation business; the inability to reduce operating costs in response to reductions in revenues; the inability of Chorus to attract and/or retain the talent required for its existing businesses and future growth; the inability of Chorus to remain in good standing under and/or to renew or replace the CPA and other significant contracts; the deterioration of employee relations, unfavourable labour negotiations or labour disputes; increased pension costs or compliance requirements; adverse changes in currency exchange or interest rates; constraints on Chorus' ability to secure new financing due to existing debt levels; constraints placed on Chorus' business due to restrictive covenants contained in debt facilities; future decisions by the Board to pay, or not pay, dividends; the inability of Chorus to adequately manage growth; adverse changes or developments in laws or regulations, litigation or other legal proceedings affecting Chorus; 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 incorporated on September 27, 2010 under the *Canada Business Corporations Act*.

The Corporation's chief executive office is located at 3 Spectacle Lake Drive, Suite 380, 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.

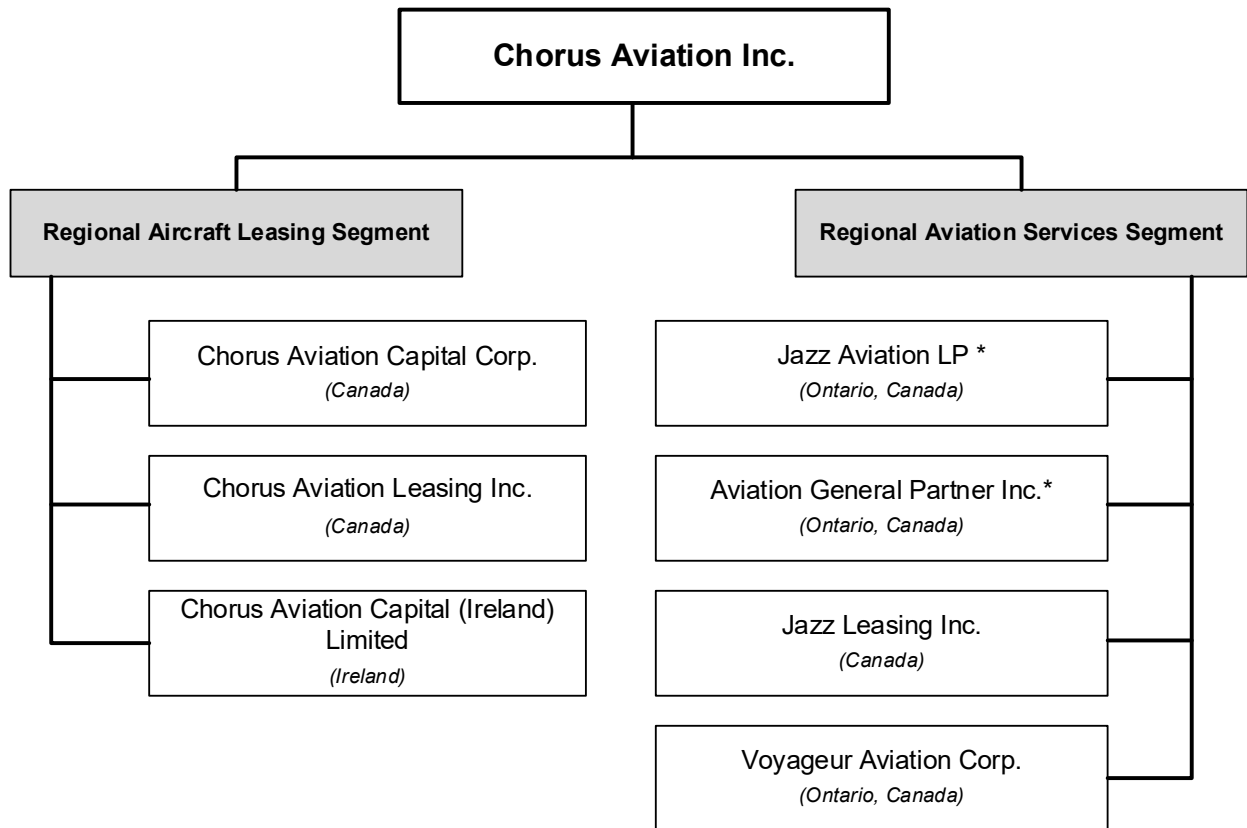
The Corporation's Restated Articles of Incorporation and Third Amended and Restated By-Law No. 1 are available on the Corporation's website at [www.chorusaviation.com](http://www.chorusaviation.com) and under its profile on SEDAR at [www.sedar.com](http://www.sedar.com). The Corporation's articles were 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, 2021 and the Annual MD&A, both of which are available on the Corporation's website at [www.chorusaviation.com](http://www.chorusaviation.com) and under its profile on SEDAR at [www.sedar.com](http://www.sedar.com).



**Intercorporate Relationships**

The Corporation owns subsidiaries engaged in various aviation-related businesses. As of the date of this AIF, the following diagram depicts the material subsidiaries of the Corporation as well as their jurisdictions of incorporation. All subsidiaries are wholly-owned, directly or indirectly, by the Corporation. Chorus groups its businesses into two reporting segments: regional aircraft leasing and regional aviation services.



\* Jazz Aviation LP is a limited partnership. All limited partnership units are owned by the Corporation. The general partner is Aviation General Partner Inc.



The Corporation also indirectly owns various subsidiaries that individually do not account for more than 10% of its consolidated revenues or assets but which collectively account for more than 20% of the Corporation's consolidated assets.

<b>Regional Aircraft Leasing Segment - Special Purpose Entities*</b>	
<b>Subsidiary</b>	<b>Jurisdiction of Incorporation</b>
Adare Aircraft Leasing Limited	Ireland
Antrim Aircraft Leasing Limited	Ireland
Bloom Aircraft Leasing Limited	Ireland
Cavan Aircraft Leasing Limited	Ireland
Clare Aircraft Leasing Limited	Ireland
Clontarf Aircraft Leasing Limited	Ireland
Commuter Aircraft Leasing Limited	Ireland
Commuter Aircraft Leasing 2017 I Limited	Ireland
Commuter Aircraft Leasing 2017 II Limited	United Kingdom
Commuter Aircraft Leasing 2017 III Limited	Ireland
Commuter Aircraft Leasing 2017 IV Limited	Ireland
Commuter Aircraft Leasing 2017 V Limited	Ireland
Commuter Aircraft Leasing 2017 VI Limited	Ireland
Commuter Aircraft Leasing 2017 VII Limited	Ireland
Commuter Aircraft Leasing 2017 VIII Limited	Ireland
Cork Aircraft Leasing Limited	Ireland
Dedalus Q400 Leasing Limited	Ireland
Donegal Q400 Leasing Limited	Ireland
Galway Aircraft Leasing Limited	Ireland
Kerry ATR72 Leasing Limited	Ireland
Kilkenny Aircraft Leasing Limited	Ireland
Limerick Aircraft Leasing Limited	Ireland
Malahide Aircraft Leasing Limited	Ireland
Mayo Aircraft Leasing Limited	Ireland
Newgrange Aircraft Leasing Limited	Ireland
Portlaoise Aircraft Leasing Limited	Ireland
Sandycove Aircraft Leasing Limited	Ireland
Slane Aircraft Leasing Limited	Ireland
Tipperary Aircraft Leasing Limited	Ireland
Waterford Aircraft Leasing Limited	Ireland

\* Special purpose entities formed to hold the legal or beneficial interest in aircraft and/or aircraft leases.



## **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 various debt instruments including the 6.00% Debentures, the Series A Debentures, the Series B Debentures, the Series C 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 aircraft 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 Covered Aircraft and Spare Engines from which Chorus earns leasing revenue under the CPA. Voyageur also earns 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 (with the exception of the Dash 7-100) and CRJ aircraft products as well as Embraer 135, 145 and 175 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 December 31, 2021, CAC's portfolio of leased aircraft consisted of 62 aircraft of which 56 aircraft were on lease to airline customers comprising 23 Dash 8-400s, 18 ATR72-600s, four CRJ1000s,





four E190s, two E195s and five A220-300s. CAC has executed leases on the six aircraft not currently on lease (two short-term and four long-term leases) which are expected to be delivered in the first half of 2022. One Dash 8-400 on lease to Philippine Airlines is expected to be returned in the first quarter of 2022 as a result of the airline's recent restructuring under Chapter 11 of the United States Bankruptcy Code. 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".

#### 2021 (including subsequent events up to and including February 16, 2022)

On January 21, 2022, Chorus announced that Jazz was named one of Canada's Top Employers for Young People for the tenth consecutive year.

On January 18, 2022, Chorus announced that Jazz had received a Glassdoor Employees' Choice Award, recognizing the Best Places to Work in 2022 in Canada.

On December 31, 2021, Chorus announced that it had redeemed \$85 million principal amount of the 6.00% Debentures.

On October 14, 2021, Chorus announced it had entered into an agreement for a three-year committed operating credit facility (the "**Operating Credit Facility**") with The Bank of Nova Scotia as lender, sole lead arranger, bookrunner, administrative agent and issuing bank, and the Canadian Imperial Bank of Commerce and the Bank of Montreal, as lenders. The Operating Credit Facility provides Chorus and certain subsidiaries with a committed limit of up to \$75 million, subject to a borrowing base calculation, plus a \$25 million uncommitted accordion. The Operating Credit Facility replaced Chorus' credit facility under the second amended and restated credit agreement dated June 28, 2019 (as amended), which provided a \$75 million committed limit and was scheduled to mature in August 2022.

On September 27, 2021, the Corporation raised gross proceeds of \$85 million through a public offering of Series C Debentures. A copy of the short form prospectus for the offering is available under the Corporation's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

On August 23, 2021, Chorus announced that Chorus Aviation Capital had executed agreements to lease six ATR 72-600 aircraft to Emerald Airlines of Dublin, Ireland.

On August 4, 2021, Chorus announced that Chorus Aviation Capital had entered into agreements to lease two Dash 8-400 aircraft to Connect Airlines.

On May 13, 2021, Chorus announced that Voyageur, in partnership with General Dynamics Mission Systems-Canada, had been awarded the in-service Support contract for the manned Airborne Intelligence Surveillance and Reconnaissance program.

On May 5, 2021, Chorus announced that Voyageur, had signed a three-year contract with Purolator Inc. for the provision of air cargo charter services.

On April 29, 2021, Chorus announced that Voyageur had been awarded a three-year contract to upgrade and modify Transport Canada's National Aerial Surveillance Program fleet of three Dash 8-100 and one Dash 7 aircraft with new surveillance equipment.





On April 14, 2021 Chorus announced that Chorus Aviation Capital had leased one Dash 8-400 aircraft to National Jet Express, a subsidiary of Cobham Aviation Service.

On April 12, 2021, Chorus announced that Chorus Aviation Capital had entered into agreements to lease two Dash 8-400 aircraft to Sky Alps.

On April 6, 2021, Chorus raised gross proceeds of \$145 million from the issuance of Equity Units and Series B Debentures. Of the aggregate proceeds raised, \$115 million was derived from a public offering and \$30 million was derived from a private placement with the Alberta Investment Management Corporation and NordStar Capital Inc., and, in each case, 50% of the proceeds were derived from the issuance of Equity Units and the other 50% from the issuance of Series B Debentures. Each Equity Unit was comprised of one Common Share and one-half of one Unit Warrant. A copy of the short form prospectus for the offering is available under the Corporation's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

On March 2, 2021, Chorus announced that Jazz had been named one of Canada's Best Diversity Employers for the tenth consecutive year in an annual national employer survey by Mediacorp Canada Inc.

On March 15, 2021, Chorus announced that the condition precedent to the 2021 CPA Amendments had been met and that, therefore, the 2021 CPA Amendments were effective on a retroactive basis to January 1, 2021. Copies of the Corporation's Material Change Report dated March 19, 2021 describing the foregoing transaction in further detail and the term sheet setting out the 2021 CPA Amendments are available under the Corporation's profile on SEDAR at [www.sedar.com](http://www.sedar.com)

On March 1, 2021, Chorus announced that Jazz had entered into an agreement with Air Canada to revise the CPA (the "**2021 CPA Amendments**"). The 2021 CPA Amendments would become effective on a retroactive basis to January 1, 2021, conditional on Jazz reaching an agreement with ALPA, the union representing Jazz's pilots. The principal amendments contemplated by the 2021 CPA Amendments included:

- 25 Embraer 175 aircraft would be added to the Covered Aircraft fleet, increasing the Fixed Margin over the remaining term of the CPA.
- 19 Dash 8-300 would be removed from the Covered Aircraft fleet, reducing aircraft leasing revenue over the remaining term of the CPA.
- Jazz would be the exclusive Air Canada Express operator of 70-78 seat regional capacity until the end of 2025.
- The Controllable Cost Guardrail receivable under the CPA would be capped at \$20 million annually.

On February 18, 2021, Chorus announced that Voyageur had been awarded a five-year contract for the provision of fixed-wing air ambulance service for Ambulance New Brunswick.

On January 19, 2021, Chorus announced that Jazz was named one of Canada's Top Employers for Young People for the ninth year.

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.

## 2020

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 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 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 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 was 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 Series A Debentures. A copy of the short form prospectus for the offering is available under the Corporation's profile on SEDAR at [www.sedar.com](http://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, CAE and Seneca announced the launch of the first cadet pilot training program in Canada.

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 October 23, 2019, Chorus announced that Jazz was named among Canada's Safest Employers 2019, taking Gold in the Transportation category.

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 Aviation Services.

On August 21, 2019, Jazz 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 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



Common 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 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.

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 would 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 Corporation’s Material Change Reports dated January 24, 2019 and February 13, 2019, 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 under the Corporation’s profile on SEDAR at [www.sedar.com](http://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.

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 Common Shares (the “**Air Canada Investment**”).

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 parts provisioning businesses, respectively.



## Chorus' Strategy

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

The Chorus team is highly experienced in managing every stage of a regional aircraft's life-cycle, and in every technical facet of regional aviation operations. Chorus offers an integrated model providing a full suite of flying operations, including special mission services, MRO services, aircraft modifications, and parts provisioning to regional aircraft owners and operators around the world. These capabilities differentiate Chorus from its competition.

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, 2021 and December 31, 2020 are as follows:

	For the Year Ended December 31, 2021			For the Year Ended December 31, 2020		
	Regional Aviation Services	Regional Aircraft Leasing	Consolidated	Regional Aviation Services	Regional Aircraft Leasing	Consolidated
Revenue (\$000's)	893,149	130,126	1,023,275	801,336	147,385	948,721

### **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 on various debt instruments such as interest on the 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 2021 CPA Amendments, Jazz is the exclusive Air Canada Express operator of 70-78 seat regional capacity until the end of 2025.

As a result of the 2021 CPA Amendments, Jazz integrated 25 E175 aircraft into Jazz's Covered Aircraft fleet. Further, Jazz agreed to remove all Dash 8-300 from the Covered Aircraft fleet. Throughout 2021, Air Canada gradually removed the Dash 8-300 from its scheduled flying and Jazz operated its final Dash 8-300 flight on behalf of Air Canada on January 9, 2022.

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.

As part of the 2021 CPA Amendments, 25 E175 aircraft were added to the Covered Aircraft fleet and 19 Dash 8-300 aircraft were removed from the Covered Aircraft fleet.

As a result of the 2021 CPA Amendments, Jazz is the exclusive Air Canada Express operator of 70 to 78 seat regional capacity until the end of 2025.

### ***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 2021, Chorus derived approximately 79% of its revenue from the CPA (77% in 2020); however, approximately 58% of Chorus' consolidated revenue in 2021 (55% in 2020) was attributable to Pass-Through Revenue and Controllable Cost Revenue and is largely offset by related expenses.

### ***Fixed Margin***

Jazz earns a Fixed Margin under the CPA which is set for each year based on the number of Covered Aircraft under the CPA. For 2021, Jazz earned an aggregate amount of \$65.7 million. (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 reset not more than once each year, 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.

Pursuant to the 2021 CPA Amendments, Jazz provides Air Canada with a quarterly reconciliation of the Controllable Cost Guardrail. If the cumulative amount due under that reconciliation to either Air Canada or Jazz exceeds \$20 million, the applicable party will pay the excess amount at the end of each quarter following the reconciliation. Payment of the quarterly reconciliation are subject to procedures provided for under the CPA.

### *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 and Spare Engines.

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.

Pursuant to the 2021 CPA Amendments, all Dash 8-300s were removed from the fleet of Covered Aircraft as of January 1, 2021. As a result, Jazz ceased earning any Fixed Margin for these aircraft as of and from January 1, 2021; however, Jazz earned Controllable Cost Revenue (except for ownership Controllable Costs and rotatable inventory depreciation) for any Dash 8-300s that remained in operation after January 1, 2021. The last remaining Dash 8-300 was removed from operation under the CPA on January 9, 2022. (Please refer to the caution regarding forward-looking statements included in the section of this AIF titled "Explanatory Notes".)





Please refer to section 2 “About Chorus” of the Annual MD&A for the number of aircraft and Spare Engines owned by Chorus, which section is incorporated into this AIF by reference. The Annual MD&A is available on Chorus’ website at [www.chorusaviation.com](http://www.chorusaviation.com) and under the Corporation’s profile on SEDAR at [www.sedar.com](http://www.sedar.com).

### ***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 changes to the Controllable Cost Revenue rates.

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, 2021, Jazz operated to 50 airports in Canada, and Jazz employees provided the passenger handling function at 36 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, 145 and 175 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**

CAC was established at the beginning of 2017 with the objective of further diversifying Chorus' earnings through the development of a global aircraft leasing business. CAC 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.

Since launching, 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 which section is incorporated into this AIF by reference. The Annual MD&A is available on Chorus' website at [www.chorusaviation.com](http://www.chorusaviation.com) and under the Corporation's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

## **RESOURCES**

### **Fleet**

For a description of Chorus' owned and operated aircraft fleet as at December 31, 2021 and December 31, 2020, please refer to section 5 "Fleet" of the Annual MD&A which is available on Chorus' website at [www.chorusaviation.com](http://www.chorusaviation.com) and under the Corporation's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

### **People**

As at December 31, 2021, Chorus had 4,426 full-time equivalent employees compared to 2,875 full-time equivalent employees as at December 31, 2020 and 4,910 full-time equivalent employees as at December 31, 2019. The change in the number of 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, expired on January 13, 2022. The parties are expected to commence contract negotiations by the end of 2022; however, the existing collective agreement will continue to remain in place during these negotiations.
- Crew schedulers, represented by Unifor, expires on June 30, 2025.

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 pilot mobility agreement with increased access to pilot vacancies. This mobility agreement provides Jazz the ability to attract the pilots required for its operations at industry competitive wages for the regional airline sector.

Currently, Voyageur has one collective agreement with the International Association of Machinists & Aerospace Workers ("IAMAW") who represent Voyageur's aircraft maintenance engineers and project/shop supervisors. Voyageur's agreement with IAMAW has a term of five years expiring on June 14, 2026.

## **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 currently consists primarily of issued and outstanding Common Shares, authorized but unissued Preferred Shares, and debt, including the 6.0% Debentures, the Unsecured Debentures, senior secured amortizing facilities, revolving loan facilities and lease liabilities.



The Corporation issued Stapled Warrants as part of the Convertible Units in 2017 (please see below “Long-term Debt – 6.00% Debentures”) and Unit Warrants in 2021. Each Unit Warrant entitles the holder to acquire, on exercise, subject to adjustment, one Common Share at a price of \$6.20 per Common Share. The Unit Warrants trade on the TSX under the symbol CHR.WT.

For more information on Chorus’ capital structure (including amounts outstanding) as at December 31, 2021 and December 31, 2020, 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](http://www.chorusaviation.com) and under the Corporation's profile on SEDAR at [www.sedar.com](http://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, 2022, 177,650,988 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.

### **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 under the Corporation's profile on SEDAR at [www.sedar.com](http://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*

Each series of Preferred Shares is 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 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 under the Corporation’s profile on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Long-term Debt**

The following is a brief summary of the 6.00% Debentures, the Unsecured Debentures, the Operating Credit Facility, the Unsecured Revolving Credit Facility and the Warehouse Credit 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. The Annual MD&A is available on the Corporation’s website at [www.chorusaviation.com](http://www.chorusaviation.com) and under the Corporation’s profile on SEDAR at [www.sedar.com](http://www.sedar.com).

### **6.00% Debentures**

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 thereof to acquire one Common Share at an exercise price equal to \$8.25 per Common Share (subject to certain adjustments) payable in cash or by tendering 6.00% Debentures (the “**Stapled 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 Stapled Warrants must be simultaneously transferred, and vice versa.

The Corporation may redeem the 6.00% Debentures in whole or in part at par at any time after December 31, 2021 and is required to make an offer to repurchase all of the 6.00% Debentures following a change in control of the Corporation (as defined in the relevant indenture). On December 31, 2021, the Corporation redeemed \$85 million principal amount of the 6.00% Debentures, leaving \$115 million principal amount of the 6.00% Debentures outstanding.

The 6.00% Debentures are secured by certain Dash 8-100s and Dash 8-300s and real estate property owned by Chorus. The security will be released upon the earlier (i) Fairfax ceasing to own all of the issued and outstanding 6.00% Debentures, and (ii) the redemption of all of the 6.00% Debentures.





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

Assuming the exercise of all of the Stapled 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 Stapled Warrants (assuming no other issuances of Common Shares by the Corporation or any adjustments to the Common Shares issuable upon the exercise of the Stapled Warrants pursuant to the applicable anti-dilution provisions).

The 6.00% Debentures are listed for trading on the TSX under the symbol CHR.DB. 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 Stapled Warrants, all of which are available under the Corporation's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Series A Debentures**

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

The Series A 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 Series A Debentures, in whole or in part from time to time, at a price equal to 102.875% of the principal amount of the Series A Debentures plus accrued and unpaid interest. On and after December 31, 2023 and prior to December 31, 2024, the Series A Debentures may be redeemed, in whole or in part from time to time, 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 Series A Debentures and may redeem the Series A 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 Series A Debentures, the Corporation has the option to satisfy its obligation to pay the principal amount of the Series A Debentures due at redemption or maturity (together with any applicable premium) by delivering freely tradeable Voting Shares to the holders of the Series A Debentures who are Qualified Canadians or Variable Voting Shares to holders of the Series A 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 Series A Debentures indenture) on the date fixed for redemption or maturity. The Series A Debentures are not convertible into Common Shares at the option of the holders of the Series A Debentures at any time.

Subject to any required regulatory approval and provided no event of default has occurred and is continuing under the indenture, the Corporation may elect to satisfy all or any part of its obligation to pay interest on the Series A Debentures by issuing Common Shares to the trustee appointed under the 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 Series A 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) except as prescribed by law, pari passu with one another and equally in right of payment from the Corporation with





all other existing and future unsubordinated unsecured indebtedness of the Corporation, and (iii) senior to any other existing and future subordinated unsecured indebtedness of the Corporation.

An intercreditor agreement has been entered into between the trustee under the Series A Debentures indenture, on behalf of the Series A Debentures holders, and the administrative agent for and on behalf of the 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 Series A Debentures holders in connection with such event will be directly remitted to the applicable Senior Creditors until all amounts owed under the 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 Series A Debentures are listed for trading 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 Series A Debentures indenture and the short form prospectus relating thereto which are available under the Corporation's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Series B Debentures**

In April 2021, the Corporation issued \$72.5 million aggregate principal amount of Series B Debentures. The Series B Debentures were issued in denominations of \$1,000 and, unless previously redeemed or purchased, will mature on June 30, 2026. The Series B Debentures bear interest at 6.00% per annum, payable semi-annually in arrears on June 30 and December 31 of each year, commencing on December 31, 2021.

The Series B Debentures are convertible at the holder's option into 157.4803 Common Shares per \$1,000 principal amount of the debentures, initially representing a conversion price of \$6.35 per Common Share, subject to adjustment in certain circumstances (the "**Conversion Price**").

The Series B Debentures are not redeemable by the Corporation prior to June 30, 2024. On or after June 30, 2024 and prior to June 30, 2025, the Corporation may redeem the Series B Debentures, in whole or in part from time to time, at par plus accrued and unpaid interest, if any, up to but excluding the date of redemption, provided that the arithmetic average of the per Share volume weighted average trading price of the Common Shares on the TSX for the 20 consecutive trading days ending five trading days preceding the applicable date is at least 125% of the Conversion Price. On and after June 30, 2025, the Series B Debentures may be redeemed in whole or in part from time to time 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 Series B Debentures.

Subject to any required regulatory approval and provided no event of default has occurred and is continuing under the indenture governing the Series B Debentures, the Corporation has the option to satisfy its obligation to pay the principal amount of the Series B Debentures due at redemption or maturity (together with any applicable premium) by delivering freely tradeable Voting Shares to the holders of the Series B Debentures who are Qualified Canadians or Variable Voting Shares to holders of the Series B 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 Series B Debentures indenture) on the date fixed for redemption or maturity.

Subject to any required regulatory approval and provided no event of default has occurred and is continuing under the indenture, the Corporation may elect to satisfy all or any part of its obligation to pay interest on



the Series B Debentures by issuing Common Shares to the trustee appointed under the 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 Series B 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, or other indebtedness of the Corporation that ranks senior to the Series B Debentures by operation of law; (ii) except as prescribed by law, *pari passu* with one another and equally in right of payment from the Corporation with all other existing and future unsubordinated unsecured indebtedness of the Corporation; and, (iii) senior to any other existing and future subordinated unsecured indebtedness of the Corporation.

An intercreditor agreement has been entered into between the trustee under the Series B Debentures indenture, on behalf of the Series B Debentures holders, and the administrative agent for and on behalf of 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 Series B Debentures holders in connection with such event will be directly remitted to the applicable Senior Creditors until all amounts owed under the 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 Series B Debentures are listed for trading on the TSX under the symbol CHR.DB.B.

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 Series B Debentures indenture and the short form prospectus relating thereto which are available under the Corporation's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Series C Debentures**

In September 2021, the Corporation issued \$85 million aggregate principal amount of Series C Debentures. The Series C Debentures were issued in denominations of \$1,000 and, unless previously redeemed or purchased, will mature on June 30, 2027. The Series C Debentures bear interest at 5.75% per annum, payable semi-annually in arrears on June 30 and December 31 of each year.

The Series C Debentures are not redeemable by the Corporation prior to March 31, 2024. On and after March 31, 2024 and prior to March 31, 2025, the Corporation may redeem the Series C Debentures in whole or in part from time to time at a price equal to 104.3125% of the principal amount of the Series C Debentures plus accrued and unpaid interest. On and after March 31, 2025 and prior to March 31, 2026, the Series C Debentures may be redeemed in whole or in part from time to time at the option of the Corporation at a price equal to 102.875% of the principal amount plus accrued and unpaid interest. On and after March 31, 2026, the Series C Debentures are redeemable in whole or in part from time to time at the option of the Company at a price equal to the principal amount of the Series C Debentures redeemed 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 Series C Debentures and may redeem the Series C Debentures subject to certain terms and conditions.

The Series C 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, or other indebtedness of the Corporation that ranks senior to the Series C Debentures by operation of law; (ii) except as prescribed by law, *pari passu* with one another and equally in right of payment from the Corporation with all other existing and future unsubordinated unsecured indebtedness of the Corporation; and, (iii) senior to any other



existing and future subordinated unsecured indebtedness of the Corporation (see “Capital Structure – Long-term Debt – Operating Credit Facility” for a further description of the Operating Credit Facility).

Subject to any required regulatory approval and provided no event of default has occurred and is continuing under the indenture, the Corporation has the option to satisfy its obligation to pay the principal amount of the Series C Debentures due at redemption or maturity (together with any applicable premium) by delivering Common Shares. 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 indenture) on the date fixed for redemption or maturity. The Series C Debentures are not convertible into Common Shares at the option of the holders of the Series C Debentures at any time.

The Series C Debentures are listed for trading on the TSX under the symbol CHR.DB.C.

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 Series C Debentures indenture and the prospectus supplement to the short form base shelf prospectus relating thereto which are available under the Corporation's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Operating Credit Facility**

The Corporation and certain designated subsidiaries, including CACC, Jazz and Voyageur (the “**Credit Parties**”), are parties to the Operating Credit Facility. The Operating Credit Facility, which matures on October 14, 2024, provides the Credit Parties with a committed facility of \$75.0 million, subject to a borrowing base, with a further \$25.0 million uncommitted accordion.

Indebtedness under the Operating Credit Facility is secured by all present and after-acquired personal property of the Credit Parties, excluding certain specified assets which include aircraft, engines and the equity securities of CACC and its subsidiaries. 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. The Operating Credit Facility contains customary representations, warranties and covenants, including a covenant to maintain a minimum consolidated interest coverage ratio.

In connection with entering into the agreement for the new Operating Credit Facility, the trustees under the indentures for the Unsecured Debentures entered into, in their capacity as trustee for and on behalf of the holders of the relevant Unsecured Debentures, new intercreditor agreements with the administrative agent for and on behalf of the lenders under the Operating Credit Facility (the “**Intercreditor Agreements**”). The Intercreditor Agreements are on substantially similar terms as the intercreditor agreements that were entered into for and on behalf of the lenders under the Corporation's prior operating credit facility.

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 agreement for the Operating Credit Facility and the Intercreditor Agreements, copies of which are available under the Corporation's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Warehouse Credit 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 Credit Facility**”). In 2020 Chorus amended the terms of the Warehouse Credit 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 Credit 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 Credit 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 Credit 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.

In the event that Chorus enters into an agreement with an arm’s length lender, prior to April 28, 2022, pursuant to which additional unsecured indebtedness may be incurred (other than to repay, refinance, amend or modify existing indebtedness), the Corporation is required to repay the balance outstanding under the Unsecured Revolving Credit Facility in an amount equal to 35% of such additional indebtedness.

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 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 Coastal 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, Ethiopian Airlines from Ethiopia 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 industry contacts and expertise in regional aviation and contract flying and MRO services which can be leveraged for business insight and additional value-added services.

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.

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 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 cancellations and groundings of domestic and international air carrier fleets. On July 3, 2021, the Agency published draft *Regulations Amending the Air Passenger Protection Regulations* which are primarily intended to address passengers' rights in the context of large-scale flight cancellations, such as a pandemic and to modify the obligations of air with respect to refunds in situations beyond their control. Under the CPA, Air Canada is responsible for payment of all passenger claims under the APPRs arising from flights operated by Jazz under the CPA. No compensation is payable under the APPRs to individual passengers carried by Jazz or Voyageur on charter flights.

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.

Organizations under federal jurisdiction are also subject to Bill C-81, the *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. Registered on December 22, 2021, the *Accessible Canada Regulations* require federally regulated organizations to report to the public on their policies and practices to identify and remove barriers. Under this legislation, the Government of Canada will also develop new accessibility standards 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 to persons with disabilities 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* (“OLA”), which among other things, requires it to ensure that any member of the traveling public can communicate with and obtain services in either official language, French and English, where there is significant demand for those services in that language (Part IV of the OLA). In accordance with the OLA, where services are performed on behalf of Air Canada by another party, Air Canada has the duty to ensure that any member of the public can communicate with and obtain those services in either official language in any case where those services, if provided by Air Canada, would be required under the OLA to be provided in either official language. Accordingly, Jazz must comply with Part IV of the OLA which relates to communications with and services to the public. While the OLA does not currently apply directly to Chorus, management cannot predict how future changes to this legislation might affect its business.

On June 15, 2021, the Government of Canada introduced Bill C-32, *An Act to amend the Official Languages Act* (“**Bill C-32**”); however, Bill C-32 had not yet completed the legislative process before the 43<sup>rd</sup> session of Parliament concluded on August 15, 2021. The proposed amendments would have affected federal private sector employers with workplaces in Quebec by introducing new rights to: (i) carry out work and be supervised in French, (ii) receive all communications and documents from a federally-regulated private business, including offers of employment or promotions, notices of termination of employment, collective agreements and grievances, in French; and (iii) use regulatory and widely used work instruments and computer systems in French. If reintroduced and enacted, there can be no assurance that Chorus will not incur substantial costs to comply with these or any further new regulatory requirements within the OLA.

## 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 a safety management system 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. Under the CPA, Air Canada is responsible for all costs due to regulatory changes incurred by Jazz in performing services for Air Canada under the CPA.

## **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 its 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 Governance, Safety and Sustainability Committee of the Board 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. 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 where prudent;
- conducting internal base audits virtually where feasible and effective; and
- encouraging customers to conduct external audits virtually.

Voyageur participates in most of the above listed fuel conservation and carbon emission reduction initiatives.

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 June 2012, the Government of Canada and the Canadian aviation industry released Canada's Action Plan to Reduce Greenhouse Gas Emissions from Aviation (the "**Action Plan**"), which is a collaboration that sets an aspirational goal to improve fuel efficiency from a 2005 baseline by an average annual rate of 2 percent per year until 2020. The Action Plan formed the basis for the Government of Canada's response to the International Civil Aviation Organization's ("**ICAO**") Assembly Resolution A37-19, which encouraged member states to submit national action plans setting out measures each state would take to address international aviation emissions. The Action Plan further supports the goals of carbon neutral growth from 2020 onwards and absolute greenhouse gas emission ("**GHG**") reductions of 50 percent, relative to 2005 levels by 2050.

In 2015, the parties to the Action Plan agreed to adopt a global industry-recognized fuel efficiency target of a 1.5 percent annual average improvement between 2008 and 2020. The plan identified the following measures as the greatest opportunities to improve fuel efficiency and reduce GHG emissions: fleet renewals; more efficient air operations; improved air traffic management capabilities; aviation research and development; alternative fuels; airport ground operations and infrastructure use; regulatory measures; and internal coordination.

Jazz has voluntarily participated in the plan since its inception and continued to support the plan in 2021.



### *Carbon Offsetting and Reduction Scheme for International Aviation*

In 2016, ICAO adopted the Carbon Offsetting and Reduction Scheme for International Aviation (“**CORSIA**”) to address carbon dioxide (“**CO<sub>2</sub>**”) emissions from international civil aviation. CORSIA is a market-based measure designed to stabilize CO<sub>2</sub> emissions from international aviation at baseline levels. The baseline for CORSIA was originally established as the average annual emissions in 2019 and 2020; however, the impact of COVID-19 on the industry’s emissions in 2020 would have resulted in significantly higher offsetting requirements than originally intended under the scheme. As a result, the ICAO Council opted to use emissions from 2019 as a proxy for 2020 emissions during CORSIA’s pilot phase (2021-2023). Changes to the baseline for future phases of CORSIA will be determined at ICAO Assembly A41 to be held in September 2022.

CORSIA began on a voluntary basis in 2021 and, with some exceptions, will become mandatory in 2027 for all ICAO member states. Canada’s federal government signed on to participate voluntarily from 2021. To implement CORSIA in Canada, Transport Canada revised the *Canadian Aviation Regulations* to include Part X – Greenhouse Gas Emissions from International Aviation – CORSIA, which obligates Canadian carriers that emit more than 10,000 tonnes of CO<sub>2</sub> emissions from international flights on an annual basis to develop a monitoring, reporting and verification system. To comply with these regulatory requirements, Jazz developed an emissions monitoring plan which received approval from Transport Canada. The plan includes information about Jazz’s fleet, operations, fuel use monitoring method(s) and data management. On a yearly basis, beginning in 2022, Transport Canada will inform Canadian operators of their emissions offsetting requirements for the previous year, which will be determined by each operator’s annual CO<sub>2</sub> 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.

### *International Aviation Climate Ambition Coalition Declaration*

In November 2021, Canada participated in the inaugural meeting of the International Aviation Climate Ambition Coalition at the 26<sup>th</sup> United Nations Climate Change Conference of the Parties (“**COP26**”) in Glasgow. Canada, along with 22 other member states, signed the COP26 Declaration, which commits to taking ambitious actions to reduce aviation CO<sub>2</sub> emissions and supporting the aviation industry’s commitment towards net zero CO<sub>2</sub> emissions by 2050.

Signatories to the Declaration, recognizing international aviation’s contribution to climate change through its CO<sub>2</sub> emissions, committed to the following: advancing ambitious actions to reduce aviation CO<sub>2</sub> emissions at a rate consistent with efforts to limit the global average temperature increase to 1.5 Celsius; supporting the adoption by ICAO of an ambitious long-term aspirational goal consistent with the 1.5 Celsius temperature limit; ensuring maximum effectiveness of CORSIA; promoting the development and deployment of sustainable aviation fuels; and promoting the development and deployment of low- and zero-carbon aircraft technologies.

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 proposed 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 included 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. The first reading of the CPPA was completed on November 17, 2020; however, the second reading was not completed.

Several Canadian provinces have implemented or proposed provincial privacy legislation. The Corporation continues to monitor these developments and their application to its operations.

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. As the pandemic has evolved, governments have modified their emergency measures depending on, among other factors, the degree of COVID-19 transmission, vaccination rates and the health care capacity within their respective jurisdictions. 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 the CPA and its leasing of aircraft to airline customers globally. 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. 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 fail to 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".

Following the onset of the COVID-19 pandemic, substantially all of CAC's lessees requested lease rent deferral or other rent relief arrangements. These arrangements reduce Chorus' cash flow over the period of the deferral or relief arrangements and may also increase Chorus' receivable risk due to the weakened financial state of its lessees. This could require Chorus to take increased provisions for expected credit





losses, which would reduce Chorus' earnings. 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 continue to persist, the risks associated with the non-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 were forced to undergo some type of court supervised restructuring process and it is possible that others might also seek to restructure. If additional CAC's leases are rejected during the restructuring process and its aircraft returned, Chorus may be required to recognize additional 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 or during which the lessee is operating the aircraft contrary to the lease. 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**

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 continued COVID-19 pandemic governmental travel restrictions that could make the movement of technical crews and aircraft into or out of a jurisdiction impossible or impractical. Furthermore, Chorus' ability to repossess an aircraft could vary significantly depending upon the laws in effect where the aircraft is located, which could include a requirement to first obtain a court order before repossessing the aircraft and/or de-registering and exporting the aircraft from the jurisdiction.

In addition, the terms of CAC's aircraft loans typically allow the lender to cause CAC to terminate a lease and remarket the aircraft if the lessee commits a default that has not been cured or waived. If a lease is terminated (whether at a lender's direction or on Chorus' initiative), and the aircraft remains off-lease in excess of the allowable remarketing period under the terms of Chorus' financing (which typically ranges from six to 24 months), Chorus may be required to repay the principal amount of the loan in advance of its maturity date (including accrued and unpaid interest, swap breakage and other costs, if any). 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 which may be insufficient for Chorus to repay the principal amount outstanding, or to service the regular instalments, under the aircraft loan. If Chorus sold the aircraft for an amount that was less the balance outstanding under the loan or re-leased the aircraft at a rental rate that was insufficient to service the regular



payments under the loan, Chorus would need to make up the shortfall from its own cash resources thereby straining Chorus' liquidity and increasing the risk of loan defaults and associated cross-defaults. Any such cash deficiencies or loan defaults 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 financial and non-financial 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 (or multiple agreements). 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. Furthermore, compliance with these covenants may at times constrain Chorus' ability to pursue growth and other business opportunities.

### **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 and CRJ900s 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.

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 takeoff and landing slots. There can be no assurance that Chorus would have access to other airport slots. Chorus' inability to secure access to sufficient airport slots 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, in certain circumstances, also constitute an event of default under the 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 Creditors prior to the maturity of those loans would, and any associated defaults under other credit facilities could reasonably be expected 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 aircraft leasing and services 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 each sector in which Chorus participates or seeks to participate in, Chorus' cost of and access to capital, the availability and obsolescence of aircraft, the ability to attract and retain human resources, and general risks relating to the aviation industry. The COVID-19 pandemic has negatively impacted passenger airlines, which contribute the vast majority of Chorus' revenues.

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, or the threat of outbreaks, of viruses or other contagious or infectious 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").



## **Energy, Emissions, and Noise Regulations and Policies**

There is mounting public pressure on industry, particularly the aviation industry, to reduce carbon emissions. The inability of the aviation industry, including the participants therein, to achieve adequate reductions in carbon emissions may lead to increased regulation which could result in increased operational costs for the aviation industry, higher costs for air travel and potentially decreased public demand along with a reduction in profits and access to capital.

Over time, governments may 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 increased limitations on the operation or use of aircraft, particularly those equipped with older technology engines. This may, in turn, reduce the market for aircraft in Chorus' portfolio, which could negatively affect the residual value of Chorus' aircraft and Chorus' revenues and profits.

Chorus cannot predict 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.

## **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 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 for its security holders, 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. 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 Dividend Reinvestment Plan (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 the Stapled 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 and also Unit Warrants exercisable to acquire up to 7,891,750 Common Shares at a price of \$6.20 per Common Share. Furthermore, the Series B Debentures are convertible at the holder's option for up to 11,417,322 Common Shares, initially representing a conversion price of \$6.35 per Common Share. The exercise or conversion rates of the foregoing are all subject to adjustments in certain circumstances specified in the relevant indentures.

The DRIP, the Warrants, the Series B 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.

### **Issuance of Preferred Shares**

The Corporation's Restated Articles of Incorporation authorize the Board to issue up to 80,750,000 Preferred Shares without shareholder approval and to determine the rights, privileges, restrictions and conditions granted to or imposed on any unissued series of Preferred Shares, all of which may be superior to the rights attached to Common Shares. See "Capital Structure, Share Capital, Preferred Shares".

### **Change to Aggregate Foreign Ownership Limit**

The Corporation's Restated Articles of Incorporation currently limit the aggregate voting rights that may be exercised by all Shareholders who are not Qualified Canadians to 49% of the aggregate votes attached to all voting shares of the Corporation (see "Capital Structure – Share Capital – Variable Voting Shares").

However, the Board may, as permitted by the Corporation's Restated Articles of Incorporation, adopt a lower foreign ownership limit if necessary to comply with any law or regulation of Canada applicable to





Chorus. If this were to occur, the aggregate voting rights attached to the Variable Voting Shares (which are held by Shareholders who are not Qualified Canadians) could be subject to a lower limit than they are as of the date of this AIF (i.e., 49%).

### **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, and the 2021 CPA Amendments introduced a quarterly reconciliation process to prevent the Controllable Cost Guardrail from exceeding \$20 million for more than one financial quarter (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 future 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 E175s**

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 and/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 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**

As a result of the 2021 CPA Amendments, Chorus is the exclusive Air Canada Express operator of 70-78 seat regional capacity until the end of 2025.

Further, 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.

Other than what is provided for in the 2021 CPA Amendments, 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 controlling overhead costs and maintaining strong operational performance. Notwithstanding the foregoing, there can be no assurance that these efforts will succeed and avoid an adverse effect on Chorus' business, results from operations or financial condition.

#### **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.

### **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.

### **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 Review of Potential Acquisition of the Corporation**

The *Investment Canada Act* (Canada) subjects an acquisition of control of the Corporation by a non-Canadian to review by the Government of Canada if the value of the Corporation's assets, as calculated pursuant to the legislation, exceeds a threshold amount. A reviewable acquisition may not proceed unless the relevant Minister is satisfied that the investment is likely to be of net benefit to Canada. This could prevent or delay a change of control and may eliminate or limit strategic opportunities for Shareholders to sell their Common Shares.

### **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.

### **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.

### **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.

### **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.

### **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.

The federal *Pay Equity Act* came into force on August 31, 2021. Under the *Pay Equity Act*, employers must proactively examine their compensation practices and ensure that they are providing equal pay to men and women doing work of equal value. In accordance with the process set out under the legislation, employers will have to increase the compensation of any predominantly female job classes that are receiving less pay than their male counterparts. Depending on the outcome of Chorus' review of its compensation practices, the *Pay Equity Act* could materially increase Chorus' labour costs.

### **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 \$4.9 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, 2021, 98.6% of Chorus' debt was fixed rate debt (inclusive of floating rate debt with swaps that effectively fix the rates thereunder) and 1.4% was floating rate debt. Approximately 63.2% 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 its aircraft Warehouse Credit 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, 2021. 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.

### **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.

## **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).

On August 4, 2021, Jazz entered an annuity purchase transaction with a third party insurer for its registered defined benefit pension plan for pilots in the amount of \$67.3 million for all pensioners of the plan as of January 1, 2021 thereby reducing the pension assets and liabilities by \$67.3 million or approximately 10%. This transaction reduces the future pension liability growth and the funding volatility risk.

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.

## **MARKET FOR SECURITIES**

### **Trading Price and Volume**

During the year ended December 31, 2021, the Common Shares traded on the TSX under the symbol "CHR", the Unit Warrants traded on the TSX under the symbol CHR.WT, the Series A Debentures traded on the TSX under the symbol CHR.DB.A, the Series B Debenture traded on the TSX under the symbol CHR.DB.B and the Series C Debentures traded on the TSX under the symbol CHR.DB.C. Although the 6.00% Debentures were listed on the TSX under the symbol CHR.DB, there were no trades in 2021.

The following tables set forth the price range and trading volume of the Common Shares, the Unit Warrants, the Series A Debentures, the Series B Debentures and the Series C Debentures as reported by the TSX for the months of January to December 2021 inclusive (during the months the securities were trading on the TSX).





**Common Shares** – Trading Symbol: CHR

2021	High \$	Low \$	Average Daily Trading Volume	Total Monthly Volume
January	3.99	3.16	436,548	13,532,992
February	4.39	3.16	662,660	18,554,471
March	5.34	4.31	841,450	26,084,944
April	4.78	3.85	372,112	11,163,366
May	5.22	4.21	403,297	12,502,209
June	5.15	4.53	435,495	13,064,856
July	4.99	4.01	307,855	9,543,493
August	4.64	3.81	371,097	11,504,013
September	4.23	3.68	300,680	9,020,399
October	4.09	3.55	243,413	7,545,811
November	4.49	3.45	460,231	13,806,938
December	3.74	3.18	387,321	12,006,944

**Unit Warrants** – Trading Symbol: CHR.WT

2021	High \$	Low \$	Average Daily Trading Volume	Total Monthly Volume
April	0.530	0.260	28,120	843,600
May	0.400	0.230	16,240	503,450
June	0.480	0.335	15,914	477,429
July	0.400	0.295	10,506	325,680
August	0.300	0.175	5,930	183,822
September	0.185	0.120	5,572	167,161
October	0.120	0.070	1,606	49,800
November	0.160	0.090	2,655	79,646
December	0.100	0.080	492	15,255

**Series A Debentures** – Trading Symbol: CHR.DB.A

2021	High \$	Low \$	Average Daily Trading Volume	Total Monthly Volume
January	87.00	78.00	692	21,450
February	87.25	82.50	911	25,520
March	97.50	86.50	1,414	43,830
April	99.25	94.06	827	24,810
May	100.00	98.00	547	16,970
June	105.00	98.12	1,029	30,880
July	102.98	99.51	742	23,000
August	103.25	98.52	430	13,340
September	103.25	98.17	440	13,210
October	100.46	98.71	256	7,930
November	100.40	98.25	311	9,330
December	99.40	96.45	242	7,510



**Series B Debentures** – Trading Symbol: CHR.DB.B

2021	High \$	Low \$	Average Daily Trading Volume	Total Monthly Volume
April	105.00	103.40	4,261	127,825
May	105.44	103.50	524	16,240
June	110.00	104.65	501	15,020
July	108.09	104.75	366	11,360
August	105.75	102.50	168	5,200
September	107.64	103.00	130	3,900
October	104.00	101.65	121	3,750
November	105.00	101.50	186	5,570
December	104.00	98.51	355	11,000

**Series C Debentures** – Trading Symbol: CHR.DB.C

2021	High \$	Low \$	Average Daily Trading Volume	Total Monthly Volume
September	98.70	96.25	1,587	47,620
October	97.38	94.05	1,707	52,930
November	94.45	87.51	1,009	30,270
December	92.61	88.00	752	23,300

**Prior Sales**

During the financial year ended December 31, 2021, 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 Board 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:

<b>Designation of Class</b>	<b>Securities that are subject to a contractual restriction on transfer</b>	<b>Expiry</b>	<b>Percentage of Class</b>
Voting Shares	15,561,600 Voting Shares*	February 4, 2024	8.8% of Voting Shares and Variable Shares on a combined basis

\* As of January 31, 2022.

### **TRANSFER AGENTS AND REGISTRARS**

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

The trustee, transfer agent and registrar for the 6.00% Debentures is TSX Trust Company at its principal transfer office in Toronto.

The trustee, transfer agent and registrar for the Unsecured Debentures is Computershare Trust Company of Canada at its principal transfer office in Toronto.

The warrant agent for the Unit Warrants is TSX Trust Company at its principal transfer offices in Toronto.

### **DIVIDENDS**

#### **Dividend Record**

On April 6, 2020, Chorus suspended its dividend. Prior to the suspension, Chorus paid a monthly dividend of \$0.04 per Common Share for the prior 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, 2021, Chorus did not pay dividends. For the year ended December 2020, Chorus paid \$18.7 million in dividends to Shareholders (2019 - \$55.3 million).

Under the terms of the Unsecured Revolving Credit Facility, the Corporation is required to obtain lender consent prior to increasing its dividend above \$0.48 per Common Share annually. The Operating Credit Facility and the indentures governing the Debentures 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 prohibit 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 Board 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](http://www.chorusaviation.com).

<b>Name and Municipality of Residence</b>	<b>Principal Occupation</b>	<b>Director of Chorus or its Predecessors Since</b>
Karen Cramm <sup>(1)</sup> Halifax, Nova Scotia	Corporate Director	December 6, 2010
Richard D. Falconer <sup>(2)</sup> Mississauga, Ontario	Advisory Board Member, Origin Merchant Partners	March 1, 2012 Chair of the Board since June 29, 2020
Gail Hamilton <sup>(3)</sup> St. John's, Newfoundland and Labrador	Corporate Director and Consultant	June 21, 2021
R Stephen Hannahs <sup>(4)</sup> Corona Del Mar, California	Chief Executive Officer, Wings Capital Partners	August 10, 2015
Sydney John Isaacs <sup>(5)</sup> Westmount, Quebec	Corporate Director	January 1, 2008
Alan Jenkins <sup>(6)</sup> Limerick, Ireland	Corporate Director and Aviation Industry Advisor	June 21, 2021
Amos Kazzaz St. Laurent, Quebec	Executive Vice President and Chief Financial Officer, Air Canada	June 29, 2020
Marie-Lucie Morin <sup>(7)</sup> Ottawa, Ontario	Corporate Director and Consultant	February 17, 2016
Joseph D. Randell Wellington, Nova Scotia	President & Chief Executive Officer, Chorus	January 24, 2006
Paul Rivett <sup>(8)</sup> Toronto, Ontario	Chairman of NordStar Capital Inc.	June 21, 2021

(1) Chair of the Audit, Finance and Risk Committee and member of the Governance, Safety and Sustainability Committee.

(2) Chair of the Board of Directors.

(3) Member of the Audit, Finance and Risk Committee and member of the Governance, Safety and Sustainability Committee.



- (4) Member of the Audit, Finance and Risk Committee and member of the Human Resources and Compensation Committee.
- (5) Chair of the Human Resources and Compensation Committee and member of the Governance, Safety and Sustainability Committee.
- (6) Member of the Governance, Safety and Sustainability Committee and member of the Human Resources and Compensation Committee.
- (7) Chair of the Governance, Safety and Sustainability Committee and member of the Human Resources and Compensation Committee.
- (8) Member of the Audit, Finance and Risk 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. Falconer who was Senior Director of Verus Partners & Co. Inc. until its acquisition by Lazard Ltd. in September 2016 and was a Senior Advisor with Lazard Canada from September 2016 until April 2021; (ii) Mr. Jenkins who was employed with Waypoint Leasing from April 2013 until March 2019 during which time he held the roles of Chief Financial Officer from April 2013 until October 2016, Chief Operating Officer and Chief Financial Officer from October 2016 to February 2018 and President, Chief Operating Officer and Chief Financial Officer from February 2018 to March 2019 and was Chief Financial Officer of Nordic Aviation Capital from September 2019 to September 2020; (iii) Mr. Kazzaz who was the Senior Vice President, Finance of Air Canada from August 2015 to February 2021; and (iv) Mr. Rivett who was the President of Fairfax Financial Holdings Limited from July 2013 to February 2020.

#### 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 Mr. Falconer, each of the executive officers named below has been an executive officer of the Corporation or one of its affiliates or predecessors for more than five years.

<b>Name and Municipality of Residence</b>	<b>Executive Position</b>	<b>Officer of Chorus or its Predecessors Since</b>
Richard D. Falconer <sup>(1)</sup> Toronto, Ontario	Chair 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 <sup>(2)</sup> 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 <sup>(3)</sup> 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).
- (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 14, 2022, the Directors and Officers mentioned in the above tables, as a group, owned, or had control or direction over, directly or indirectly 2,530,318 Common Shares representing approximately 1.4% 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. *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), Gail Hamilton, R Stephen Hannahs and Paul Rivett. 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) **Gail Hamilton** is a Chartered Professional Accountant, obtaining her CPA, CA designation in 1979, and her FCPA, FCA in 1998. She is currently a director on several boards and continues to provide business advice to a small number of clients. Mrs. Hamilton was an Assurance Partner for over 20 years with KPMG and EY, retiring from KPMG and public practice in June 2015. In public practice, Gail was involved in all aspects of delivering assurance and related business advisory services for a variety





of organizations, including the airline industry. These organizations included public, multinational, entrepreneurial and not-for-profit entities. In addition, Mrs. Hamilton completed the requirements to obtain the designation as Director of the Institute of Corporate Directors.

- (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) **Paul Rivett** is the co-founder and Chairman of NordStar Capital Inc., a Canadian company he co-founded in 2020. NordStar is a long-term focused, relationship-based, innovative funding and advisory services firm. Prior to co-founding NordStar, Mr. Rivett served as the President of Fairfax Financial Holdings Limited, a global insurance holdings and value investing company, where he worked for nearly two decades. Mr. Rivett currently serves on the boards of GreenFirst Forest Products, Torstar, a NordStar portfolio company, Recipe Unlimited, Canada's leading restaurant company, VerticalScope, CPE, Boreal Carbon and Northstar Gaming. He has previously been a member of a number of notable boards, including Fairfax Africa, PEAK Athletics (Bauer & Easton Sports), TeamSnap, Golf Town & Sporting Life, Dexterra, Arctic Gateway Group, AGT Foods, MEGA Brands, Resolute Forest Products, Blue Ant Media and The Brick. Mr. Rivett holds a Bachelor's Degree in Economics from the University of Toronto, a Master's Degree in Industrial Relations from Queen's University, and a Law Degree from Queen's University. He is also a Canadian Securities Registered Portfolio Manager.

#### *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, 2021 and December 31, 2020 to PricewaterhouseCoopers LLP, the Corporation's external auditor, and its affiliates were \$1,352,391 for 2021 and \$991,598 for 2020, as detailed below:

<i>(in Canadian Dollars)</i>	<b>Years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Audit fees	\$1,003,030	\$911,598
Audit-related fees	\$206,867	\$24,000
Tax fees – compliance/preparation	\$36,820	\$35,100
Tax fees – other	\$105,674	\$20,900
	\$1,352,391	\$991,598

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 2021, services in respect of the issuance of Equity Units, the Series B Debentures, the Series C 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) 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, (B) 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, (C) Alan Jenkins resigned from his position as Chief Financial Officer of Nordic Aviation Capital



DAC within one year prior to it entering into a scheme of arrangement with certain of its lenders which arrangement was approved by the Irish High Court in 2020, and (D) Alan Jenkins was Chief Financial Officer of Waypoint Leasing (Ireland) Limited at the time it filed for bankruptcy protection under chapter 11 of title 11 of the United States Bankruptcy Code in 2018.

### **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 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 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, 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, 2021, 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) First Supplemental Indenture to the Indenture dated December 6, 2019, dated as of September 27, 2021 between Chorus Aviation Inc., as issuer, and Computershare Trust Company of Canada, as trustee. This indenture sets out the terms governing the Series C Debentures. The Series C Debentures are described in this AIF under the heading “Capital Structure – Long-term Debt – Series C Debentures”;
- (2) Indenture made as of April 6, 2021 between Chorus Aviation Inc., as issuer, and Computershare Trust Company of Canada, as trustee. This indenture sets out the terms governing the Series B Debentures. The Series B Debentures are described in this AIF under the heading “Capital Structure – Long-term Debt – Series B Debentures”;
- (3) Warrant Indenture made as of April 6, 2021 between Chorus Aviation Inc., as issuer, and AST Trust Company (Canada), as warrant agent. This indenture sets out the terms governing the Units Warrants. The Unit Warrants are described in this AIF under the heading “Chorus Business – Three Year History”;
- (4) Term Sheet effective January 1, 2021 between Jazz Aviation LP and Air Canada. This term sheet sets out the principal terms and conditions on which the parties agreed to amend and restate the CPA;
- (5) Indenture made as of December 6, 2019 between Chorus Aviation Inc., as issuer, and Computershare Trust Company of Canada, as trustee. This indenture sets out the terms governing the Series A Debentures. The Series A Debentures are described in this AIF under the heading “Capital Structure – Long-term Debt – Series A Debentures”;
- (6) 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”;
- (7) Term Sheet executed January 14, 2019 among Chorus Aviation Inc., Jazz Aviation LP and Air Canada. This term sheet sets out the principal terms and conditions on which the parties agreed to amend and restate the CPA;
- (8) 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 6.00% Debentures and Stapled Warrants, together with amendments 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 Stapled Warrants) are described in this AIF under the heading “Capital Structure – Long-term Debt – Convertible Units”;
- (9) Indenture made as of March 6, 2017 between Chorus Aviation Inc., as issuer, and CST Trust Company, as trustee, together with an amendment thereto. This indenture sets out the terms governing the 6.00% Debentures; and



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

### **ADDITIONAL INFORMATION**

Additional information relating to the Corporation may be found under its profile on SEDAR at [www.sedar.com](http://www.sedar.com) and on its website at [www.chorusaviation.com](http://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 meeting of Shareholders held on June 17, 2021 and will be contained in the Corporation's management proxy circular for its annual meeting of Shareholders expected to be held on June 27, 2022. Additional financial information is provided in the Corporation's Consolidated Financial Statements for the year ended December 31, 2021 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 380, 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 12 of the AIF;

"**2021 CPA Amendments**" has the meaning set out at page 9 of the AIF;

"**6.00% Debentures**" means the 6.00% senior debentures of the Corporation due December 31, 2024 which are listed for trading on the TSX under the symbol CHR.DB;

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

"**Action Plan**" has the meaning given at page 39 of the AIF;

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

"**Air Canada Investment**" has the meaning given at page 12 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 18 of the AIF;

"**Annual MD&A**" means the MD&A for the fourth quarter and year-ended 2021 dated February 16, 2022;

"**APPRs**" has the meaning given at page 35 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 36 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 58 of the AIF;

"**Bill C-32**" has the meaning given at page 37 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;
- "**CFAU**" means the Canadian Flight Attendants Union;
- "**Chorus Aviation Capital**" or "**CAC**" means CACC and its subsidiaries;
- "**CO<sub>2</sub>**" means carbon dioxide;
- "**COP26**" means the 26<sup>th</sup> United Nations Climate Change Conference, held in Glasgow, Scotland;
- "**Common Shares**" means the Voting Shares and Variable Voting Shares;
- "**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 page 15 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 28 of the AIF;
- "**Conversion Price**" has the meaning given at page 30 of the AIF;
- "**CORSIA**" has the meaning given at page 40 of the AIF;
- "**Covered Aircraft**" means the aircraft whose capacity Air Canada purchases from Jazz under the CPA;
- "**COVID-19**" means the disease caused by the coronavirus known as SARS-CoV-2, including variants thereof;
- "**COVID-19 pandemic**" means the COVID-19 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 amended and extended by the 2019 CPA Amendments, as further amended by the 2021 CPA Amendments, and as may be further amended from time to time;
- "**CPPA**" has the meaning given at page 41 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 32 of the AIF;
- "**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;
- "**Debentures**" means the 6.00% Debentures, the Series A Debentures, the Series B Debentures and the Series C Debentures;



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

"**DRIP**" has the meaning given at page 48 of the AIF;

"**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;

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

"**Equity Units**" means the units issued by the Corporation on April 6, 2021 for \$4.60 per unit comprising one Share and one-half of a Unit Warrant;

"**E175**", "**E190**" and "**E195**" means, respectively, Embraer E-175, E-190 and E195 regional jet aircraft;

"**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;

"**GHG**" means greenhouse gas;

"**IAMAW**" means the International Association of Machinists & Aerospace Workers;

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

"**Intercreditor Agreements**" has the meaning given at page 32 of the AIF;

"**Investor Rights Agreement**" has the meaning given at page 12 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;

"**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 22 of the AIF;

"**OLA**" means the *Official Languages Act*;

"**Operating Credit Facility**" has the meaning given at page 8 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 41 of the AIF;

"**Preferred Shares**" means preferred shares in the capital of the Corporation which are issuable by the directors in one or more series in accordance with the Corporation's Restated Articles of Incorporation;

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

"**Rights Plan**" has the meaning given at page 27 of the AIF;

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

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

"**Senior Creditors**" has the meaning given at page 30 of the AIF;

"**Series A Debentures**" means the 5.75% senior unsecured debentures of the Corporation due December 31, 2024 which are listed for trading on the TSX under the symbol CHR.DB.A;

"**Series B Debentures**" means the 6.00% convertible senior unsecured debentures of the Corporation due June 30, 2026 which are listed for trading on the TSX under the symbol CHR.DB.B;

"**Series C Debentures**" means the 5.75% senior unsecured debentures of the Corporation due June 30, 2027 which are listed for trading on the TSX under the symbol CHR.DB.C;

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

"**Single Non-Canadian Holder**" has the meaning as set out in page 21 of the AIF;

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

"**Stapled Warrants**" has the meaning given at page 28 of the AIF;

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

"**Unsecured Debentures**" means the Series A Debentures, Series B Debentures and Series C Debentures.

"**Unit Warrants**" means the warrants issued by the Corporation on April 6, 2021, each one of which entitles the holder thereof to purchase one Share at an exercise price of \$6.20 (subject to certain adjustments) at any time until April 6, 2022;

"**Unsecured Revolving Credit Facility**" means the US\$100.0 million unsecured revolving credit facility from EDC.

"**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; and



**"Warehouse Credit Facility"** has the meaning given at page 32 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, policies, 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