Jazz Air Income Fund

Management's Discussion and Analysis

For the Three Months Ended
March 31, 2009

May 14, 2009

TABLE OF CONTENTS

The following management's discussion and analysis of financial condition and results of operations ("MD&A") of Jazz Air Income Fund ("Jazz") is prepared as at May 14, 2009 and should be read in conjunction with the accompanying unaudited interim consolidated financial statements of Jazz Air Income Fund and the notes therein for the three months ended March 31, 2009, the audited consolidated financial statements of Jazz Air Income Fund and the notes therein for the year ended December 31, 2008, the annual MD&A dated February 10, 2009, and the Jazz Air Income Fund Annual Information Form dated March 30, 2009. The audited consolidated financial statements of Jazz Air Income Fund and the unaudited interim consolidated financial statements of Jazz Air Income Fund are prepared in accordance with generally accepted accounting principles ("GAAP") in Canada.

Jazz is entirely dependent upon the operations and financial condition of Jazz Air LP (the "Partnership"). The earnings and cash flows of Jazz are affected by certain risks. For a description of those risks, please refer to Section 16 – Risk Factors.

As a result of the different ownership percentages of the Partnership held by Jazz throughout the periods presented, which have resulted in different bases of accounting (from equity to consolidation), figures presented for Jazz for periods prior to 2008 are not comparative. Since the underlying operating entity is the Partnership and Jazz is completely dependent upon its results, in order to provide a meaningful analysis, Jazz's year to date operating income, net earnings, and earnings per unit have been adjusted to remove the effect of certain consolidation amounts (i.e. by adding back amortization of CPA asset, other operating expenses incurred by Jazz, and future income taxes), to arrive at comparable results to those previously reported by the Partnership.

This MD&A complies, in all material respects, with the recommendations provided in the Canadian Institute of Chartered Accountants ("CICA") publication, *Standardized Distributable Cash in Income Trusts and Other Flow-Through Entities: Guidance on Preparation and Disclosure*.

Except where the context otherwise requires, all monetary amounts are stated in thousands of Canadian dollars.

For further information on Jazz's public disclosure file, including Jazz's Annual Information Form, please consult SEDAR at www.sedar.com.

Caution regarding forward-looking information

Forward-looking statements are included in this MD&A. These forward-looking statements are identified by the use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will", "would", and similar terms and phrases, including references to assumptions. Such statements may involve but are not limited to comments with respect to strategies, expectations, planned operations or future actions.

Forward-looking statements relate 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 statements, by their nature, are based on assumptions, including those described below, and are subject to important risks and uncertainties. Any forecasts or forward-looking predictions or statements cannot be relied upon due to, amongst other things, changing external events and general uncertainties of the business. Such statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements to differ materially from those expressed in the forward-looking statements. Results indicated in forward-looking statements may differ materially from actual results for a number of reasons, including without limitation, energy prices, general industry, market and economic conditions, competition, insurance issues and costs, supply issues, war, terrorist attacks, epidemic diseases, acts of God, changes in demand due to the seasonal nature of the business, the ability to reduce operating costs and employee counts, employee relations, labour negotiations or disputes, restructuring, pension issues, currency exchange and interest rates, changes in laws, adverse regulatory developments or proceedings, pending and future litigation and actions by third parties, as well as the factors identified throughout this MD&A and in particular, the Risk Factors section of this MD&A. The forward-looking statements contained in this discussion represent Jazz's expectations as of May 14, 2009, and are subject to change after such date. However, Jazz disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required under applicable securities regulations.

1. OVERVIEW

Jazz is an unincorporated, open-ended trust established under the laws of the Province of Ontario by a declaration of trust dated November 25, 2005 and amended by an amended and restated declaration of trust dated January 24, 2006, and the first amendment to the amended and restated declaration of trust dated as of March 23, 2009 (the "Fund Declaration of Trust"). Jazz qualifies as a "mutual fund trust" for the purposes of the Income Tax Act (Canada). The principal and head office of Jazz is located at 1000 de la Gauchetière Street West, Suite 2100, Montréal, Québec H3B 4W5. Jazz has been established to acquire and hold, directly or indirectly, investments in the Partnership and its general partner Jazz Air Holding GP Inc. ("Jazz GP"), a regional airline, and such other investments as the trustees of Jazz (the "Trustees") may determine. Reference to Jazz in this MD&A refers to, as the context may require, Jazz and its subsidiaries (Jazz Air Trust (the "Trust") and the Partnership) collectively, Jazz and one or more of its subsidiaries, one or more of Jazz's subsidiaries or Jazz itself.

Jazz is the largest regional airline and the second largest airline in Canada after Air Canada, based on fleet size and number of routes operated. Jazz forms an integral part of Air Canada's domestic and transborder market presence and strategy. Jazz and Air Canada are parties to the Capacity Purchase Agreement ("CPA"), pursuant to which Air Canada currently purchases substantially all of Jazz's fleet capacity based on predetermined rates. Under the CPA, Jazz provides service to and from lower density markets as well as higher density markets at off-peak times throughout Canada and to and from certain destinations in the United States. Jazz operates scheduled passenger service on behalf of Air Canada with approximately 817 departures per weekday to 55 destinations in Canada, and 30 destinations in the United States, with an operating fleet of 133 Covered Aircraft as of March 31, 2009. Jazz and Air Canada have linked their regional and mainline networks in order to serve connecting passengers more efficiently and to provide valuable traffic feed to Air Canada's mainline routes.

Under the CPA, Jazz operates flights on behalf of Air Canada at set rates which are based on a variety of different metrics that are substantially independent of Passenger Load Factor. Air Canada controls and is responsible for scheduling, pricing, product distribution, seat inventories, marketing and advertising, and customer service handling 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 on the schedule specified by Air Canada.

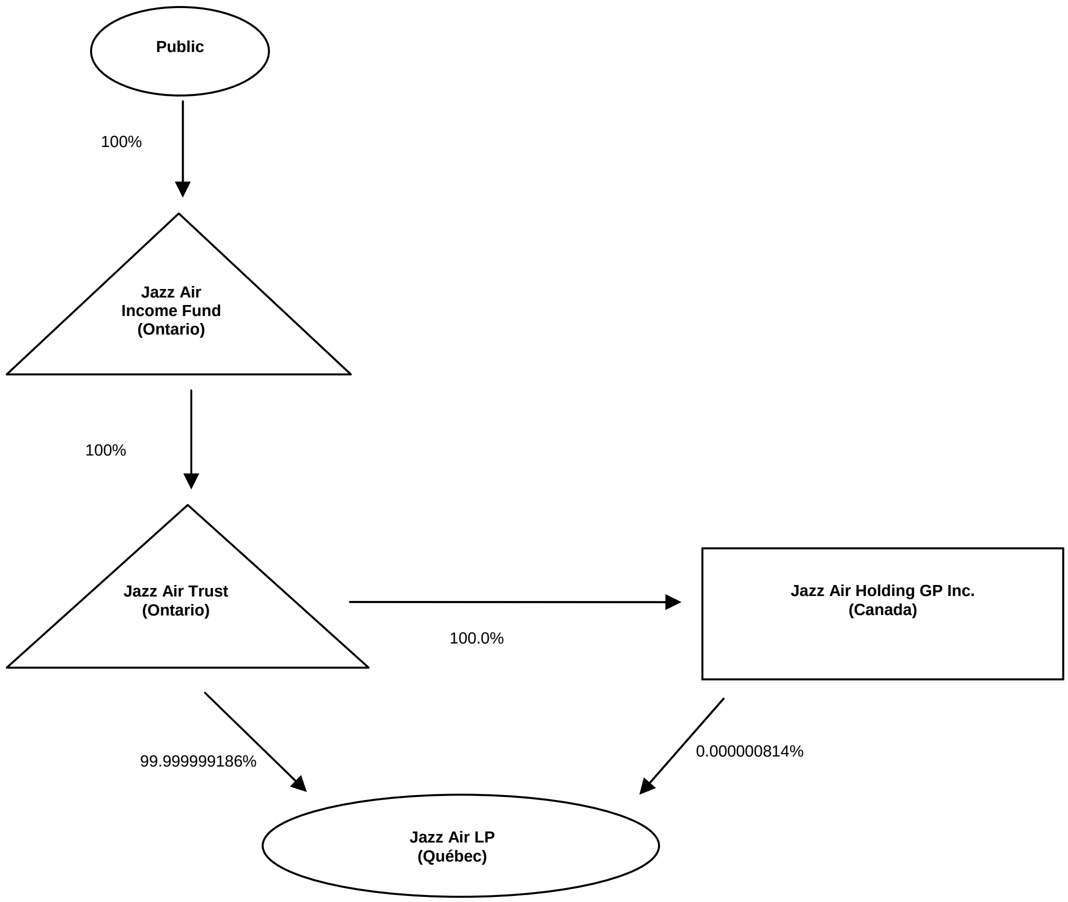
Under the CPA, Jazz is paid fees based on certain variables, including Block Hours flown, flight hours, cycles (number of take-offs and landings) and passengers carried, in addition to certain variable and fixed aircraft ownership rates. Jazz is also entitled to repayment of certain pass-through costs specified in the CPA, including fuel, navigation, landing and terminal fees and certain other costs. Jazz is also eligible to receive incentive payments for successfully achieving certain performance levels on a quarterly basis related to on-time performance, controllable flight completion, baggage handling performance and overall customer satisfaction. Subsequent to December 31, 2008, Jazz reached an agreement with Air Canada regarding the establishment of new rates for Controllable Costs that will become payable by Air Canada under the CPA in the next three year period (2009 to 2011, inclusive). The new rates are retroactive to January 1, 2009 (refer to Section 9 – Economic Dependence for further discussion of the CPA).

Jazz is directly affected by the financial and operational strength of Air Canada, its competitive position, and its ability to maintain sufficient liquidity. For further discussion, please see Section 16 - Risk Factors.

Jazz has historically experienced greater demand for its services in the second and third quarters of the calendar year and lower demand in the first and fourth quarters of the calendar year. This demand pattern is principally a result of the high number of leisure travelers and their preference for travel during the spring and summer months, thereby increasing the flying hour requirements of Air Canada. Jazz has substantial fixed costs that do not meaningfully fluctuate with passenger demand in the short-term. Jazz revenues under the CPA do not fluctuate significantly with Passenger Load Factors (refer to Section 9 – Economic Dependence for further discussion of the CPA).

Organizational structure

The following chart illustrates, on a simplified basis, the structure of Jazz (including the jurisdictions of establishment and incorporation of the various entities) and the indirect investment by Jazz in the Partnership as at March 31, 2009.



2. QUARTERLY HIGHLIGHTS

- Distributable cash $34.0 million, compared to $32.7 million, up 4.0% or $1.3 million.
- Billable Block Hours down 9.3% and operating income, before amortization of CPA asset, down 8.0% to $31.6 million.
- EBITDA of $39.1 million, down $2.1 million or 5.1%.
- Completed CPA rate reset with Air Canada for the period 2009 to 2011.
- Achieved 75% of the performance incentives available under the CPA.

Key statistical information is as follows:

(unaudited)	Three months ended March 31, 2009	Three months ended March 31, 2008	Variance (%)
Number of Departures	65,306	70,253	(7.0)
Block Hours	91,850	101,088	(9.1)
Billable Block Hours	95,541	105,347	(9.3)
Passengers	2,077,959	2,410,244	(13.8)
Revenue Passenger Miles (RPMs) (000's)	863,315	1,045,289	(17.4)
Available Seat Miles (ASMs) (000's)	1,269,475	1,412,000	(10.1)
Passenger Load Factor (%)	68.0	74.0	(8.1)
Operating Expenses ($000's)	337,823	362,004	(6.7)
Cost per Available Seat Mile (CASM) (¢)	26.61	25.64	3.8
CASM Excluding Aircraft Fuel (¢)	22.09	19.04	16.0
Controllable CASM (¢)	17.25	14.44	19.5
Number of Operating Aircraft (end of period)(1)	137	137	-
Full-time Equivalents (FTEs) (end of period)	4,378	4,558	(3.9)

(1) Refer to Section 12 - Fleet

3. SUMMARY OF CONSOLIDATED STATEMENT OF INCOME

Certain of the following financial information of Jazz has been derived from, and should be read in conjunction with, the interim financial statements for the three months ended March 31, 2009 and the related notes.

(in thousands of Canadian dollars) (unaudited)	Three months ended March 31, 2009 $	2008 $	Change %
Operating revenue	369,434	396,361	(6.8)
Operating expenses	337,823	362,004	(6.7)
Operating income before amortization of CPA asset(1) and other operating expenses incurred by Jazz	31,611	34,357	(8.0)
Amortization of CPA asset(1)	10,525	10,525	-
Other operating expenses incurred by Jazz	-	212	100.0
	10,525	10,737	(2.0)
Operating income	21,086	23,620	(10.7)
Non-operating expenses	(1,961)	(4,061)	(51.7)
Income before future income taxes	19,125	19,559	(2.2)
Recovery of future income taxes(2)	1,998	2,206	(9.4)
Net income for the period	21,123	21,765	(2.9)
Adjusted net income(3) = net income + amortization of CPA asset + other operating expenses incurred by Jazz + recovery of future income taxes	29,650	30,296	(2.1)
Adjusted net income(3) per unit	0.24	0.25	(4.0)

(1) The CPA asset (the rights of Jazz under the CPA) was recorded at fair value as a result of Jazz's step purchase of the Partnership during 2007. The value of the CPA is amortized on a straight line basis over the life of the agreement.
(2) Beginning January 1, 2011 Jazz will become subject to income tax. The future tax expense or recovery represents the change in the future liability during the period based on the changes of temporary differences during the period.
(3) Adjusted net income is a non-GAAP measurement.

4. FIRST QUARTER ANALYSIS

The following is a discussion that compares the results of operations of Jazz for the three months ended March 31, 2009 to the three months ended March 31, 2008.

Operating Revenue

Operating revenue decreased from $396.4 million to $369.4 million in the first quarter of 2009, representing a decrease of 6.8%. This decrease in revenue can be primarily attributed to a $39.2 million or a 24.8% decrease in pass-through costs under the CPA, reduced Billable Block Hours of 9.3% and a 7.0% reduction in departures; offset by a higher US dollar exchange rate and rate increases made pursuant to the CPA.

For the three-month period ended March 31, 2009, performance incentives payable by Air Canada to Jazz under the CPA amounted to $4.3 million or 1.8% of Jazz's Scheduled Flights Revenue. For the same period in 2008, performance incentives under the CPA amounted to $3.9 million or 1.7% of Jazz's Scheduled Flights Revenue.

Other revenue earned from charter flights and other sources such as groundhandling decreased from $2.4 million to $2.1 million.

Operating Expenses

Operating expenses decreased from $362.0 million to $337.8 million, a decrease of $24.2 million or 6.7%.

- Salaries, wages and benefits decreased by $2.8 million due to lower Block Hours for flight operations, lower FTEs in certain areas and a reduction in pension expense as a result of a revised actuarial valuation.
- Aircraft fuel costs decreased by $35.8 million due to a decrease of $26.5 million in the cost of fuel, and a $9.3 million decrease in fuel usage due to a reduction in the number of Block Hours and various fuel consumption reduction initiatives.
- Depreciation and amortization expense increased by $0.4 million due to a change in accounting estimates implemented during the second quarter of 2008 for aircraft and certain flight equipment.
- Aircraft maintenance expense increased by $9.9 million as a result of: the effect of the increase in the US dollar exchange rate on certain material purchases of $5.4 million, increased rates under new maintenance contracts of $4.2 million, and other maintenance costs of $0.3 million.
- Airport and navigational fees decreased by $2.7 million due to a decrease in airport fees of $1.1 million and a decrease in navigational fees of $1.6 million arising as a result of changes in aircraft deployment, and a decrease in departures of 7.0%; offset by a general rate increase.
- Aircraft rent increased by $7.3 million primarily due to higher US dollar exchange rates.
- Terminal handling costs decreased by $0.3 million due to a decrease in de-icing costs and a reduction in departures; offset by changes in aircraft deployment which resulted in rate increases due to increased transborder flying.
- Other expenses decreased by $0.1 million due to a decrease in other general overhead expenses.

Non-operating expenses amounted to $2.0 million, a decrease of $2.1 million. The change was mainly attributable to a $3.0 million fair value adjustment in the first quarter of 2008 related to Asset Backed Commercial Paper, increased net interest expense, and a foreign exchange loss arising as a result of the reduction in value of the Canadian dollar relative to the US dollar.

Jazz's costs fall into two principal categories: (i) pass-through costs specified in the CPA, such as fuel, navigation, landing and terminal fees and other costs; and (ii) Controllable Costs such as salaries, wages and benefits, aircraft maintenance, materials and supplies, terminal handling services (with the exception of de-icing) and aircraft rent, which are borne by Jazz, but in respect of which Jazz indirectly recovers amounts from Air Canada through the fees it charges Air Canada under the CPA.

The following table presents Jazz's operating costs in a format consistent with the definition of pass-through and Controllable Costs as defined in the CPA:

(expressed in thousands of Canadian dollars) (unaudited)	Three months ended March 31, 2009 $	Three months ended March 31, 2008 $	Change $	Change %
Pass-through cost items				
Fuel	57,144	92,744	(35,600)	(38.4)
Navigational fees	17,516	19,161	(1,645)	(8.6)
Airport user fees	28,473	29,646	(1,173)	(4.0)
De-icing	10,764	11,613	(849)	(7.3)
Terminal handling	2,817	2,888	(71)	(2.5)
Other	2,180	2,000	180	9.0
Total pass-through costs	118,894	158,052	(39,158)	(24.8)
Controllable Cost items				
Salaries, wages and benefits	86,350	89,136	(2,786)	(3.1)
Aircraft maintenance, materials and supplies	40,093	30,212	9,881	32.7
Aircraft rent and other ownership costs	36,941	29,680	7,261	24.5
Terminal handling services	19,358	18,764	594	3.2
Depreciation and amortization of property and equipment and other	7,460	7,049	411	5.8
Other	28,727	29,111	(384)	(1.3)
Total Controllable Costs[(1)]	218,929	203,952	14,977	7.3
Total Operating Costs	337,823	362,004	(24,181)	(6.7)

(1) Included costs relating to operations that were not covered under the CPA, such as charter costs.

Operating margin performance

(in thousands of Canadian dollars) (unaudited)	Three months ended March 31, 2009 Revenue $	Expenses $	Operating Margin $	Operating Margin %	Three months ended March 31, 2008 Revenue $	Expenses $	Operating Margin $	Operating Margin %
CPA	244,100	217,128	26,972	11.0	231,954	202,072	29,882	12.9
Pass-throughs	118,894	118,894	-	-	158,052	158,052	-	-
Incentives	4,349	-	4,349	100.0	3,907	-	3,907	100.0
Other	2,091	1,801	290	13.9	2,448	1,880	568	23.2
	369,434	337,823	31,611	8.6	396,361	362,004	34,357	8.7

The Controllable Adjusted Actual Margin for the first quarter of 2009 was 11.05%, which is less than the target margin as established under the CPA of 14.32% (refer to Section 9 – Economic Dependence) by 327 basis points, or approximately $8.0 million. Revenue rates have been established based on annual forecasted Block Hour demand. In a quarter with less than average Block Hour activity margins will be compressed. In the first quarter, this margin compression represented $4.0 million of the shortfall from target level. The balance is attributable to incentive compensation expense which is excluded from the CPA revenue rate development. Prior period rates provided sufficient margin to cover incentive compensation expenses. This compares to the first quarter of 2008 Controllable Adjusted Actual Margin of 12.88%, which was 121 basis points or approximately $2.8 million less than the target margin of 14.09%.

CPA revenue for the first quarter of 2009 increased by 5.2% as a result of: an increase in the mark-up from 16.40% to 16.72%, due to Jazz's out-performance of the controllable target margin from 2006 to 2008; re-negotiation of the CPA rates for 2009 to 2011 and higher US dollar exchange rate; offset by a reduction in Billable Block Hours. CPA Controllable Costs increased by 7.5% or $15.1 million primarily as a result of: increases in aircraft rent due to the higher US dollar exchange rate; aircraft maintenance, materials and supplies due to increased rates on new maintenance contracts; and higher US dollar exchange rate (refer to discussion on quarter-over-quarter changes in operating expenses).

Jazz earned 75% of the incentives available under the CPA, or $4.3 million, versus last year's incentives of 71% or $3.9 million. Incentives earned in the first quarter of 2009 were higher as a result of the increase in CPA controllable revenue and improvements in customer check-in and in-flight customer satisfaction.

The margin on other revenue was earned from charter flights and other sources such as ground handling services.

5. PERFORMANCE INDICATORS

Jazz uses certain non-GAAP financial measures, described below, to evaluate operating performance, to measure compliance with debt covenants and to make decisions relating to distributions to unitholders. These measures are not recognized for financial statement presentation under Canadian GAAP, do not have a standardized meaning, and are therefore not likely to be comparable to similar measures presented by other public entities.

EBITDA

EBITDA (earnings before interest, taxes, depreciation, amortization and obsolescence) is a non-GAAP financial measure commonly used throughout all industries to view operating results before interest expense, interest income, depreciation and amortization, gains and losses on property and equipment and other non-operating income and expense. Management believes EBITDA assists investors in comparing Jazz's performance on a consistent basis without regard to depreciation and amortization, which are non-cash in nature and can vary significantly depending on accounting methods and non-operating factors such as historical cost. EBITDA should not be used as an exclusive measure of cash flow because it does not account for the impact of working capital growth, capital expenditures, debt repayments and other sources and uses of cash, which are disclosed in the statements of cash flows.

Distributable Cash

Distributable cash is a non-GAAP measure generally used by Canadian open-ended trusts as an indication of financial performance. It should not be seen as a measurement of liquidity or a substitute for comparable metrics prepared in accordance with GAAP. Distributable cash may differ from similar calculations as reported by other entities and, accordingly, may not be comparable to distributable cash as reported by such entities.

Jazz currently intends to make distributions of its available cash to the holders of Units ("unitholders") (refer to Caution regarding forward-looking information and Section 15 - Outlook). Any such distributions will be made to unitholders of record on the last business day of each month, within 15 days of the end of each month, net of estimated cash amounts required for expenses and other obligations of Jazz, cash redemptions or repurchases of Units, and any tax liability. Distributions to the unitholders declared amounted to $30.9 million for the three months ended March 31, 2009 ($30.9 million for the three months ended March 31, 2008). Distributions are recorded when declared. Distributions are determined by the board of directors of Jazz GP, as general partner of the Partnership and by the trustees of Jazz, on the basis of performance, taking into account future cash requirements.

Standardized Distributable Cash

Standardized distributable cash is a non-GAAP measure recommended by the CICA in order to provide a consistent and comparable measurement of distributable cash across entities.

Standardized distributable cash is defined as cash flows from operating activities, as reported in accordance with GAAP, less adjustments for:

- total capital expenditures as reported in accordance with GAAP; and
- restrictions on distributions arising from compliance with financial covenants applicable at the date of the calculation of standardized distributable cash.

The following table provides a reconciliation of EBITDA and distributable cash of Jazz to operating income:

	Three months ended March 31,	
(expressed in thousands of Canadian dollars) (unaudited)	2009 $	2008 $
Operating income	21,086	23,620
Depreciation and amortization(1)	17,985	17,574
EBITDA	39,071	41,194
EBITDA margin (%)(2)	*10.6*	*10.4*
EBITDA	39,071	41,194
Non-operating expenses	(1,961)	(4,061)
Maintenance capital expenditures(3)	(3,121)	(4,464)
Distributable cash	33,989	32,669

(1) Includes depreciation and amortization of property and equipment and other and amortization of CPA asset.
(2) EBITDA margin is calculated as EBITDA divided by operating revenues.
(3) Refer to Section 7 for further discussion.

Reconciliation of cash flows from operating activities to standardized distributable cash and distributable cash is as follows:

(expressed in thousands of Canadian dollars) (unaudited)	Three months ended March 31, 2009 $	 2008 $
Cash flows from operating activities	30,364	34,935
Maintenance capital expenditures, net of gain on disposal	(2,513)	(4,462)
Standardized distributable cash	27,851	30,473
Change in non-cash operating working capital[1]	4,917	2,475
Amortization of prepaid aircraft rent and related fees[1]	(482)	(481)
Unit based compensation[1]	(479)	(768)
Funding of unit based compensation, net of forfeitures[1]	2,245	2,139
Foreign exchange loss[1]	(748)	(164)
Unrealized loss on Asset Backed Commercial Paper (“ABCP”)[1]	-	(2,985)
Other[1]	685	1,980
Distributable cash	33,989	32,669
Distributions declared	30,888	30,888
Payout ratio – distributions declared/ standardized distributable cash	*110.9%*	*101.4%*
Payout ratio – distributions declared/ distributable cash	*90.9%*	*94.5%*

Cumulative – since IPO[2]		
Standardized distributable cash	461,413	329,426
Distributable cash	455,898	309,894
Distributions declared	376,201	252,649
Standardized distributable cash payout ratio	*81.5%*	*76.7%*
Distributable cash payout ratio	*82.5%*	*81.5%*

(1) These items are adjustments made in reference to the definition of distributable cash in the limited partnership agreement of Jazz and relate to timing differences.
(2) The period covered is from February 2, 2006, the IPO date (amounts for 2006 and 2007 are those of the Partnership).

The following table provides disclosure regarding the relationship between cash flows from operating activities and net income, and historical distributed cash amounts.

(expressed in thousands of Canadian dollars) (unaudited)	Three months ended March 31, 2009 $	Year ended December 31, 2008 $	Year ended December 31, 2007[1] $
Cash flows from operating activities	30,364	155,088	143,767
Adjusted net income[2]	29,650	134,936	150,654
Cash distributions declared relating to the period	30,888	123,552	123,552
Shortfall/excess of cash flows from operating activities over cash distributions declared	(524)	31,536	20,215
Shortfall/excess of adjusted net income[2] over cash distributions declared	(1,238)	11,384	27,102
Payout ratios			
Distributions declared/cash flows from operating activities	101.7%	79.7%	85.9%
Distributions declared/adjusted net income[2]	104.2%	91.6%	82.0%

(1) 2007 results presented for comparative purposes are those of the Partnership.
(2) Adjusted net income = net income + amortization of CPA asset + other operating expenses incurred by Jazz + recovery of future income taxes + goodwill impairment loss. This is a non-GAAP measurement.

The shortfall of net income over cash distributions and cash flows from operating activities over cash distributions have been funded through working capital management or cash on hand.

Cash from operating activities and net income can fluctuate from period to period, effected by, among other factors, changes in Billable Block Hours, non-cash working capital balances, and foreign exchange rates. As a result, Jazz takes a more long-term view and considers the amount of cash generated by the business in determining the amount of distributions to its unitholders. In general, fluctuations in quarterly working capital are not taken into consideration as these tend to be temporary in nature and can change quite significantly from one period to another. Net income is not used as a basis for setting distributions as this is a non-cash calculation and does not reflect the level of cash generated by Jazz.

These quarterly shortfalls do not represent an economic return of capital, and have had no impact on the covenants under the credit facilities. Jazz maintains adequate cash balances to manage these non-cash working capital fluctuations while delivering its committed level of cash distributions and respecting its debt covenants.

6. QUARTERLY FINANCIAL DATA

The table below describes quarterly financial results, as well as major operating statistics, of Jazz:

(unaudited)	Q2 2007[1]	Q3 2007[1]	Q4 2007[1]	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009
Operating revenue ($000)	375,320	383,774	372,119	396,361	409,805	437,439	392,684	369,434
Operating expenses ($000)	335,419	342,881	336,089	362,004	380,988	392,069	352,957	337,823
Amortization of CPA asset ($000)	n/a	n/a	n/a	10,525	10,525	10,525	10,525	10,525
Operating income ($000)	39,901	40,893	36,030	23,620	18,504	34,845	29,202	21,086
Total non-operating income (expense) ($000)	649	(1,186)	(932)	(4,061)	(1,391)	(3,096)	(158,017)[2]	(1,961)
Net income (loss) ($000)	40,550	39,707	35,098	21,765	23,569	31,749	(86,493)	21,123
Adjusted net income[3]($000)	n/a	n/a	n/a	30,296	27,426	42,274	34,940	29,650
Billable Block Hours	100,318	106,634	102,158	105,347	100,860	106,325	98,232	95,541
Revenue Passenger Miles (000's)	1,097,921	1,164,504	1,025,108	1,045,289	1,045,842	1,074,929	937,993	863,315
Available Seat Miles (000's)	1,463,064	1,550,787	1,398,828	1,412,000	1,423,318	1,502,652	1,319,052	1,269,475
Passenger Load Factor (%)	75.0	75.1	73.3	74.0	73.5	71.5	71.1	68.0
Cost per Available Seat Mile (CASM) (¢)	22.93	22.11	24.03	25.64	26.77	26.09	26.76	26.61
CASM, excluding fuel expense (¢)	17.36	16.64	18.06	19.04	18.67	17.29	19.98	22.09
Controllable CASM (¢)	13.39	12.88	13.80	14.44	14.68	13.54	15.40	17.25
Controllable Adjusted Actual Margin (%)	14.9	14.9	14.1	12.9	10.5	16.7	14.9	11.0
EBITDA ($000)	45,553	47,362	42,863	41,194	37,093	52,789	47,604	39,071
Distributable cash ($000)	41,132	43,478	33,056	32,669	30,302	44,295	37,418	33,989
Distributable cash per unit ($)	0.34	0.36	0.27	0.27	0.25	0.36	0.31	0.28
Distributions declared per unit ($)	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Net income (loss) per unit, in accordance with GAAP - Jazz ($)	(0.27)	0.22	0.10	0.18	0.19	0.26	(0.71)	0.17
Net income per unit, in accordance with GAAP - Partnership ($)	0.33	0.33	0.29	0.25	0.22	0.35	0.28	n/a
Adjusted net income[3] per unit ($)	n/a	n/a	n/a	0.25	0.22	0.35	0.29	0.24

(1) 2007 results for comparative purposes are those of the Partnership.
(2) Includes a goodwill impairment loss of $153.2 million.
(3) Adjusted for amortization of CPA asset + other operating expenses incurred by Jazz + recovery of future income taxes + goodwill impairment loss. This is a non-GAAP measurement.

7. LIQUIDITY AND CAPITAL RESOURCES

The recent global financial crisis has tightened liquidity in the financial markets and has affected investor confidence in global equity markets, leading to significant declines in global market indices and negatively impacting the value of publicly-traded securities of many companies. Management has evaluated aspects of Jazz's business and financial condition that could be affected by these conditions as they currently exist. As at the date of this report, no material adverse consequences with respect to its liquidity have occurred. (Refer to Risk Factors – Liquidity Issues in the Jazz Air Income Fund 2008 MD&A dated February 10, 2009 and Jazz's Annual Information Form dated March 30, 2009.)

Jazz continues to generate positive operating income and cash flows from operations. At March 31, 2009, Jazz had $128.6 million in cash and cash equivalents on hand, representing an increase of $6.4 million or 5.2% from March 31, 2008. Despite the difficult credit market conditions, Jazz currently maintains the ability to generate sufficient cash flow to fund cash distributions, planned capital expenditures and to service its debt obligations. (Refer to Caution regarding forward-looking information.)

Summary of Cash Flows

The following table provides an overview of Jazz's cash flows for the periods indicated:

(expressed in thousands of Canadian dollars) (unaudited)	Three months ended March 31, 2009 $	 2008 $
Cash provided by operating activities	30,364	34,935
Cash used in financing activities	(31,592)	(31,403)
Cash used in investing activities	(2,094)	(4,252)
Net change in cash and cash equivalents during the periods	(3,322)	(720)
Cash and cash equivalents – Beginning of periods	131,876	122,874
Cash and cash equivalents – End of periods	128,554	122,154

Operating activities

Jazz continued to generate positive cash flows from operations of $30.4 million for the first quarter 2009, compared to $34.9 million for the same period in 2008. The decrease for the quarter primarily relates to lower net income, a decrease in accounts payable and accrued liabilities, offset by a decrease in accounts receivable.

Financing activities

Cash used in financing activities for the first quarter 2009 included distributions to unitholders of Jazz of $30.9 million and a repayment of obligations under capital leases of $0.7 million.

Cash used in financing activities for the first quarter of 2008 included distributions to unitholders of Jazz of $30.9 million and a $0.5 million related to the repayment of obligations under capital leases.

Investing activities

First quarter 2009 investing activities included capital expenditures of $3.1 million. Capital expenditures consisted of capital investments in replenishment of aircraft rotable parts and other purchases necessary to support the ongoing operations. Cash provided by investing activities included the collection of a long-term receivable of $0.4 million.

First quarter of 2008 investing activities included capital expenditures of $4.5 million. Capital expenditures consisted of capital investments in the areas of maintenance information system replacement, replenishment of aircraft rotable parts, and other purchases necessary to support the ongoing operations. Cash provided by investing activity included a repayment of a long-term receivable of $0.2 million.

Contractual obligations and other commitments

The table below summarizes for Jazz's principal cash debt payments and future minimum lease payments under operating leases for flight equipment and base facilities that have initial or remaining non-cancellable terms in excess of one year for the years 2009 through to 2013 and thereafter.

(expressed in thousands of Canadian dollars)			Payments Due by Period				
(unaudited)	Total $	2009 $	2010 $	2011 $	2012 $	2013 $	After 5 years $
Term facility	115,000	-	115,000	-	-	-	-
Capital leases	30,929	3,724	4,965	4,931	4,522	4,495	8,292
Operating leases Air Canada and its subsidiaries (1)	1,317,906	114,197	127,130	109,013	102,026	99,961	765,579
Operating leases Other third parties	80,593	10,114	11,982	9,262	5,815	5,250	38,170
	1,544,428	128,035	259,077	123,206	112,363	109,706	812,041

(1) Certain of the aircraft lease agreements have been entered into by Air Canada Capital Ltd. or Air Canada with head lessors and subleased to Jazz. These leases are listed in the above table under the heading "Air Canada and its subsidiaries". For further discussion, refer to Section 9 – Economic Dependence.
(2) A significant portion of the lease payments is payable in US dollars.

Long-term debt

The following provides a breakdown of Jazz's authorized and outstanding Credit Facilities:

(expressed in thousands of Canadian dollars) (unaudited)	Authorized $	Drawn at March 31, 2009 $	Drawn at December 31, 2008 $
Revolving term facility (a)	35,000	-	-
Term facility (b)	115,000	115,000	115,000
Prepaid interest (c)	-	(43)	(213)
Unamortized commitment fee (c)	-	-	(58)
	150,000	114,957	114,729
Less: Current portion	-	(114,957)	-
Total	150,000	-	114,729

(a) The revolving term facility matures on February 2, 2010 and bears interest at rates ranging from Canadian prime rate and US base rate plus 1.75% to 2.75% and the bankers' acceptance rate and LIBOR plus 2.75% to 3.75%. As at March 31, 2009, there were no borrowings under the revolving term facility. Available credit under the revolving term facility, after deducting letters of credit, bears interest at 0.50%.

Letters of credit

Jazz has issued irrevocable letters of credit in the aggregate amount of $3.4 million. This amount reduces the available credit under the revolving term facility and bears interest at 2.875%.

(b) The term facility matures on February 2, 2010 and bears interest at rates ranging from Canadian prime rate and US base rate plus 1.75% to 2.75% and the bankers' acceptance rate and LIBOR plus 2.75% to 3.75%. As at March 31, 2009, of borrowings under the term facility, $114.4 million was in the form of bankers' acceptances with a 90 day term and an effective interest rate of 3.87%. A further $0.6 million was in the form of prime rate advances bearing interest at 4.25%. As at March 31, 2009 Jazz had entered into interest rate swap agreements with a third party in respect of $115.0 million of debt which has effectively resulted in a fixed interest rate of 5.98% until February 2, 2010.

(c) Long-term debt is presented net of prepaid interest and unamortized financing charges.

The continued availability of the Credit Facilities is subject to Jazz's ability to maintain certain leverage, debt service and interest coverage covenants, as well as other affirmative and negative covenants.

The Credit Facilities of Jazz contain customary representations and warranties and are subject to customary terms and conditions (including negative covenants, financial covenants and events of default) for borrowings of this nature, including limitations in respect of the payment of distributions. The terms of the Credit Facilities include certain covenants limiting the aggregate amount of distributions by Jazz to unitholders during any twelve-month period to the aggregate distributable cash of Jazz during such period. Distributions by Jazz are also prohibited upon the occurrence and continuance of an event of default under the Credit Facilities. As at March 31, 2009, Jazz is in compliance with all conditions of the Credit Facilities.

Ratio	Result
Leverage (Debt / EBITDA)	In compliance
Interest coverage (EBITDA / Interest expense)	In compliance
Adjusted leverage (1)	In compliance
Adjusted interest coverage (1)	In compliance

(1) Adjusted leverage and adjusted interest coverage ratios include the add-back of other non-CPA related facilities and aircraft lease expense.

Jazz has entered into a common terms agreement for an aircraft lease which is also designed to cover potential future leases with the same company. The agreement contains the following financial covenants:

Covenant	Result
Minimum cash balance	In compliance
Tangible asset disposal	In compliance

Credit facilities are in place until February 2, 2010 and are provided by a syndicate that consists of seven institutional lenders, including two US financial institutions which are currently subject to US government relief under the Troubled Assets Relief Program. Jazz will have to refinance its available credit facilities, and given current market conditions, it is anticipated that such financing may occur at terms, and amounts, that are less favorable than current terms and capacity. Such financing may cause Jazz to reduce or suspend cash distributions, or reduce cash available for planned capital expenditures. Jazz is evaluating options to raise cash to refinance all or part of its existing debt. These include, but are not limited to, establishing a replacement bank credit facility, sale and leaseback of owned aircraft which have current market value in excess of carrying value, application of current cash balances, and potential reduction of cash distributions to unitholders.

Units

As at March 31, 2009, and as at the date of this report, May 14, 2009, Jazz had 122,864,012 Units issued and outstanding, compared to 122,864,066 Units issued and outstanding at March 31, 2008.

Jazz's basic and diluted earnings per Unit, before future income tax, amounted to $0.16 for the three months ended March 31, 2009 ($0.16 for the three months ended March 31, 2008).

Jazz's basic and diluted earnings per Unit, after future income tax, amounted to $0.17 for the three months ended March 31, 2009 ($0.18 for the three months ended March 31, 2008).

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Jazz's financial instruments consist of cash and cash equivalents, accounts receivable, ABCP, accounts payable and accrued liabilities, obligations under capital leases and long-term debt.

Jazz, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: interest rate risk, credit risk, liquidity risk and currency risk. Senior management monitors risk levels and reviews risk management activities as they determine to be necessary.

Interest rate risk

Investments included in Jazz's cash and cash equivalents earn interest at prevailing and fluctuating market rates, as Jazz's objective is to maintain these balances in highly liquid investments. As at March 31, 2009, Jazz's investments consisted of bankers' acceptances and bank deposit notes issued by four Schedule 1 banks and one Schedule 2 bank rated R-1 High, and a fully cashable GIC issued by a Schedule 1 bank. Jazz is exposed to interest rate fluctuation risk as a result of variable interest rate on long-term debt. Jazz uses interest rate swaps to hedge its exposure to changes in interest rates, swapping its credit facility variable interest rate payments for fixed interest rate payments. Jazz has elected to designate its interest rate swaps as cash flow hedges and currently has no intention of settling these contracts early. Jazz entered into interest rate swap agreements with a third party in respect of $115.0 million of debt which has effectively resulted in a fixed interest rate of 5.98% until February 2, 2010. If Jazz had settled these contracts at March 31, 2009, a payment of $2.9 million by Jazz would have resulted.

Credit risk

In accordance with its investment policy, Jazz invests excess cash in Government of Canada treasury bills, short-term Canadian and provincial government debt, bankers' acceptance notes, term deposits of Schedule 1 Banks and Schedule 2 Banks rated R-1 high, and commercial paper rated R-1 high. Jazz manages the credit risk on cash and cash equivalents by ensuring that the counter-parties are governments, banks and corporations with high credit-ratings assigned by international credit-rating agencies. Given the disruption in the third party sponsored ABCP market, Jazz amended its investment policy during the third quarter of 2007 to prohibit investment in all third party and bank sponsored ABCP. With respect to investments in ABCP, refer to discussion below.

Liquidity risk

Jazz's objective is to maintain sufficient liquidity to meet liabilities when due, as well as to demonstrate compliance with liquidity covenants included in financing contracts. Jazz monitors its cash balances and cash flows generated from operations to meet requirements. As at March 31, 2009, Jazz had available $31.6 million in unutilized balance of the credit facilities and cash and cash equivalents of $128.6 million. As at March 31, 2009, Jazz had authorized Credit Facilities of $150.0 million and drawings of $115.0 million, against the facilities. Letters of credit totalling approximately $3.4 million (March 31, 2008 - $2.8 million) have been issued as security for groundhandling and airport fee contracts, lease payments on rental space and certain employee benefits. The letters of credit are drawn against the unutilized balance of the credit facilities.

Currency risk

Jazz receives revenue and incurs expenses in US and Canadian currency, and as such, is subject to foreign currency exchange rate risk. Jazz manages its exposure to currency risk by billing for its services within the CPA in the underlying currency of the related expenditure. Accordingly, the primary exposure results from balance sheet fluctuations of US denominated cash, accounts receivable, accounts payable, and in particular, obligations under capital leases, which are long-term and therefore subject to larger unrealized gains or losses. Jazz minimizes its currency risk by maintaining a balance of US dollars which is used to pay down US denominated liabilities and replenishes the balance through US denominated revenues. The amount of US dollar denominated assets was $56.3 million and US denominated liabilities was $65.0 million at March 31, 2009. A 1¢ change in the US exchange rate would result in a change in the unrealized gain or loss of approximately $0.1 million.

Asset backed commercial paper

On January 21, 2009, the ABCP committee announced that the third-party ABCP restructuring plan had been implemented. Pursuant to the terms of the plan, holders of the ABCP had their short-term commercial paper exchanged for longer-term notes with maturities to match those of the assets previously contained in the underlying conduits.

As a result of the restructuring, at March 31, 2009, included in other assets is US dollar denominated, Master Asset Vehicle 3 (MAV3) Ineligible Asset Tracking Notes (the "Notes"). Jazz holds two Notes which were converted from ABCP under the restructuring plan that have a combined face value of $5.5 million US and maturity dates of December 2021 and December 2027. The Notes track the performance of the underlying assets and have been classified as held for trading.

The current carrying value of the Notes is $1.9 million which includes a fair value loss of $3.9 million recorded in prior periods. All interest received on the Notes has been applied against the fair value. Since there is no active market for the Notes, Jazz calculated the fair value by discounting the expected future cash flows according to the probability of recovery of principal and interest based on maturity dates. Management also reviewed available portfolio reports from the asset manager, and found that the fair value of the Notes calculated based on available security market prices of the underlying assets is not materially different from the fair value calculated by Jazz. There is a significant amount of uncertainty associated with estimating the timing of cash flows and fair value of the Notes.

Subsequent to March 31, 2009, Jazz received a payment of $0.6 million US related to ABCP.

9. ECONOMIC DEPENDENCE

The CPA

The CPA consists of a number of variable components based on certain different metrics, including Block Hours flown, flight hours, cycles (number of take-offs and landings), number of passengers and number of Covered Aircraft. The rates for these metrics are fixed for annual periods and vary by aircraft type. In addition, Air Canada is required to reimburse Jazz for certain pass-through costs, including fuel, de-icing, navigation, landing and terminal fees, station provisioning costs, station termination costs, passenger liability insurance and certain employee relocation costs. Since these costs are required to operate the Covered Aircraft, the reimbursement of these costs is included in Jazz's revenue. Jazz is also paid certain performance incentive payments on a quarterly basis related to on-time performance, controllable flight completion, baggage handling performance and other customer satisfaction criteria. Effective January 1, 2006, the CPA has a term of ten years and will automatically renew for two additional periods of five years unless either party gives notice to the other of its intention not to renew, no less than one year prior to the expiry of the then current term.

Pursuant to the terms of the CPA, Jazz and Air Canada agreed to re-set detailed rates (subject to the terms of the contract, including the controllable target margin requirements specified above) applicable to the period commencing on January 1, 2009 and ending on December 31, 2011. During the quarter, Jazz reached an agreement with Air Canada regarding the establishment of new rates for Controllable Costs that are payable by Air Canada under the CPA in the next three-year period (2009 to 2011, inclusive). The new rates are retroactive to January 1, 2009. Rates under the CPA have been established so as to achieve a controllable target margin of 14.32% for Jazz (for the years 2006 to 2008, the target margin was 14.09%), excluding incentive and pass-through revenue, and before the deduction of profit sharing expenses paid to employees as a result of performance achievements on the CPA services provided to Air Canada. The percentage mark-up on Jazz's estimated Controllable Costs for each of the years 2009 to 2011 was set at 16.72% (for the years 2006 to 2008 the percentage mark-up was 16.40%).

Master Services Agreement

Under the Master Services Agreement dated September 24, 2004, between Jazz and Air Canada, Air Canada provides certain services to Jazz for a fee. These services include Insurance and Tax Services, Corporate Real Estate Services, Environmental Affairs Services and Legal Services.

The Master Services Agreement will continue in effect until the termination or expiration of the CPA, but individual services can be terminated earlier in accordance with the terms of the Master Services Agreement.

Other

Air Canada provides certain supplies from third parties, primarily fuel, to Jazz and subsequently collects payment from Jazz. As these transactions and balances merely represent a method of settlement for transactions in the normal course of business, they have not been separately disclosed. ACGHS Limited Partnership, wholly owned by Air Canada, provides ground handling services to Jazz.

Substantially all of the trade receivable from Air Canada relates to outstanding balances under the CPA. The balances in accounts payable and accrued liabilities are payable on normal trade terms and have arisen from the services provided by Air Canada.

Jazz has a significant amount of transactions with Air Canada and its subsidiaries Air Canada Capital Ltd. and ACGHS Limited Partnership. Air Canada represented 99.4% of Jazz's operating revenues for each of the quarters ended March 31, 2009 and 2008, respectively. Approximately 17.5% and 14.7% of Jazz's operating expenses for the quarters ended March 31, 2009 and 2008, respectively, were incurred with Air Canada and its subsidiaries.

10. CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make estimates, judgments and assumptions that management believes are reasonable based upon the information available. These estimates, judgments and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results can differ from those estimates (refer to Caution regarding forward-looking information). The significant accounting policies of Jazz are described in note 2 of the March 31, 2009 unaudited interim consolidated financial statements of Jazz Air Income Fund.

11. ACCOUNTING POLICY CHANGES AND DEVELOPMENTS

Future accounting changes

Convergence with International Financial Reporting Standards ("IFRS")

In January 2006, the Canadian Accounting Standards Board ("AcSB") announced its decision to replace Canadian GAAP with IFRS. On February 13, 2008 the AcSB confirmed January 1, 2011 as the mandatory changeover date to IFRS for all Canadian publicly accountable enterprises. This means that Jazz will be required to prepare IFRS financial statements for the interim periods and fiscal year ends beginning in 2011. Jazz has created an implementation team, which consists of internal resources and an external consultant. A changeover plan is being established to convert to the new standards within the allotted timeline and consists of the following phases: raise awareness and initial assessment; detailed assessment; and implementation and review. Phase 1 was completed in the third quarter of 2008. Jazz continues to work on Phase 2. At this time, Jazz does not believe any major changes to the financial reporting system will be necessary to facilitate the change over.

12. FLEET

As at March 31, 2009, Jazz's operating fleet was made up of 137 operating aircraft, of which 73 were regional jets and 64 turboprop aircraft.

Jazz's operating fleet, at March 31, 2009, was as described below:

	Number of Operating Aircraft	Average Age of Operating Aircraft	Owned	Capital Lease	Operating Lease	Number of Operating Aircraft March 31, 2008
Canadair Regional Jet CRJ100	24	13.4	-	-	24	24
Canadair Regional Jet CRJ200	33	6.9	-	-	33	33
Canadair Regional Jet CRJ705	16	3.7	-	-	16	16
De Havilland DHC-8-300	28	18.5	19	7	2	28
De Havilland DHC-8-100	36	21.0	29	-	7	36
Total Operating Aircraft	137	13.7	48	7	82	137

All aircraft in Jazz's operating fleet as of March 31, 2009 are Covered Aircraft under the CPA, except for two Dash 8-100 and two Dash 8-300 aircraft allocated for charter purposes.

13. MATERIAL CHANGES

During the period from March 31, 2009 to May 14, 2009, there have been no material changes to the information disclosed.

14. CONTROLS AND PROCEDURES

Disclosure controls and procedures and internal control over financial reporting

Disclosure controls and procedures within Jazz have been designed to provide reasonable assurance that all relevant information is identified to the Disclosure Policy Committee to ensure appropriate and timely decisions are made regarding public disclosure.

Internal control over financial reporting has been designed to provide reasonable assurance regarding the reliability of Jazz's financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

Jazz's 2008 MD&A dated February 10, 2009, contains a statement that the President and Chief Executive Officer ("CEO") and the Senior Vice President and Chief Financial Officer ("CFO") have concluded that Jazz's disclosure controls and procedures, and internal control over financial reporting, are effective based upon an evaluation of these controls and procedures conducted at December 31, 2008.

Jazz filed certifications, signed by the CEO and CFO, with the Canadian Securities Administrators upon filing of Jazz's 2008 annual filings. In those filings, the CEO and CFO certify, as required by National Instrument 52-109, the appropriateness of the financial disclosure, the design and effectiveness of Jazz's disclosure controls and procedures and the design and effectiveness of internal control over financial reporting. The CEO and CFO also certify the appropriateness of the financial disclosures in Jazz's interim filings with the Canadian Securities Administrators. In those interim filings, the CEO and CFO also certify the design of Jazz's disclosure controls and procedures and the design of internal control over financial reporting.

Internal control over financial reporting has been designed, based on the framework established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), to provide reasonable assurance regarding the reliability of Jazz's financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

Because of inherent limitations, internal control over financial reporting and disclosure controls can provide only reasonable assurances and may not prevent or detect misstatements. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

There has been no change in Jazz's internal control over financial reporting that occurred during the first quarter of fiscal 2009 that has materially affected, or is reasonably likely to materially affect, Jazz's internal control over financial reporting.

The Audit, Finance and Risk Committee of the board of trustees of Jazz and the board of directors of Jazz GP reviewed this MD&A, and the unaudited interim consolidated financial statements of Jazz for March 31, 2009, and Jazz's board of trustees and Jazz GP's board of directors approved these documents prior to their release

15. OUTLOOK

The discussion that follows represents forward-looking information. Refer to Caution regarding forward-looking information.

Based on the summer schedule received from Air Canada, plus the Block Hours billed for the three months ended March 31, 2009 of 95,541, Jazz anticipates billing between 390,000 and 400,000 Block Hours for the year ending December 31, 2009.

In light of the continuing economic recession and difficult credit markets, management will be reviewing both the financial outlook and distributions policy on an on-going basis.

16. RISK FACTORS

For a detailed description of the possible risk factors associated with Air Canada, Jazz, the industry, the structure of Jazz and current legal proceedings, refer to the Section entitled "Risk Factors" in the Jazz Air Income Fund, 2008 MD&A dated February 10, 2009 and Jazz's Annual Information Form dated March 30, 2009.

The following is a specific example of the "Epidemic diseases" risk factor described on page 44 of Jazz's annual MD&A dated February 10, 2009, and page 58 of Jazz's Annual Information Form dated March 30, 2009.

On April 25, 2009, the World Health Organization ("WHO") declared a Public Health Emergency of International Concern as a result of the international outbreak of a new version of the H1N1 strain of influenza type A, commonly known as Swine Flu. The WHO advised countries not to impose restrictions on travel. However many countries, including Canada, nevertheless issued advisories against non-essential travel to Mexico beginning April 27, 2009. To the knowledge of management, as of the date of this MD&A, no such warnings have been issued in respect of travel to Canada or the United States. This outbreak, the related travel warnings and any newly-issued travel warnings, may have a significant adverse impact on general passenger demand for air travel. Such adverse impact will be most pronounced for airlines servicing regions that are covered by any related travel warnings or that experience a relatively high number of reported cases, including if applicable to or experienced by Canada or the United States, Air Canada and Jazz.

17. GLOSSARY OF TERMS

Available Seat Mile (ASMs) – Available Seat Mile means a measure of passenger capacity calculated by multiplying the total number of seats available for passengers by the number of miles flown;

Block Hours – Block Hours mean the number of minutes elapsing from the time the chocks are removed from the wheels of an aircraft until the chocks are next again returned to the wheels of the aircraft, divided by 60;

Billable Block Hours – Billable Block Hours mean actual Block Hours flown under the CPA plus Block Hours related to weather and air traffic control cancellations, and commercial cancellations and commercial ferry flights;

Controllable Actual Margin – Controllable Actual Margin means for any period, the actual Controllable Operating Income divided by the actual Scheduled Flights Revenue;

Controllable Adjusted Actual Margin – Controllable Adjusted Actual Margin means for any period, the Controllable Actual Margin less 50% of any margin exceeding 14.32% (14.09% for 2006 to 2008), at this level;

Controllable Cost per Available Seat Mile (Controllable CASM) – Controllable Cost per Available Seat Mile means Controllable Costs divided by Available Seat Mile;

Controllable Costs – Controllable Costs mean for any period, all costs and expenses incurred and paid by Jazz with respect to the Scheduled Flights and the Aircraft Services, as defined in the CPA, other than pass-through costs, but including any profit sharing expense;

Controllable Operating Income – Controllable Operating Income means for any period, Scheduled Flights Revenue less Controllable Costs;

Cost per Available Seat Mile (CASM) – Cost per Available Seat Mile means the operating expense per Available Seat Mile;

Covered Aircraft – Covered Aircraft are Jazz's aircraft subject to the CPA;

CPA – CPA means the amended and restated capacity purchase agreement effective January 1, 2006, between Air Canada and Jazz;

Credit Facilities – Credit Facilities mean the senior secured syndicated facilities in the aggregate amount of $150 million established pursuant to a credit agreement dated February 2, 2006, between Jazz, as borrower, the financial institutions identified therein, as Lenders and Royal Bank of Canada, as administrative agent;

FTE – FTEs are full-time equivalents in respect of employee staffing levels;

Fund – Fund means Jazz Air Income Fund;

Jazz – Jazz means Jazz Air Income Fund, Jazz Air Trust, and where the context requires, Jazz Air LP, together with its general partner, Jazz GP and their respective subsidiaries and predecessors;

Jazz GP – Jazz GP means Jazz Air Holding GP Inc., a corporation incorporated under the Canada Business Corporations Act on August 23, 2005, to act as the general partner of Jazz;

Maintenance Capital Expenditures – represent expenditures incurred to sustain operations or Jazz's productive capacity;

Operating Aircraft – Operating Aircraft means Covered Aircraft under the CPA plus charter aircraft less new aircraft deliveries which have not yet entered commercial service;

Operating expenses – Operating expenses means operating expenses before amortization of CPA asset and other operating expenses incurred by Jazz;

Passenger Load Factor – Passenger Load Factor means a measure of passenger capacity utilization derived by expressing Revenue Passenger Miles as a percentage of Available Seat Miles;

Productive capacity management strategy - represents capital expenditures required to sustain operations. Under the current operations, this is defined as supporting an operating fleet of 137 aircraft (133 Covered Aircraft and 4 aircraft committed to charter operations). Capital expenditures are made in support of ongoing fleet requirements, such as aircraft communication systems, cockpit standardization, regulatory compliance, maintenance information systems infrastructure, aircraft rotable parts and leasehold improvements.

Revenue Passenger Miles (RPMs) – Revenue Passenger Miles mean the total number of revenue passengers carried, including frequent flyer redemptions, multiplied by the number of miles flown by such passengers;

Scheduled Flights – Scheduled Flights mean the flights operated by the Covered Aircraft whose routes, schedules and fares are determined by Air Canada in accordance with the CPA;

Scheduled Flights Revenue – Scheduled Flights Revenue means, for any period, all revenues generated by Jazz under the CPA from aircraft services and Scheduled Flights excluding revenues resulting from the reimbursement by Air Canada of Jazz's pass-through costs and from the payment by Air Canada of performance incentives;

The Partnership - The Partnership means Jazz Air LP;

Trust – Trust means Jazz Air Trust; and

Units or Fund Units – Units or Fund Units mean units of the Fund.