

THIS 2021 TERM SHEET with effect as of January 1, 2021.

Parties **AIR CANADA**, a corporation existing under the laws of Canada, with its head office at 7373 Cote-Vertu West, St-Laurent, Quebec, H4S 1Z3 ("**Air Canada**");

and

JAZZ AVIATION LP, a limited partnership established under the laws of the Province of Ontario, herein acting through and represented by its general partner Aviation General Partner Inc. ("**Jazz**");

(Individually referred to as "**Party**" and collectively as "**Parties**").

WHEREAS the Parties are parties to an Amended and Restated Capacity Purchase Agreement (the "**CPA**") that expires on December 31, 2035, including without limitation the binding term sheet effective as of January 1, 2019 (the "**2019 Term Sheet**"); and

WHEREAS this term sheet (the "**2021 Term Sheet**") sets out the principal terms and conditions under which the Parties have agreed to enter a further amendment and restatement of the CPA (the "**Second Restated CPA**").

IN CONSIDERATION of the premises and other good and valuable consideration, the receipt and sufficiency of which the Parties hereby acknowledge, the Parties agree as follows:

1. **Binding Intent.** The Parties hereby confirm certain terms and conditions negotiated between the Parties which are legally binding in accordance with their terms. This 2021 Term Sheet will be subject to and incorporate Sections 8.01 (*Confidential Agreement*), 8.02 (*Confidentiality*), 8.03 (*Due Diligence Disclosure*), 14.09 (*Counterparts*), 14.10 (*Severability*), 14.13 (*Governing Law*), 14.14 (*Further Assurances*), 14.16 (*Enurement*), 14.17 (*Expenses*), 14.19 (*Currency*), 14.20 (*Headings*) and 14.22 (*Language*), and Article XIII (*Dispute Resolution*) of the CPA. The Parties further agree that, notwithstanding Sections 8.01 to 8.03 of the CPA, each Party may disclose this 2021 Term Sheet to its professional advisors, and in the case of Chorus Aviation Inc. ("**Chorus**"), to its financiers and significant investors, provided that it obtains customary confidentiality assurances from third parties.

2. **Conditions Precedent.** Except for paragraph 1 above, which will be binding upon execution of this 2021 Term Sheet, the binding nature of this 2021 Term Sheet is conditional on the following:

a. **[detail of satisfied condition precedent omitted];**

b. **[detail of satisfied condition precedent omitted];**

c. **[detail of satisfied condition precedent omitted];** and

d. An agreement between ALPA and Jazz which does not materially modify the terms of the economic and operational outline presented by Jazz to Air Canada.

3. **Amended and Restated CPA.** Subject to paragraph 2, as and from January 1, 2021, the CPA will be amended by the terms and conditions contained in the 2019 Term Sheet and this 2021 Term Sheet.

The CPA will be further negotiated in good faith by the Parties for the purpose of amending and adapting the terms of the CPA to reflect and incorporate the applicable terms and conditions of the 2019 Term Sheet and this 2021 Term Sheet and any other terms and conditions as may be required as a consequence of documents, in order to conclude and execute the Second Restated CPA by 6:00 pm Eastern Standard Time on September 30, 2021 or by another date thereafter mutually agreed by the Parties.

4. **Deemed Amendment.** If the Second Restated CPA is not executed by 6:00 pm Eastern Standard Time on September 30, 2021 or by another date thereafter mutually agreed by the Parties, the applicable terms of the 2019 Term Sheet and this 2021 Term Sheet will be deemed to be incorporated by reference into the CPA and the CPA will be deemed amended to reflect the terms hereof, and all provisions of the CPA not specifically altered by the 2019 Term Sheet and this 2021 Term Sheet will remain in effect in the CPA except to the extent that the 2019 Term Sheet and this 2021 Term Sheet require consequential changes to the CPA to give further effect to the terms and conditions of those documents.

5. **Capitalized Terms.** All capitalized terms used in this 2021 Term Sheet and not otherwise defined will have the same meanings as ascribed to them in the CPA or 2019 Term Sheet, as applicable.

6. **Embraer E175 Aircraft.** Air Canada will:

a. Terminate the existing lease agreements and sub-lease agreements for 25 Embraer E175 aircraft (the “**Sky Regional Lease Agreements**”); and

b. Obtain the written consent of each of the head lessors of certain E175 Aircraft leased by Air Canada which will be subleased to Jazz.

7. **Lease of E175 Aircraft.** Following termination of the Sky CPA and the Sky Regional Lease Agreements, the Parties will enter into lease agreements and sub-lease agreements for the E175 Aircraft upon the same terms as the Sky Regional Lease Agreements (collectively, the “**Jazz E175 Leases**”). The effective dates of the E175 Leases and the schedule of dates for each aircraft’s entry into the Covered Aircraft fleet will be as agreed by the Parties in writing as soon as reasonably practicable and no later than December 31, 2021.

8. **E175 Integration.** In consideration of the consolidation of Air Canada's regional flying with Jazz and the integration of the E175 Aircraft into the Covered Aircraft fleet (collectively, the “**E175 Integration**”), Jazz will provide Air Canada with a payment in an amount equal to the sum of:

a. **[\$amount omitted]** CAD to be paid to Air Canada as follows:

i. **[\$amount omitted]** payable on or before March 31, 2021; and

ii. **[\$amount omitted]** payable on or before March 31, 2022; and

b. **[percentage omitted]** of the amount of expenses and all other costs incurred by Air Canada in relation to the termination of the Sky CPA, up to a maximum amount of **[\$amount omitted]** CAD (the “**Termination Cost Amount**”). The Termination Cost Amount will be confirmed by Air Canada and paid by Jazz within 30 days of Air Canada’s invoice.

9. **Transition Assistance.** Air Canada will assist Jazz with the transition of the E175 Aircraft into the CPA and the Covered Aircraft fleet. The Parties will use commercially reasonable efforts to recognize efficiencies and synergies from integrating the E175 Aircraft into the Covered Aircraft fleet.

10. **Aircraft-Related Transition Costs.** Consistent with previous aircraft transitions of recent CRJ200 aircraft, Air Canada will, at its option, pay aircraft-related transition costs directly or treat them as Pass-Through Costs.

11. **Total Costs.** Jazz will pay to Air Canada no more than a total of \$[amount omitted] CAD for the E175 Integration and E175 Aircraft-related transition costs.

12. **Taxes.** Delete Section 5.29(a) of the CPA in its entirety and replace it with the following:

“Section 5.29 Taxes.

(a) The payments hereunder do not include the amount of any sales, use, goods and services, value added, or excise taxes or any customs or import charges or duties or any similar charges or duties (hereinafter “Taxes”), or any interest, penalties or surcharges which may be imposed by any Governmental Authority in connection with the purchase or delivery of the work, services, or materials or any other supply made by one Party to the other Party. Each party shall be responsible for and shall pay the amount of any applicable Taxes arising from the purchase or delivery of the work, services, or materials or any other supply made to the other Party; provided however that the first Party shall not be responsible for payment of any Taxes which may be levied by any Governmental Authority based on the other Party’s net or gross income or capital. If the amount of tax or part thereof that a Party is responsible for is refunded to the other Party, that other Party shall pay or credit to the first Party the amount of such tax that has been refunded to that other Party. Applicable taxes shall be indicated by each Party separately on all of its invoices.”

13. **Facilities.** If there is an operational requirement to occupy and use Air Canada facilities in Toronto and Montreal, the Parties will work together to identify and use such facilities, as appropriate, in accordance with their Master Lease Agreement effective January 1, 2017, and if there are facilities other than Air Canada facilities needed, the Parties will treat the associated costs as Pass-Through Costs.

14. **E175 Aircraft Consumable Inventory.**

a. Jazz will purchase from Air Canada, on an “as-is, where-is” basis under a bill of sale on March 31, 2021, Air Canada’s remaining inventory of Embraer E175 consumable parts (the “**E175 Consumables**”) at the then current book value of approximately \$[amount omitted] CAD (the “**E175 Consumables Price**”). The E175 Consumables exclude approximately \$[amount omitted] CAD of inventory now on consignment. Jazz will pay the E175 Consumables Price as follows:

i. an amount equal to [percentage omitted] of the E175 Consumables Price on March 31, 2021; and

ii. an amount equal to [percentage omitted] of the E175 Consumables Price on June 30, 2021; and

b. E175 Consumables issued to the Covered Aircraft shall be treated in accordance with the terms of the CPA.

15. **Dash 8-300 Aircraft.**

a. The Parties will no longer treat any Dash 8-300 aircraft formerly operated under the CPA as Covered Aircraft as of January 1, 2021 (the “**Dash 8-300 Transition Aircraft**”).

b. Subject to fleet availability, Air Canada may request the use of one or more Dash 8-300 Transition Aircraft from January 1, 2021 through December 31, 2021. Whether or not Jazz operates any Dash 8-300 Transition Aircraft under the CPA, Air Canada will not be liable for or pay, and Jazz will not earn or be paid, any Fixed Margin for any Dash 8-300 Transition Aircraft as of January 1, 2021.

c. For any Dash 8-300 Transition Aircraft remaining in operation after January 1, 2021, Air Canada will only pay Jazz the related Rates (except Aircraft Ownership Rates and rotatable inventory depreciation, which will not be earned or paid).

d. For any Dash 8-300 Transition Aircraft operating under the CPA after September 30, 2021, the Parties will use reasonable efforts to agree in writing on commercially reasonable compensation for such aircraft related overhead costs which they shall treat as Pass-Through Costs.

e. For any Dash 8-300 Transition Aircraft used by Air Canada on or after January 1, 2022, the Parties will use reasonable efforts to agree in writing on appropriate commercial terms.

f. Jazz will be entitled to all proceeds from the re-lease, sale, repurpose or disposal of the Dash 8-300 Transition Aircraft.

g. Dash 8-300 Transition Aircraft removed from Jazz’s fleet will be on an “*as is, where is*” basis with no further amounts related to their removal payable by either Party to the other Party as of January 1, 2021, whether under the CPA, any lease or sub-lease agreement or any other agreement.

16. **Dash 8-300 Inventory.** Air Canada will pay Jazz \$[**amount omitted**] CAD in [**number omitted**] equal monthly payments starting in January 2021 (\$[**amount omitted**] CAD per month), which amounts to [**percentage omitted**] of the pre-tax expected loss incurred by Jazz on the rotatable, consumable and expendable inventory (with no reconciliation to actuals). For any Dash 8-300 Transition Aircraft flying under the CPA, Jazz will invoice any consumable and expendable inventory on hand as of December 31, 2020 and utilized to maintain the aircraft used for such flying to Air Canada under the CPA at [**percentage omitted**] of the pre-loss value of the applicable item and paid as a Pass-Through Cost. Until such time as the applicable inventory is exhausted, Jazz will not make any capital expenditures for Dash 8-300 consumable, expendable or rotatable inventory. Once Jazz has consumed the applicable foregoing inventory, it will invoice any subsequently acquired and consumed inventory items at [**percentage omitted**] of the applicable item’s purchase price, which Air Canada will pay to Jazz as a Pass-Through Cost.

17. **Storage and Disposal Costs.** Air Canada will continue to pay for storage and disposal costs under the CPA for Dash 8-300 related inventory for so long as it remains on Jazz premises provided that the

associated salary and wage costs are not incremental to normal day-to-day activities and such payment will exclude shipping costs.

18. **Jazz Pilots Bridge to Retirement.** Jazz shall make available an amount to be agreed in writing by the Parties (the “**BTR Amount**”) for packages related to bridge to retirement VSPs (the “**BTR Fund**”). If the total dollar amount of VSP packages under such BTR Fund utilized by Jazz as of December 31, 2022 is less than the BTR Amount, Jazz will credit Air Canada an amount equal to the difference as a one-time adjustment to the Overhead Rates (as defined below) payment.

19. **PW123 Engine CPUMA.**

a. Jazz will negotiate with its vendors to remove and mitigate minimums and other items that are not applicable to the Covered Aircraft fleet as amended by this 2021 Term Sheet (including all agreements relating to the Dash 8-300 fleet) with a view to minimizing the cost of any amendments and achieving costs savings in general.

b. Air Canada will pay Jazz an aggregate amount not to exceed \$[**amount omitted**] USD (amount as of December 31, 2020) to be updated in relation to applicable removal date in funds relating to outstanding drawdowns (deficits) within the PW123 engine CPUMA (the “**Drawdown Amount**”). The Parties will adjust the Drawdown Amount based on actual flying up to the date of the last Scheduled Flight of the last Dash 8-300 Transition Aircraft, and treat the amount of such adjustment as Pass-Through Costs. That amount does not include the previously agreed Return Condition Liability of \$[**amount omitted**] USD for PW123 engines payable by Air Canada to Jazz related to the Dash 8-300 aircraft which left the Covered Aircraft fleet before January 1, 2021.

c. For any Dash 8-300 Transition Aircraft operating as a Covered Aircraft after the earlier of June 30, 2021 or payment of the foregoing adjusted PW123 engine CPUMA deficit, the Parties will establish commercially reasonable compensation no greater than current CPUMA rates for PW123 engine burn and treat it as Pass-Through Costs.

d. Air Canada will pay Jazz the Drawdown Amount within 30 days of receiving the corresponding invoice from the PW123 CPUMA services provider.

20. **Fixed Margin per Covered Aircraft.** Schedule “E-2” (*Compensation Structure*) of the CPA, will be deleted in its entirety and replaced, effective January 1, 2021, with the Schedule E-2 attached to this 2021 Term Sheet as Appendix 1.

21. **Controllable Cost Guardrail.** Delete paragraph 12 of the 2019 Term Sheet (*Cost Minimization*) and replace it with the new paragraph 12 attached at Appendix 2 to this 2021 Term Sheet.

22. **Overhead.**

a. Appendix 3 to this 2021 Term Sheet provides an overhead cost cap grid reflecting varying flying levels that Jazz may operate based on average monthly Block Hours (the “**Average Monthly Block Hours**”). For each range of Average Monthly Block Hours, the grid sets out a maximum annual amount that Air Canada will pay to Jazz (the “**Overhead Cost Cap**”) in respect of the Operational Overhead Fixed Rate – CAD, the Operational Overhead Fixed – USD, the Administrative Overhead Fixed Rate – CAD and the Administrative Overhead Fixed Rate – USD

(collectively, the “**Overhead Rates**”), but excluding benefits and non-Aircraft related depreciation Rate components.

b. The Parties will determine the applicable Overhead Cost Cap for the upcoming year based on the greater of (i) the annual Block Hour budget delivered by Air Canada to Jazz, and (ii) the annual Block Hours agreed by the Parties during the annual Rate reset process. Jazz will invoice and Air Canada will pay Jazz, [**fraction omitted**] of the applicable Overhead Cost Cap each month (a “**Monthly Cost Cap Payment**”).

c. Subject to Clause 8 of Appendix 3 to this 2021 Term Sheet, at the end of each year, the Parties will determine the actual Average Monthly Block Hours flown by Jazz. Based on the actual Average Monthly Block Hours, Jazz will be entitled for such year to payment by Air Canada of the lesser of (i) the actual Overhead Rates cost excluding benefits and Depreciation Non-Aircraft Related Rate components (the “**Actual Annual Overhead Amount**”), or (ii) the Overhead Cost Cap applicable to the actual Average Monthly Block Hours. If the total amount of Monthly Cost Cap Payments paid for the year is greater or less than the Actual Annual Overhead Amount, the appropriate Party will pay or credit, as applicable, the difference to the other Party as an adjustment to the Overhead Rates payment.

23. **Other Provisions.**

a. Jazz will be the exclusive capacity provider to Air Canada for aircraft with 70 to 78 seats until December 31, 2025.

b. Air Canada will not assert any claim under Section 14.08 of the Agreement related to the COVID-19 pandemic.

c. Jazz will not assert any claim under the CPA arising out of or relating to a failure by Air Canada to comply with MADUG during any time during which flying under the CPA is impacted by the COVID-19 pandemic.

d. Neither Party will make any disclosure of these amendments (whether by news release or otherwise) without the prior written consent of the other Party except as may be required by Governmental Regulation.

e. Except as expressly provided in this document, these amendments do not amend or limit any of the Parties' rights and obligations under the Agreement.

f. The Parties mutually agree that the ordinary location of the Covered Aircraft is in Halifax, Nova Scotia.

24. **Public Announcements.** Neither Party will make any initial disclosure of this 2021 Term Sheet (whether by news release or otherwise) without the prior written consent of the other Party except as required by Governmental Regulation.

[signatures follow]

APPENDIX 1
SCHEDULE E-2
COMPENSATION STRUCTURE

[text omitted]

APPENDIX 2
REPLACEMENT GUARDRAIL LANGUAGE

12. Minimization of Costs

a. The Parties will set the Rates on a one-year basis with an annual margin reconciliation such that Jazz will never lose or make more than \$2,000,000 CAD per calendar year on the difference between actual revenue received from Air Canada based on the Rates and controllable costs in the Rates as set forth in Schedule D (*Rate Components*) of the CPA **[text relating to specified exclusions omitted]**.

b. If:

- i. Jazz's controllable costs in the Rates exceed the revenue received from Air Canada based on the Rates by more than \$2,000,000 CAD, Air Canada will pay Jazz an amount equal to 100% of the difference that exceeds \$2,000,000 CAD; or
- ii. the revenue received from Air Canada based on the Rates exceeds Jazz's controllable costs in the Rates by more than \$2,000,000 CAD, Jazz will credit Air Canada an amount equal to 100% of the difference that exceeds \$2,000,000 CAD.

c. The Parties will complete an annual margin reconciliation in a manner consistent with current practice and Jazz will credit or Air Canada will pay, as applicable, the reconciled amount by **[date omitted]** of the following calendar year. Air Canada will have the right to audit that reconciliation and will report any discrepancies to Jazz as soon as possible but in any event, no later than **[date omitted]** of the calendar year following the period subject to reconciliation. Any discrepancy not reported in writing by **[date omitted]** of the calendar year following the period subject to reconciliation, or by such other date agreed to in writing by the Parties, will be deemed waived. Any costs not paid in the Rates such as fleet deployment, transition costs, regulatory changes or network changes will be billed monthly as Pass-Through Costs.

d. Upon request by either Party, the Parties will meet quarterly during the Term to review Jazz's costs and projected costs for the calendar year. If the difference between the revenue to be received from Air Canada and Jazz's projected costs for the calendar year are expected to exceed an amount equal to \$2,000,000 CAD, then Jazz will use commercially reasonable efforts to mitigate such costs and submit a mitigation plan to Air Canada. For greater certainty, this does not amend, nor do the Parties intend to amend, Section 5.27 (*Cost Reduction Principles*) of the CPA.

e. The Parties will also complete the reconciliation set forth in paragraphs a. and b. above on a quarterly basis. If the cumulative amount that would be due under that reconciliation to either Party (based on year to date, as calculated at the end of the applicable quarter) exceeds \$20,000,000 million CAD (in other words, \$22,000,000 CAD less the \$ 2,000,000 CAD amount from paragraphs a. and b. above), Jazz will credit or Air Canada will pay, as applicable, the amount by which it exceeds \$20,000,000 CAD (a "**Quarterly Guardrail Payment**") no later than 30 days after the end of the applicable quarter.

f. If applicable, on a quarterly basis, Jazz will credit Air Canada the amount of Quarterly

Guardrail Payments paid by Air Canada to Jazz if amounts decrease in subsequent quarters such that the cumulative amount that would be due under that reconciliation to Jazz does not exceed \$20,000,000 CAD (in other words, \$22,000,000 CAD less the \$2,000,000 CAD amount from paragraphs a. and b. above).

g. The Parties will use commercially reasonable efforts to minimize costs related to removal of aircraft from the fleet of Covered Aircraft and explore possible incentive arrangements to facilitate minimization of such costs.

APPENDIX 3

OVERHEAD DETAILS

(effective January 1, 2021 to December 31, 2025)

[text omitted]

General Notes

1. Maximum Overhead Cost Cap, as above.
2. The above Overhead Cost Caps exclude benefits and Depreciation – Non-Aircraft Related. In accordance with the 2019 Term Sheet, the Parties will set the Rates on a one-year basis for benefits and Depreciation – Non-Aircraft Related. Operational benefits will be subject to annual margin reconciliation (guardrail) as described in paragraph 12 (*Minimization of Costs*) of the 2019 Term Sheet as amended by this 2021 Term Sheet. Depreciation – Non-Aircraft Related will be subject to monthly depreciation true-up. Any significant (expected to exceed \$[amount omitted] CAD) additional capital expenditures will be subject to prior approval by Air Canada, such approval not to be unreasonably withheld or delayed.
3. Any changes in accounting standards pertaining to depreciation will be subject to review and agreement (regarding any Overhead Cost Cap revisions) on how to account for depreciation by the Parties.
4. Starting January 1, 2022, a [percentage omitted] escalation will be added on an annual basis to Overhead Cost Caps in the table above.

Overhead-Specific Terms

5. Applies up-to and including December 31, 2025 only. In 2025, the Parties will develop a five-year grid for 2026 to 2030, using 2025 actual costs as a baseline.
6. During the Rate reset process, the Parties will adjust the applicable portion of each Overhead Cost Cap annually for material changes in certain costs incurred (by an increase or decrease of [percentage omitted] or \$[amount omitted] CAD or more for purposes of this clause) due to [rate components omitted]. The grid above assumes a CAD/USD foreign exchange rate of [number omitted].
7. Fleet types and size are per maintenance and crew bases, as of [date omitted]. If there is a material or structural change in fleet deployment by base (other than as contemplated by this 2021 Term Sheet), then the Parties will promptly collaborate to develop an action plan to reasonably minimize or avoid any additional overhead costs. Such costs that cannot be avoided will be treated as Pass-Through Costs. Any such changes will be a one-time cost, and will not affect the overhead grid, following implementation of the structural change in fleet deployment.
8. If there is an increase or decrease in the Block Hours budgeted, outlooked or delivered by Air Canada that increase or decreases three or more brackets in the Average Monthly Block Hours

grid, the Parties will promptly collaborate and develop an action plan to reasonably minimize or avoid the overhead costs. Where the resulting Actual Annual Overhead Amount exceeds the Overhead Cost Cap for the increased or decreased Average Monthly Block Hours, the Parties will treat such difference that they cannot avoid as Pass-Through Costs.

9. A material change (an increase or decrease of **[percentage omitted]** or **[\$amount omitted]** CAD or more for purposes of this clause) in the cost of communications or subscription services (for example, Jeppesen, Rockwell Collins, Universal Avionics, ARINC) will trigger a reset of the applicable portion of the Overhead Cost Caps and the parties will negotiate in good faith to agree on such updated applicable portion to be agreed in writing.
10. If actual Block Hours fall outside of the bands in the grid above, the Parties will use commercially reasonable efforts to agree in writing on adjusted applicable Overhead Cost Caps for Overhead Rates accordingly.
11. Costs related to the transition of Air Canada's load planning (weight and balance) system and related ongoing staffing requirements are to be determined, and not included in the applicable Overhead Cost Caps, above. The Parties will treat any applicable costs as Pass-Through Costs. The grid above includes **[\$amount omitted]** CAD (**[\$amount omitted]** USD) in software for Jazz's existing **[counterparty name omitted]** load planning system.
12. The Parties will collaborate in good faith to develop a smoothing process to address any potential underruns of the applicable Overhead Costs Cap at end of year.
13. The Parties will treat additional administrative overhead cost components related to renegotiations of expiring Jazz Collective Agreements outside the Overhead Costs Cap in the table above.