

A copy of this preliminary short form prospectus has been filed with the securities regulatory authorities in each of the provinces and territories of Canada but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary short form prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for this short form prospectus is obtained from the securities regulatory authorities.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or any U.S. state securities laws and may not be offered, sold or delivered within the United States except in compliance with an exemption from the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. Accordingly, the securities will only be offered and sold within the United States pursuant to the exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A thereunder. See "Plan of Distribution".

Information has been incorporated by reference in this prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of Jazz Air Income Fund, at 310 Goudey Drive, Halifax Stanfield International Airport, Enfield, Nova Scotia, Canada, B2T 1E4, telephone: 902-873-6777, and are also available electronically at www.sedar.com.

PRELIMINARY SHORT FORM PROSPECTUS

New Issue

October 28, 2009



JAZZ AIR INCOME FUND
\$75,000,000

9.50% Convertible Unsecured Subordinated Debentures
Due December 31, 2014

This short form prospectus qualifies the distribution of 9.50% convertible unsecured subordinated debentures (the "**Debentures**") due December 31, 2014 (the "**Maturity Date**") of Jazz Air Income Fund ("**Jazz Air Fund**") at a price of \$1,000 per Debenture (the "**Offering**"). The Debentures will bear interest at an annual rate of 9.50% payable semi-annually on June 30 and December 31 of each year, commencing June 30, 2010. The first interest payment on the Debentures will include accrued and unpaid interest for the period from and including the date of closing of this Offering (the "**Closing**") to but excluding June 30, 2010.

Jazz Air Fund is an unincorporated open-ended trust established under the laws of the Province of Ontario and indirectly holds 100% of the outstanding limited partnership units of Jazz Air LP ("**Jazz Air LP**", together with Jazz Air Holding GP Inc. ("**Jazz GP**"), "**Jazz**"). The head office of Jazz Air Fund is located at 1000 de la Gauchetière Street West, Suite 2100, Montréal, Québec H3B 4W5, and the chief executive office of Jazz Air Fund is located at 310 Goudey Drive, Halifax Stanfield International Airport, Enfield, Nova Scotia, Canada, B2T 1E4.

Jazz Air Fund's units ("**Units**") are listed on the Toronto Stock Exchange (the "**TSX**") under the symbol "JAZ.UN". On October 22, 2009, the trading day on which Jazz Air Fund announced the Offering, the closing price of the Units on the TSX was \$4.42. Jazz Air Fund has applied to list the Debentures to be distributed under this short form prospectus (and the Units issuable on conversion, maturity or redemption of the Debentures) on the TSX. Listing will be subject to Jazz Air Fund fulfilling all of the listing requirements of the TSX. **There is no market through which the securities may be sold and purchasers may not be able to resell securities purchased under this short form prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of securities, and the extent of issuer regulation. See "Risk Factors".**

Debenture Conversion Privilege

Each Debenture will be convertible into freely tradeable Units at the option of the holder at any time prior to 5:00 p.m. (Toronto time) on the close of business on the earlier of the Maturity Date and the business day immediately preceding the date specified by Jazz Air Fund for redemption of the Debentures, at a conversion price of \$5.25 per Unit (the "**Conversion Price**"), being a ratio of approximately 190.4762 Units per \$1,000 principal amount of Debentures, subject to adjustment in certain events in accordance with the trust indenture governing the terms of the Debentures. Holders converting their Debentures will receive accrued and unpaid interest thereon for the period from and including the last interest payment date for the Debentures to but excluding the date of conversion. Further particulars concerning the conversion privilege, including provisions for the adjustment of the Conversion Price in certain events, are set out under "Details of the Offering — Conversion Privilege". **A holder of Debentures will not be entitled to deferred tax treatment on the conversion, redemption or repayment at maturity of such Debentures. See "Certain Canadian Federal Income Tax Considerations".**

The Debentures may not be redeemed by Jazz Air Fund prior to December 31, 2012, except in the event of the satisfaction of certain conditions after a Change of Control (as defined herein) has occurred. On and after December 31, 2012, but prior to December 31, 2013, the Debentures may be redeemed at the option of Jazz Air Fund, in whole at any time or in part from time to time at a price equal to the principal amount thereof plus accrued and unpaid interest on not more than 60 days and not less than

30 days prior written notice, provided that the volume weighted-average trading price of the Units on the TSX for the 20 consecutive trading days ending on the fifth trading day immediately preceding the date on which notice of redemption is given is not less than 125% of the Conversion Price. On and after December 31, 2013 and prior to the Maturity Date, the Debentures may be redeemed at the option of Jazz Air Fund, in whole at any time or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest on not more than 60 days and not less than 30 days prior written notice.

Subject to regulatory approval and provided no Event of Default (as defined herein) has occurred, Jazz Air Fund may, at its option, upon not more than 60 days and not less than 40 days prior written notice, elect to satisfy its obligation to pay the principal amount of the Debentures on redemption or at maturity through, in whole or in part, the issuance of freely-tradeable Units. Any accrued and unpaid interest will be paid in cash. In addition, subject to regulatory approval, Units may be issued to the Debenture Trustee (as defined herein) and sold, with the proceeds used to satisfy the obligations to pay interest on the Debentures. Further particulars concerning the interest, repurchase and maturity provisions of the Debentures are set out under “Details of the Offering”.

	Price to the Public	Underwriters’ Fee	Net Proceeds to Jazz Air Fund ⁽¹⁾
Per Debenture.....	\$1,000	\$40	\$960
Total ⁽²⁾	\$75,000,000	\$3,000,000	\$72,000,000

Notes:

- (1) After deducting the Underwriters’ (as defined herein) fee but before deducting expenses of the Offering, estimated to be \$490,000, which will be paid from the proceeds of the Offering. Jazz Air LP will reimburse Jazz Air Fund for the Underwriters’ fee and the expenses of the Offering.
- (2) Jazz Air Fund has granted the Underwriters an over-allotment option exercisable in whole or in part by the Underwriters at any time up to 30 days after the Closing to purchase up to an additional \$11,250,000 aggregate principal amount of Debentures (the “**Over-Allotment Option**”). If the Over-Allotment Option is exercised in full, the total “Price to the Public”, “Underwriters’ Fee” and “Net Proceeds to Jazz Air Fund” will be \$86,250,000, \$3,450,000 and \$82,800,000, respectively. This prospectus qualifies the grant of the Over-Allotment Option and the issuance of Debentures on the exercise of the Over-Allotment Option. A purchaser who acquires Debentures forming part of the Underwriters’ over-allocation position acquires those Debentures under this short form prospectus, regardless of whether the over-allocation position is ultimately filed through the exercise of the Over-Allotment Option or secondary market purchases. See “Plan of Distribution”.

<u>Underwriters’ Position</u>	<u>Maximum Size or Number of Debentures Held</u>	<u>Exercise Period</u>	<u>Exercise Price</u>
Over-Allotment Option.....	\$11,250,000 aggregate principal amount of Debentures, if exercised in full (being 15% of the Debentures sold pursuant to the Offering)	30 days after the Closing	\$1,000 per Debenture

The price of the Debentures offered under this short form prospectus was established by negotiation between Jazz Air Fund and TD Securities Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., Beacon Securities Limited, Genuity Capital Markets G.P., Salman Partners Inc. and Versant Partners Inc. (collectively, the “**Underwriters**”). The Underwriters, as principals, conditionally offer the Debentures, subject to prior sale, if, as and when issued by Jazz Air Fund and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement (as defined herein) referred to under “Plan of Distribution” and subject to the approval of certain legal matters by Osler, Hoskin & Harcourt LLP on behalf of Jazz Air Fund and Stikeman Elliott LLP on behalf of the Underwriters.

In connection with the Offering, the Underwriters may effect transactions that stabilize or maintain the market price of the Debentures at levels other than those which otherwise might prevail on the open market. Such transactions, if commenced, may be discontinued at any time. **The Underwriters may offer the Debentures at a price lower than that stated above. See “Plan of Distribution”.**

TD Securities Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc. and RBC Dominion Securities Inc. are subsidiaries or affiliates of lenders that have made credit facilities available to Jazz Air LP. Accordingly, under applicable securities laws, Jazz Air Fund may be considered a “connected issuer” of such Underwriters. See “Plan of Distribution”.

The earnings coverage ratio in respect of Jazz Air Fund’s indebtedness for the 12 month periods ended December 31, 2008 and June 30, 2009 after giving effect to the issuance of the Debentures and other items is less than one-to-one. See “Earnings Coverage”.

There are certain risks inherent in an investment in the Debentures and in Jazz Air Fund's activities. Prospective investors should carefully consider these risk factors before purchasing Debentures. See "Risk Factors". In the opinion of counsel, the Debentures will, on the Closing, be qualified investments under the Tax Act for Plans (as such terms are defined herein) as set out under, and based upon the assumptions set out under, "Eligibility for Investment".

A return on an investment in Units, in the event that the Debentures are converted into Units in accordance with their terms, is not comparable to the return on investment in a fixed income security. The recovery of an investment in Units is at risk, and the anticipated return on an investment in Units is based on many performance assumptions. Although Jazz Air Fund currently intends to make distributions of its available cash to holders of Units, these cash distributions may be reduced or suspended. The actual amount distributed will depend on numerous factors disclosed in Jazz Air Fund's continuous disclosure documents. In addition, the market value of the Debentures and Units may decline if Jazz Air Fund is unable to meet its cash distribution targets in the future, and that decline may be significant. See "Risk Factors".

It is important for an investor to consider the particular risk factors that may affect the airline industry, and therefore, the stability of the distributions that holders of Units receive in the event the Debentures are converted into Units. See, for example, the risks outlined under the heading "Risk Factors" in this short form prospectus and contained in Jazz Air Fund's annual information form dated March 30, 2009, Jazz Air Fund's and Jazz Air LP's management's discussion and analysis for the year ended December 31, 2008 and Jazz Air Fund's management's discussion and analysis for the six months ended June 30, 2009, all of which are incorporated by reference in this short form prospectus and available at www.sedar.com. **It is important for debentureholders to consider the particular risk factors relating to Jazz's relationship with Air Canada and the risk factors that may affect the airline industry in which Jazz operates, and therefore the stability of the distributions that they receive as a holder of Units.**

The after-tax return to unitholders from an investment in Units will depend, in part, on the composition for income tax purposes of distributions paid by Jazz Air Fund on its Units, portions of which may be fully or partially taxable or may constitute tax deferred distributions which are not subject to tax at the time of receipt but reduce a unitholder's cost base in the Units for tax purposes. The composition may change over time, thus affecting a unitholder's after-tax return. Distributions of the net income of Jazz Air Fund are generally taxed as ordinary income in the hands of a unitholder. Distributions in excess of the net income of Jazz Air Fund are generally not taxed (and reduce a unitholder's cost base in the Unit for tax purposes).

Jazz Air Fund is not a trust company and is not registered under applicable legislation governing trust companies as it does not carry on the business of a trust company. Neither the Debentures nor the Units issuable upon conversion, redemption or maturity of the Debentures are "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* and are not insured under the provisions of that Act or any other legislation. Jazz Air Fund qualifies as a mutual fund trust for the purposes of the *Income Tax Act* (the "**Tax Act**") and offers and sells its Units to the public.

Subscriptions will be received subject to rejection or allotment in whole or in part, and the Underwriters reserve the right to close the subscription books at any time without notice. The Debentures will be available in book-entry only form through the facilities of CDS Clearing and Depository Services Inc. ("**CDS**"). Holders of beneficial interests in the Debentures will not have the right to receive physical certificates evidencing their ownership of Debentures. The Closing is expected to occur on or about November 12, 2009, or such other date as Jazz Air Fund and the Underwriters may agree, but in any event no later than November 30, 2009.

All monetary amounts used herein are in Canadian dollars, unless otherwise indicated.

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DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in each of the provinces and territories of Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of Jazz Air Fund, at 310 Goudey Drive, Halifax Stanfield International Airport, Enfield, Nova Scotia, Canada, B2T 1E4, telephone: 902-873-6777 and are also available electronically at www.sedar.com.

The following documents of Jazz Air Fund, which have been filed with the securities commissions or similar authorities in each of the provinces and territories of Canada, are specifically incorporated by reference into and form an integral part of this short form prospectus:

- (a) the annual information form of Jazz Air Fund dated March 30, 2009 (the “**Annual Information Form**”);
- (b) the management information circular of Jazz Air Fund dated March 27, 2009 in connection with the annual meeting of unitholders held on May 15, 2009;
- (c) the audited consolidated annual financial statements of Jazz Air Fund and Jazz Air LP and the notes thereto for the years ended December 31, 2008 and December 31, 2007, together with the report of the auditors thereon;
- (d) management’s discussion and analysis of the results of operation and the financial condition of Jazz Air Fund and Jazz Air LP for the year ended December 31, 2008;
- (e) unaudited consolidated interim financial statements of Jazz Air Fund and the notes thereto for the three and six month periods ended June 30, 2009;
- (f) management’s discussion and analysis of the results of operation and the financial condition of Jazz Air Fund for the three and six month periods ended June 30, 2009 (the “**June 2009 MD&A**”); and
- (g) the material change report of Jazz Air Fund dated August 7, 2009 with respect to the announcement of the agreement between Jazz and Air Canada to amend certain terms of the amended and restated capacity purchase agreement and to adjust cash distributions.

Any documents of the type referred to above as well as any business acquisition reports and any material change reports (excluding confidential material change reports), filed by Jazz Air Fund with the various securities commissions or similar authorities in Canada after the date of this short form prospectus and prior to the completion or withdrawal of the Offering, shall be deemed to be incorporated by reference into this short form prospectus.

Any statement contained in this short form prospectus or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for the purposes of this short form prospectus, to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not constitute a part of this short form prospectus, except as so modified or superseded.

FORWARD-LOOKING STATEMENTS

This short form prospectus, and the documents incorporated by reference, contain forward-looking statements. 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 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. Any forecasts or forward-looking predictions or statements cannot be relied upon due to, among other things, changing external events and general uncertainties of the business. Results indicated in forward-looking statements may differ materially from actual results for a number of reasons, including without limitation, risks relating to Jazz’s relationship with Air Canada, risks relating to the airline industry, energy prices, general industry, market, credit 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, secure financing, 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 short form prospectus and in particular, the Risk Factors section of this short form prospectus. The forward-looking statements contained in this short form prospectus represent Jazz's expectations as of the date of this short form prospectus, and are subject to change after such date. 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.

THE JAZZ BUSINESS

Overview

Jazz Air Fund indirectly holds 100% of the limited partner interest in Jazz Air LP and 100% of the interest in Jazz Air LP's general partner, Jazz GP.

Jazz is the largest regional airline and the second largest airline in Canada after Air Canada, based on fleet size. Jazz forms an integral part of Air Canada's domestic and transborder presence and strategy. Jazz and Air Canada are parties to an amended and restated capacity purchase agreement, effective January 1, 2006, as amended by a letter agreement (the "**Rate Amending Agreement**") dated July 6, 2009 and an amending agreement (the "**CPA Amending Agreement**") dated September 22, 2009 (as amended, the "**CPA**"), pursuant to which Air Canada purchases the capacity of aircraft operated by Jazz pursuant to the CPA (the "**Covered Aircraft**"), based on predetermined rates (the "**Rates**") charged by Jazz to Air Canada for operating the Covered Aircraft.

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 under the tradename "Air Canada Jazz" using the Covered Aircraft on routes specified by Air Canada (the "**Scheduled Flights**"), with approximately 854 departures per weekday to 55 destinations in Canada, and 29 destinations in the United States, with an operating fleet of 133 Covered Aircraft as of June 30, 2009. Jazz and Air Canada have linked their regional and mainline networks in order to serve connecting passengers more efficiently and to optimize Air Canada's overall route network.

The initial term of the CPA will expire on December 31, 2020, and will be automatically renewed for two additional five year periods, unless either party gives notice to the other of its intention not to renew within one year prior to the expiry of the initial term or any renewal term. Under the CPA, Jazz is required to provide Air Canada with the capacity of the Covered Aircraft, all crews and applicable personnel, aircraft maintenance, and airport operations for the Scheduled Flights. Air Canada determines routes and controls scheduling, sets ticket prices, determines seat inventories, and performs marketing and advertising for the Scheduled Flights. Air Canada retains all revenue derived from the sale of seats to passengers and cargo services and pays Jazz for the capacity provided.

Under the CPA, Jazz is paid fees by Air Canada on a variety of different metrics based on Jazz's estimated controllable costs ("**Controllable Costs**") for each calendar year in the applicable period marked-up by a specified percentage (the "**Controllable Mark-Up**"). Such mark-up equates to a specified margin (the "**Controllable Target Margin**") on Jazz's estimated revenue from the Scheduled Flights (the "**Scheduled Flights Revenue**") for each calendar year in the applicable period. In addition, under the CPA, Jazz is entitled to repayment by Air Canada, without mark-up, of certain pass-through costs ("**Pass-Through Costs**") specified in the CPA and incurred and paid by Jazz with respect to the Scheduled Flights. Management believes that the CPA is beneficial to Jazz as it reduces financial and operating risk and results in a more stable business model than its previous pro-rate revenue sharing agreement.

Integral Part of Air Canada's Strategy

Jazz's operations form an essential part of Air Canada's network strategy. Air Canada is Canada's largest airline, with an extensive domestic, transborder and international mainline network. Jazz complements Air Canada's operations by feeding passengers to the mainline service and by allowing more frequent and competitive 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. The complementary nature of the relationship is evidenced by the fact that at June 30, 2009, approximately 34% of Jazz's passengers connect to or from an Air Canada flight. These passengers connect to Air Canada's extensive domestic, transborder and international network, which is further enhanced by Air Canada's membership in the long-standing Star AllianceTM network, the world's largest airline alliance group.

Jazz's regional jets' operational capabilities enable Air Canada to service markets that do not have enough passenger traffic to support Air Canada's mainline jet service. In turn, Jazz benefits from Air Canada's strong brand, marketing and product distribution expertise as well as the fact that Air Canada handles all reservation and ticket sales through its reservations system. In addition, Jazz passengers benefit from the AeroplanTM frequent flyer program and other amenities made available to Air Canada passengers.

Market Position in the Canadian Regional Airline Industry

Through its affiliation with Air Canada, Jazz serves more destinations in Canada than any other airline. Management believes that the scope and diversity of Jazz's coverage area is a significant competitive advantage. Being the only pan-Canadian regional airline, Jazz can shift capacity across regions as demand dictates.

Of the 115 North American destinations served by Air Canada and Jazz as of June 30, 2009, 84 (or approximately 73%) of such destinations were served by Jazz and Jazz was the sole provider at 49 (or approximately 43%) of these 115 destinations. As of June 30, 2009, Jazz was the sole operator of aircraft of 37 seats or greater at 22 airports. Furthermore, during 2009 Jazz was the provider of customer service handling at 48 airports.

Jazz is the only Canadian regional airline with a fleet including regional jets currently operating in Canada. As at June 30, 2009, Jazz's fleet of 137 operating aircraft consisted of 73 Bombardier regional jets and 64 Dash 8 turboprop aircraft. Pursuant to the terms of the CPA Amending Agreement, the operating fleet consisting of 133 Covered Aircraft will be permanently reduced to 125 Covered Aircraft effective in June 2011, following a temporary reduction to 123 Covered Aircraft from April 2010 to April 2011. The Covered Aircraft fleet will be reduced gradually commencing in the fall of 2009 as leases expire on CRJ 100/200 aircraft and as aircraft are returned to lessors. There are four turboprop aircraft in Jazz's fleet that are not included in the Covered Aircraft that are dedicated to charter operations.

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 aircraft, most of which operate aircraft in the 19 to 50 seat range. These carriers are primarily stand-alone operations, operating in niche markets. None of these carriers approach the size and scope of operation of Jazz. WestJet and Porter also compete with Air Canada on certain routes in Canada operated by Jazz.

RECENT DEVELOPMENTS

Amendments to the Capacity Purchase Agreement with Air Canada

On July 28, 2009, Jazz and Air Canada agreed to amend the terms of the CPA in response to uncertainty in the airline industry and Air Canada's need to implement cost reduction initiatives. On September 22, 2009 Jazz and Air Canada executed the CPA Amending Agreement to formally reflect certain amendments to the CPA, including the following.

The CPA Amending Agreement extends the initial term of the CPA from December 31, 2015 to December 31, 2020 and provides greater certainty regarding the number of annual block hours to be scheduled for flying by Jazz. Block hours are calculated by adding 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 ("**Block Hours**"). Under the CPA Amending Agreement, Air Canada agreed to use reasonable commercial efforts to provide a minimum of 375,000 total annual Block Hours to Jazz, as measured by the sum of the twelve monthly schedules delivered by Air Canada to Jazz for a calendar year (the "**Annual Delivered Block Hours**"). In addition, Air Canada and Jazz agreed that the minimum average daily utilization per aircraft, as stated in Block Hours, will not result in less than 339,000 annual Block Hours (the minimum average daily utilization guarantee or "**MADUG**"), subject to Air Canada's right to revise the MADUG in the circumstances described below, notwithstanding the temporary reduction in the number Covered Aircraft to 123 aircraft and the subsequent permanent reduction in the number of Covered Aircraft to 125, as described below.

In addition to establishing the annual minimum number of Block Hours on which the MADUG is based, the CPA Amending Agreement provides Air Canada with the right to revise the MADUG effective in January 2016 in the event Air Canada's domestic market share for the twelve month period from October 1, 2014 to September 30, 2015 has decreased by a fixed percentage compared to its domestic market share for the twelve month period from August 1, 2008 to July 31, 2009. In the event of such a decrease, the CPA Amending Agreement requires that Air Canada and Jazz agree upon a revised MADUG by November 17, 2015, failing which Air Canada shall have the right to unilaterally set a revised MADUG by sending Jazz notice by November 20, 2015. The CPA Amending Agreement provides Jazz with the right to send Air Canada notice by December 18, 2015 of Jazz's intention to either accept the revised MADUG or exercise its right to terminate the CPA as of December 31, 2016.

The CPA Amending Agreement also amended the Rates established for the rate period commencing January 1, 2009 and ending on December 31, 2011 (the "**2009-2011 Rate Period**"). The Rates negotiated and reflected in the Rate Amending Agreement were established to enable Jazz to achieve a Controllable Target Margin of 14.32%, corresponding to a Controllable Target Mark-Up of 16.72% on Jazz's Controllable Costs. However, pursuant to the terms of the CPA Amending Agreement, Air Canada and Jazz agreed that the Controllable Mark-Up of 16.72% shall only apply as of and from January 1, 2009 through to July 31, 2009. Effective commencing August 1, 2009, an agreed set of revised Rates became effective, under which Jazz achieves a Controllable Target Margin of 11.11%, corresponding to a Controllable Mark-Up of 12.50% on Jazz's Controllable Costs.

Following the expiration of the 2009-2011 Rate Period, the CPA Amending Agreement established the following three remaining rate periods during the initial term of the CPA: (i) January 1, 2012 to December 31, 2014; (ii) January 1, 2015 to December 31, 2017 and; (iii) January 1, 2018 to December 31, 2020. Prior to the commencement of each rate period Jazz and Air Canada shall determine the Rates to be charged by Jazz during each period. Rates for each rate period are determined pursuant to a Rate reset process set out in the CPA. The CPA provides that Air Canada and Jazz will review and agree in writing on the Rates for the next rate period. The components of each Rate type to be considered in developing each new Rate are set out

in the schedules to the CPA and are based on costs incurred by Jazz. The CPA also specifies that the Rates are to be established so as to enable Jazz to achieve the Controllable Target Margin which corresponds to the Controllable Mark-Up. If Jazz and Air Canada can not agree on new Rates, the matter is subject to the arbitration provisions in the CPA.

The CPA Amending Agreement also provides for adjustments to the Controllable Mark-Up in certain circumstances. Commencing January 1, 2010, if the Annual Delivered Block Hours are less than 375,000 Block Hours, the Controllable Mark-Up will be increased, to a maximum of 16.72%, to compensate Jazz for increased unit costs and lost margin due to the reduction in flying. If, on the other hand, the Annual Delivered Block Hours are greater than 375,000 Block Hours, the Controllable Mark-Up of 12.50% shall only apply to Jazz's fixed controllable charges and the Controllable Mark-Up of 12.50% shall be reduced to 5% on Jazz's variable controllable charges for Block Hours in excess of 375,000.

The Controllable Mark-Up may also be reduced as a result of benchmarking Jazz's Controllable Costs to those of a group of comparable operators (the "**Comparator Group**") in 2010 and 2016. Jazz and Air Canada had agreed to compare and benchmark Jazz's Controllable Costs to those of the Comparator Group in 2010 for the 2009 calendar year (the "**2009 Benchmark**"). Pursuant to the terms of the CPA Amending Agreement, Jazz and Air Canada have agreed to a second benchmarking in 2016 for the 2015 calendar year (the "**2015 Benchmark**").

If the 2009 Benchmark indicates that the percentage difference between Jazz's Controllable Costs and those of the Comparable Group has increased compared to the percentage difference for the twelve month period beginning July 1, 2006 and ending June 30, 2007, the Controllable Mark-Up shall be reduced accordingly with effect as of January 1, 2010 until December 31, 2020, unless as a result of the 2015 Benchmark it is further reduced. In the event the 2009 benchmarking results in the reduction described above, notwithstanding the foregoing, the benchmarking scheduled for the end of 2009 will only serve to reduce the Controllable Mark-Up from 16.72% and the Controllable Mark-Up will be the lower of 12.50% or (16.72% minus the amount of the increase described above).

If the 2015 Benchmark indicates that the percentage difference between Jazz's Controllable Costs and those of the Comparable Group has increased compared to the percentage difference determined during the 2009 benchmarking, the Controllable Mark-Up then in effect shall be reduced accordingly by the results of the 2015 Benchmark, with effect as of January 1, 2016 until December 31, 2020.

The CPA Amending Agreement provides for amendments to the long range fleet plan, reflecting the agreement of Air Canada and Jazz to renew the fleet of Covered Aircraft. Air Canada and Jazz agreed that the fleet of Covered Aircraft shall be reduced from 133 aircraft to a guaranteed minimum number of 125 aircraft (the "**Guaranteed Minimum Number of Covered Aircraft**"). The reduction in Covered Aircraft to the Guaranteed Minimum Number of Covered Aircraft shall commence with the return of eight CRJ 200 and two CRJ 100 aircraft upon the expiry of the subleases for such aircraft. Following the return of these aircraft the fleet of Covered Aircraft shall be temporarily reduced to 123 aircraft.

Jazz currently intends to acquire new, large turboprop aircraft with delivery of one aircraft per month commencing in May 2011. Jazz and Air Canada have agreed to use commercially reasonable efforts to agree to the Rates to be charged for the new turboprop aircraft prior to their delivery, failing which the matter shall be determined in accordance with the dispute resolution provisions in the CPA. Following the delivery of the second new turboprop aircraft in June 2011, the number of aircraft comprising the Covered Aircraft will return to the Guaranteed Minimum Number of Covered Aircraft and two of the CRJ 100 aircraft may be treated as unassigned aircraft for scheduling purposes.

Upon the arrival of each remaining turboprop aircraft, one CRJ 100 or CRJ 200 will be removed from the fleet of Covered Aircraft and replaced with one arriving turboprop aircraft, such that the number of aircraft shall remain at the Guaranteed Minimum Number of Covered Aircraft. Upon the removal of the twelfth CRJ 100 or CRJ 200 aircraft, Air Canada and Jazz shall use commercially reasonable efforts to agree to new Rates for this aircraft type. Pursuant to the terms of the CPA Amending Agreement, Air Canada has agreed to pay the costs associated with the removal of the CRJ 100 and CRJ 200 aircraft from the fleet of Covered Aircraft.

Pursuant to the terms of the CPA Amending Agreement, Air Canada and Jazz also agreed, effective as of August 1, 2009, to treat the rent charged to Jazz for five of the CRJ 100 aircraft as a Pass-Through Cost. Jazz and Air Canada have also agreed to use commercially reasonable efforts to agree by March 31, 2010 to terms and conditions relating to deploying up to eight CRJ 100 aircraft ("**Swing Aircraft**"). If an agreement is reached, Air Canada may commence the use of such Swing Aircraft to operate Scheduled Flights commencing in 2011, following the delivery of the third new turboprop aircraft. The rent to be charged for the Swing Aircraft shall also be treated as a Pass-Through Cost. All or some of these Swing Aircraft may be removed from Jazz's fleet by Air Canada. The Swing Aircraft in Jazz's fleet from time to time, if any, are in addition to the Guaranteed Minimum Number of Covered Aircraft.

Adjustment to Cash Distributions

On July 28, 2009, the board of trustees of Jazz Air Fund (the "**Board**") adjusted cash distributions to reflect the amendments to the CPA and the extension of the CPA's term and to otherwise improve liquidity during an uncertain period. Effective with the distribution payment to be paid in September 2009 to unitholders of record on August 31, 2009, the Board resolved to reduce cash distributions by approximately 40% to \$0.60 per Unit annually. The actual amount distributed in respect of the Units is not guaranteed and depends upon numerous factors, including Jazz's profitability and its ability to sustain

operating cash flows and the fluctuations in Jazz's working capital and capital expenditures and refinancing of debt obligations, all of which are susceptible to a number of risks. See "Risk Factors".

Union Negotiations

Most of Jazz's employees are unionized and its collective bargaining agreements all expired at the end of June 2009. Jazz has pursued negotiations with each union.

On August 30, 2009, Jazz reached a tentative three year agreement with its maintenance and engineering employees who are represented by the Canadian Auto Workers ("CAW"). That tentative agreement was subsequently ratified on September 12, 2009 by a union vote. On August 28, 2009, Jazz reached a tentative agreement with its customer service and airport services division, also represented by the CAW, which was narrowly rejected by a union vote on September 24, 2009. There were 337 votes in favour of and 341 votes against the tentative agreement. On October 27, 2009, Jazz announced that a new tentative agreement has been reached with the customer service and airport services division, which is subject to ratification. Jazz is currently in negotiations with all other unionized groups of employees.

Executive Appointments

On September 17, 2009, Jazz announced the appointments of Mr. Colin Copp as Chief Administrative Officer of Jazz GP and Ms. Jolene Mahody as Chief Operating Officer of Jazz GP. Colin Copp was formerly Senior Vice President, Employee Relations of Jazz GP. Jolene Mahody was formerly Senior Vice President, Operations Support of Jazz GP.

EARNINGS COVERAGE

The earnings coverage ratios set forth below are calculated for the 12 month periods ended December 31, 2008 and June 30, 2009 and have been prepared in accordance with applicable Canadian securities laws disclosure requirements using financial information derived from audited financial information in the case of the year ended December 31, 2008, and unaudited financial information in the case of the 12 month period ended June 30, 2009. Earnings coverage is calculated by dividing Jazz Air Fund's earnings by its interest obligations. The earnings coverage ratios set forth below: (a) give effect to the issuance of the Debentures under this short form prospectus (but not pursuant to the exercise of the Over-Allotment Option) as if the Debentures had been issued at the beginning of the applicable period; (b) do not give effect to normal course advances, issuances and repayments, as the case may be, of long-term debt under Jazz's revolving credit facilities subsequent to December 31, 2008 or June 30, 2009, as applicable; (c) assume that there are no additional earnings derived from the net proceeds of the Offering; and (d) do not purport to be indicative of earnings coverage ratios for any future periods.

The earnings coverage ratio in respect of Jazz Air Fund's indebtedness for the 12 month periods ended December 31, 2008 and June 30, 2009 after giving effect to the issuance of the Debentures and other items is less than one-to-one.

	12 month period ended December 31, 2008	12 month period ended June 30, 2009
Earnings coverage on long-term debt as prescribed by the Canadian Securities Administrators ^{(1) (3) (4) (5)}	-3.4	-6.6
Earnings coverage on long-term debt adjusted for goodwill impairment expense ^{(2) (3) (4) (5)}	6.6	16.1

Notes:

(1) Earnings coverage on long-term debt as presented by the Canadian Securities Administrators is equal to income before interest expense and income tax expense divided by pro forma interest expense on all long-term debt maturing after one year. Jazz's losses before interest and income tax for the 12 month periods ended December 31, 2008 and June 30, 2009 were \$51,889,000 and \$44,567,000 respectively. Based on the earnings coverage ratio as prescribed by the Canadian Securities Administrators, the additional earnings required to bring the ratios to 1 to 1 is \$67,147,000 at December 31, 2008 and \$51,320,000 at June 30, 2009.

(2) Earnings coverage on long-term debt adjusted for goodwill impairment expense is equal to income before interest expense, income tax expense and goodwill impairment loss divided by pro forma interest expense on all long-term debt maturing after one year. At December 31, 2008 Jazz Air Fund performed an impairment test on goodwill to compare its carrying value to fair value. As a result of the challenges facing the airline industry due to the recession experienced in 2008 and expected to continue in 2009, goodwill was deemed to be fully impaired. A goodwill impairment expense of \$153,230,000 was charged to non-operating expenses in the fourth quarter of 2008. For the purposes of these earnings coverage ratios, this expense has not been included in the calculation of net income before taxes and interest expenses.

(3) Under generally accepted accounting principles, a portion of the Debentures will be classified on the balance sheet as a liability and a portion allocated to equity to reflect the conversion feature. The related interest expense and financing charges, including underwriting fees and estimated expenses of the Offering, will be amortized using the effective interest method. The earnings coverage ratios have been adjusted to reflect the pro forma interest at the coupon rate of 9.5% on the \$71,089,000 debt portion of the

\$75,000,000 Debentures. For purposes of the calculation, interest expense does not include related financing charges (e.g. the amortization of debt issuance costs). Jazz's pro forma interest requirements on long-term debt after giving effect to the Offering amounted to \$15,258,000 for the 12 months ended December 31, 2008 and \$6,753,000 for the 12 months ended June 30, 2009.

(4) The earnings coverage ratios have been calculated excluding the carrying charges for the \$114,659,000 in long-term debt maturing within one year reflected as current liabilities in Jazz Air Fund's consolidated balance sheet at June 30, 2009. If the long-term debt maturing within one year had been classified in its entirety as long term debt for the purpose of calculating the ratios, the entire amount of the annual carrying charges would have been reflected in the calculation of the pro forma interest obligations. The earnings coverage ratios calculated as though the debt had been classified as long term at June 30, 2009 are -3.0x before adjusting for goodwill impairment and 7.4x after adjusting for goodwill impairment.

(5) The earnings coverage ratios have been calculated excluding the carrying charges for the \$3,911,000 of convertible debentures that have been classified as equity. If the interest on the equity portion had been classified in its entirety as long-term debt for the purposes of calculating the ratios, the entire amount of the annual carrying charges would have been reflected in the calculation of the pro forma interest obligations. The earnings coverage ratios calculated as though the equity component of the debenture issuance was classified as long-term debt at December 31, 2008 are -3.3x before adjusting for goodwill impairment and 6.5x after adjusting for goodwill impairment; and at June 30, 2009 are -6.3x before adjusting for goodwill impairment and 15.3x after adjusting for goodwill impairment.

CONSOLIDATED CAPITALIZATION

There have been no material changes in Jazz Air Fund's unit or loan capital on a consolidated basis since June 30, 2009. An aggregate of 122,864,012 Units were issued and outstanding as of the close of business on June 30, 2009.

The table below sets out the consolidated capitalization of Jazz Air Fund as at December 31, 2008 and June 30, 2009 and the *pro forma* consolidated capitalization of Jazz Air Fund as at June 30, 2009 after giving effect to the Offering (but not the exercise of the Over-Allotment Option). The historical amounts are derived from the audited consolidated financial statements of Jazz Air Fund as at December 31, 2008 and the unaudited interim consolidated financial statements of Jazz Air Fund as at June 30, 2009.

<u>Jazz Air Income Fund</u>	As at December 31, 2008	As at June 30, 2009	As at June 30, 2009 after giving effect to the Offering
	(000's) ⁽¹⁾	(000's) ⁽¹⁾	(000's) ⁽¹⁾
Cash and cash equivalents	\$131,876	\$118,638	\$190,148
Long-term debt (including current portion)	\$114,729	\$114,659	\$114,659
Obligations under capital leases (including current portion)	\$23,418	\$21,043	\$21,043
Convertible debentures (debt component) ⁽²⁾	-	-	\$67,781
Convertible debentures (equity component) ⁽²⁾	-	-	\$3,729
Unitholders' Capital	\$808,029	\$792,468	\$792,468
Total Capitalization	\$946,176	\$928,170	\$999,680
Number of Units	122,864,012	122,864,012	122,864,012

⁽¹⁾ Except for "Number of Units" information.

⁽²⁾ The capitalization of the equity and liability portion of the convertible debentures have been reduced by the pro rata portion of \$3,490,000 in respect of the Underwriters' fee and the fees and expenses of the Offering.

USE OF PROCEEDS

The net proceeds to be received by Jazz Air Fund from the sale of Debentures offered by this short form prospectus are estimated to be approximately \$71,510,000 (\$82,310,000 if the Over-Allotment Option is exercised in full) after deduction of the Underwriters' fee and the estimated expenses of the Offering. The Underwriters' fee and the expenses of the Offering will be paid out of the gross proceeds of the Offering. Jazz Air LP will reimburse Jazz Air Fund for the Underwriters' fee and the expenses of the Offering. The net proceeds of the Offering will be used for working capital requirements and for general trust purposes.

DETAILS OF THE OFFERING

The following is a summary of the material attributes and characteristics of the Debentures. This summary does not purport to be complete and is subject to, and qualified in its entirety by the terms of, a trust indenture (the "**Indenture**") between Jazz Air Fund and CIBC Mellon Trust Company (the "**Debenture Trustee**"). When used in this short form prospectus, the following terms have the respective meanings set forth below:

"**Change of Control**" means the acquisition by any person, or group of persons acting jointly or in concert, of voting control or direction of 66 2/3% or more of the votes attaching, collectively, to outstanding voting units of Jazz Air Fund, except when such acquisition occurs solely in connection with an Income Trust Conversion Transaction (as defined herein);

"**Current Market Price**" means the volume weighted average trading price of the Units on the TSX for the 20 consecutive trading days ending on the fifth trading day preceding the date of the applicable event;

“**Definitive Debentures**” means Debentures in registered and definitive form;

“**Depository**” means CDS or its successor;

“**Event of Default**” has the meaning given to it in the Indenture, and includes the occurrence and continuation of any one or more of the following events with respect to the Debentures: (i) failure for 15 days to pay interest on the Debentures when due; (ii) failure to pay principal or premium, if any, on the Debentures, whether at the Maturity Date, upon redemption, by declaration of acceleration or otherwise; (iii) an unremedied breach of any covenant or condition of the Indenture by Jazz Air Fund after a 30 day cure period following notice of such breach; or (iv) certain events of bankruptcy, insolvency or reorganization of Jazz Air Fund under bankruptcy or insolvency laws;

“**Extraordinary Resolution**” means a resolution passed at a meeting of the holders of Debentures by votes cast thereat by holders of not less than 66 2/3% of the principal amount of the then outstanding Debentures present at the meeting or represented by proxy, or rendered by instruments in writing signed by the holders of not less than 66 2/3% of the principal amount of the then outstanding Debentures;

“**Global Debentures**” means fully-registered global Debentures;

“**Income Trust Conversion Transaction**” has the meaning provided under the heading “Conversion Privilege” below;

“**Interest Payment Date**” means June 30 and December 31 in each year;

“**Put Date**” means the date which is 30 days following the giving of notice of a Change of Control;

“**Put Price**” means a price equal to 101% of the principal amount of the whole or any part of a holder’s Debentures which such holder has required Jazz Air Fund to purchase;

“**Record Date**” means June 15 and December 15 in each year (or the first business day following such date if not a business day);

“**Total Put Price**” means the Put Price plus accrued and unpaid interest up to but excluding the Put Date;

“**Unit Interest Payment Option**” means an election by Jazz Air Fund to issue and solicit bids to sell sufficient Units in order to raise funds to satisfy all or any part of its obligations to pay interest on the Debentures in accordance with the Indenture in which event holders of the Debentures will be entitled to receive a cash payment equal to the interest payable from the proceeds of the sale of such Units; and

“**Unit Payment Option**” means an election by Jazz Air Fund to satisfy its obligation to repay, in whole or in part, the principal amount of the Debentures which are to be redeemed or which have matured by issuing freely tradeable Units, in whole or in part, to the holders of the Debentures.

Debentures

The Debentures will be issued under and pursuant to the provisions of the Indenture. The Debentures will be limited in the aggregate principal amount to \$75,000,000 (plus any Debentures issued upon exercise of the Over-Allotment Option). Jazz Air Fund may, however, from time to time, without the consent of the holders of the Debentures, issue additional or other debentures in addition to the Debentures offered hereby. The Debentures will be issuable only in denominations of \$1,000 and integral multiples thereof. At the Closing, the Debentures will be available for delivery in book-entry only form through the facilities of CDS. Holders of beneficial interests in the Debentures will not have the right to receive physical certificates evidencing their ownership of Debentures except under certain circumstances described under “— Book-entry Only Delivery and Form”. No fractional Debentures will be issued.

The Debentures will bear interest from the date of issue at 9.50% per annum, which will be payable semi-annually on June 30 and December 31 in each year, commencing on June 30, 2010. The first interest payment will include accrued and unpaid interest for the period from and including the day of the Closing to but excluding June 30, 2010. Interest will be payable based on a 365-day year. The interest on the Debentures will be payable in lawful money of Canada as specified in the Indenture. At the option of Jazz Air Fund, and subject to regulatory approval, Jazz Air Fund may issue and solicit bids to sell sufficient Units in order to raise funds to satisfy all or any part of Jazz Air Fund’s obligations to pay interest on the Debentures, but, in any event, the holders of Debentures shall be entitled to receive cash payments equal to the interest otherwise payable on the Debentures. See “— Interest Payment Election”.

The principal on the Debentures will be payable in lawful money of Canada or, at the option of Jazz Air Fund and subject to applicable regulatory approval, by payment of freely-tradeable Units to satisfy, in whole or in part, the obligations of Jazz Air Fund to repay the principal amount of the Debentures, as further described under “— Payment upon Redemption or Maturity”, “— Redemption and Purchase” and “— Put Right upon a Change of Control”.

The Debentures will be direct obligations of Jazz Air Fund and will not be secured by any mortgage, pledge, hypothec or other charge and will be subordinated to all “Senior Indebtedness” of Jazz Air Fund as described under “— Subordination”. The Indenture will not restrict Jazz Air Fund or its subsidiaries from incurring additional indebtedness for borrowed money or from mortgaging, pledging or charging Jazz Air Fund’s real or personal property or properties to secure any indebtedness.

The Debentures will be transferable, and may be presented for conversion, at the principal offices of the Debenture Trustee in Toronto, Ontario.

Amendments have been made to the Tax Act to facilitate tax deferred conversions to corporations of specified investment flow-through trusts or partnerships (SIFTS) for the purposes of the Tax Act. As previously disclosed by Jazz Air Fund, Jazz Air Fund has commenced the process of considering its options with respect to converting to a corporate structure (an “**Income Trust Conversion Transaction**”). In the event that Jazz Air Fund converts to a corporation (the “**Continuing Corporation**”) pursuant to an Income Trust Conversion Transaction, adjustments may be made to the terms of the conversion privilege as described below under “—Conversion Privilege”. Among other things, these adjustments may be necessary to reflect the fact that holders of Units, in connection with such an Income Trust Conversion Transaction, may receive shares or other securities in exchange or otherwise as consideration or in substitution for Units. Therefore, as further described below, Debentures would be adjusted in such case so that they will be exercisable for the kind and amount of securities or property of Jazz Air Fund or the Continuing Corporation which the holder of Debentures would have been entitled to receive had it been a holder of Units at the relevant time.

In addition, in connection with an Income Trust Conversion Transaction, the Debentures may become debentures of the Continuing Corporation having substantially the same terms as the Debentures, without the consent of any holders of Debentures.

Conversion Privilege

The Debentures will be convertible at the holder’s option into fully-paid, non-assessable and freely-tradeable Units at any time prior to 5:00 p.m. (Toronto time) on the earlier of the Maturity Date and the business day immediately preceding the date specified by Jazz Air Fund for redemption of the Debentures, at a conversion price of \$5.25 per Unit (the “**Conversion Price**”), being a ratio of 190.4762 Units per \$1,000 principal amount of Debentures. No adjustment to the Conversion Price will be made for distributions on Units issuable upon conversion or for interest accrued on Debentures surrendered for conversion; however, holders converting their Debentures shall be entitled to receive, in addition to the applicable number of Units, accrued and unpaid interest in respect thereof for the period up to but excluding the date of conversion from and including the latest Interest Payment Date. Notwithstanding the foregoing, no Debentures may be converted during the period from the close of business on the Record Date preceding an Interest Payment Date to and including such Interest Payment Date, as the registers of the Debenture Trustee will be closed during such periods.

Subject to the provisions thereof, the Indenture will provide for the adjustment of the Conversion Price in certain events including: (a) the subdivision or consolidation of the outstanding Units; (b) the distribution of Units to all or substantially all holders of Units by way of distribution or otherwise other than an issue of securities to holders of Units who participate in Jazz Air Fund’s unit based long term incentive plans or similar arrangements of Jazz Air Fund or Jazz; (c) the issuance of options, rights or warrants to all or substantially all holders of Units entitling them for a period of not more than 45 days after the Record Date to acquire Units or other securities convertible into Units at less than 95% of the then Current Market Price; and (d) the distribution to all holders of Units of any units (other than Units), rights, options or warrants (other than those referred to in paragraph (c) above), evidences of indebtedness of Jazz Air Fund, or other assets (other than cash distributions and equivalent distributions in securities paid in lieu of cash distributions in the ordinary course). There will be no adjustment of the Conversion Price in respect of any event described in (b), (c) or (d) above if, subject to prior regulatory approval, the holders of the Debentures are allowed to participate as though they had converted their Debentures prior to the applicable record date or effective date. Jazz Air Fund will not be required to make adjustments in the Conversion Price unless the cumulative effect of such adjustments would change the Conversion Price by at least 1%.

In the case of any reclassification of the Units or a capital reorganization of Jazz Air Fund (other than a change resulting only from consolidation or subdivision) or in case of any amalgamation, consolidation, arrangement or merger of Jazz Air Fund with or into any other entity, or in the case of any sale or conveyance of the properties and assets of Jazz Air Fund as, or substantially as, an entirety to any other entity, or a liquidation, dissolution or winding-up of Jazz Air Fund, including in each case in connection with or as part of an Income Trust Conversion Transaction, the terms of the conversion privilege shall be adjusted so that each Debenture shall, after such reclassification, capital reorganization, amalgamation, consolidation, arrangement or merger, sale or conveyance or liquidation, dissolution or winding-up, be exercisable for the kind and amount of securities or property of Jazz Air Fund, or such continuing, successor or purchaser entity, as the case may be, which the holder thereof would have been entitled to receive as a result of such reclassification, capital reorganization, amalgamation, consolidation, arrangement or merger, sale or conveyance or liquidation, dissolution or winding-up, if on the effective date or record date thereof it had been the holder of the number of Units into which the Debenture was convertible prior to the effective date of such event.

In addition, no Debentures may be converted during an Income Trust Conversion Transaction if the issuance of Units upon such conversion were to prohibit Jazz Air Fund from being wound up on a tax deferred basis as a result of there being Units held by persons other than the Continuing Corporation or if the issuance of Units would otherwise adversely affect the tax consequences associated with the Income Trust Conversion Transaction.

No fractional Units will be issued on any conversion of the Debentures, but in lieu thereof Jazz Air Fund shall satisfy such fractional interest by a cash payment equal to the Current Market Price of such fractional interest.

Payment upon Redemption or Maturity

On redemption or at the Maturity Date, Jazz Air Fund will repay the indebtedness represented by the Debentures by paying to the Debenture Trustee in lawful money of Canada an amount equal to the principal amount of the outstanding Debentures, together with accrued and unpaid interest thereon. Jazz Air Fund may, at its option, on not more than 60 days and not less than 40 days prior notice and subject to any required regulatory approvals, unless an Event of Default has occurred and is continuing, elect to satisfy its obligation to repay, in whole or in part, the principal amount of the Debentures which are to be redeemed or which have matured by issuing freely tradeable Units, in whole or in part, to the holders of the Debentures. The number of Units to be issued will be determined by dividing the principal amount of the Debentures by 95% of the Current Market Price on the date fixed for redemption or the Maturity Date, as the case may be. Any accrued and unpaid interest will be paid in cash. No fractional Units will be issued to holders of Debentures but in lieu thereof Jazz Air Fund shall satisfy such fractional interest by a cash payment equal to the Current Market Price of such fractional interest.

Interest Payment Election

Unless an Event of Default has occurred and is continuing, Jazz Air Fund may elect, at any time and from time to time, subject to applicable regulatory approval, to issue and solicit bids to sell sufficient Units in order to raise funds to satisfy all or any part of its obligations to pay interest on the Debentures in accordance with the Indenture in which event holders of the Debentures will be entitled to receive a cash payment equal to the interest payable from the proceeds of the sale of such Units by the Debenture Trustee. The Indenture will provide that, upon such election, the Debenture Trustee shall (i) accept delivery of the proceeds with respect to such sales of Units by Jazz Air Fund; (ii) invest the proceeds of such sales in specified short term Canadian federal or provincial government or Canadian chartered bank obligations which mature prior to the applicable Interest Payment Date; (iii) deliver proceeds to holders of Debentures sufficient to satisfy Jazz Air Fund's interest payment obligations; and (iv) perform any other action necessarily incidental thereto as directed by Jazz Air Fund in its absolute discretion. The amount received by a holder in respect of interest and the timing of payment thereof will not be affected by whether or not Jazz Air Fund elects to utilize the Unit Interest Payment Option.

Neither Jazz Air Fund's making of the Unit Interest Payment Option nor the consummation of sales of Units will (a) result in the holders of Debentures not being entitled to receive, on the applicable payment date, cash in an aggregate amount equal to the interest payable on such payment date, or (b) entitle such holders to receive any Units in satisfaction of the interest payable on the applicable payment date.

Redemption and Purchase

Jazz Air Fund may not redeem the Debentures prior to December 31, 2012, except in the event of the satisfaction of certain conditions after a Change of Control has occurred as described below under "— Put Right upon a Change of Control". On and after December 31, 2012, but prior to December 31, 2013, the Debentures may be redeemed, in whole at any time or in part from time to time, on not more than 60 days and not less than 30 days prior written notice, at a price equal to the principal amount thereof plus accrued and unpaid interest in respect thereof for the period up to but excluding the date of redemption from and including the latest Interest Payment Date provided that the Current Market Price immediately preceding the date upon which the notice of redemption is given is not less than 125% of the Conversion Price. On and after December 31, 2013, and prior to the Maturity Date, Jazz Air Fund may redeem the Debentures in whole at any time or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest in respect thereof for the period up to but excluding the date of redemption from and including the latest Interest Payment Date on not more than 60 days and not less than 30 days prior written notice.

Jazz Air Fund will have the right to purchase Debentures in the market, by tender or by private contract, subject to regulatory requirements; provided, however, that if an Event of Default has occurred and is continuing, Jazz Air Fund will not have the right to purchase the Debentures by private contract.

In the case of redemption of less than all of the Debentures, the Debentures to be redeemed will be selected by the Debenture Trustee on a *pro rata* basis or in such other manner as the Debenture Trustee deems equitable, subject to the consent of the TSX.

Cancellation

All Debentures converted, redeemed or purchased as aforesaid will be cancelled and may not be reissued or resold.

Subordination

The payment of the principal of, and interest on, the Debentures will be subordinated in right of payment, in the circumstances referred to below and more particularly as set forth in the Indenture, to the Senior Indebtedness of Jazz Air Fund. "Senior Indebtedness" of Jazz Air Fund will be defined in the Indenture as all indebtedness of Jazz Air Fund (whether outstanding as at the date of the Indenture or thereafter incurred) which, by the terms of the instrument creating or evidencing the indebtedness, is not expressed to be *pari passu* with, or subordinate in right of payment to, the Debentures. The Indenture will not limit Jazz Air Fund's ability to incur additional indebtedness, including indebtedness that ranks senior to the Debentures, or from mortgaging, pledging or charging real or personal property or properties of Jazz Air Fund to secure any indebtedness. In addition,

the Indenture will not limit the ability of any subsidiary of Jazz Air Fund, including Jazz Air LP, to incur indebtedness. Although the Debentures are not indebtedness of Jazz Air LP, the Debentures will be effectively subordinate to claims of creditors (including trade creditors) of Jazz Air Fund's subsidiaries, including Jazz Air LP, except to the extent Jazz Air Fund is a creditor of such subsidiaries ranking at least *pari passu* with such other creditors. Jazz Air Fund may, at its option, loan all or a portion of the gross proceeds of the Offering to Jazz Air LP. Any such loan may be evidenced by a promissory note or other instrument of Jazz Air LP, which will be subordinate in right of payment to indebtedness under the existing and future bank credit facilities of Jazz Air LP. Accordingly, although Jazz Air Fund may be a creditor of Jazz Air LP, the claims of Jazz Air Fund pursuant to such promissory note or other instrument will be contractually subordinate to claims of lenders under such bank credit facilities of Jazz Air LP.

The Indenture will provide that in the event of any insolvency or bankruptcy proceedings, or any receivership, liquidation, reorganization or other similar proceedings relative to Jazz Air Fund, or to Jazz Air Fund's property or assets, or in the event of any proceedings for voluntary liquidation, dissolution or other winding up of Jazz Air Fund, whether or not involving insolvency or bankruptcy, or any marshalling of the assets and liabilities of Jazz Air Fund, all creditors entitled to Senior Indebtedness will receive payment in full before the holders of Debentures will be entitled to receive any payment or distribution of any kind or character, whether in cash, property or securities, which may be payable or deliverable in any such event in respect of any of the Debentures or any unpaid interest accrued thereon.

Put Right upon a Change of Control

Upon the occurrence of a Change of Control, each holder of Debentures may require Jazz Air Fund to purchase, on the Put Date, the whole or any part of such holder's Debentures for the Total Put Price.

If 90% or more in aggregate principal amount of the Debentures outstanding on the date of the giving of notice of the Change of Control have been tendered for purchase on the Put Date, Jazz Air Fund will have the right but not the obligation to redeem all the remaining Debentures on such date at the Put Price, together with accrued and unpaid interest to such date. Notice of such redemption must be given to the Debenture Trustee prior to the Put Date and as soon as reasonably possible thereafter, by the Debenture Trustee to the holders of the Debentures not tendered for purchase.

The Total Put Price will be payable in lawful money of Canada or, at Jazz Air Fund's option and subject to applicable regulatory approval, by payment of Units to satisfy, in whole or in part, Jazz Air Fund's obligation to pay the Total Put Price.

The Indenture will contain notification provisions to the following effect that:

- (a) Jazz Air Fund will, as soon as practicable after the occurrence of a Change of Control and in any event no later than five business days thereafter, give written notice to the Debenture Trustee of the occurrence of a Change of Control and the Debenture Trustee will, as soon as practicable thereafter and in any event no later than two business days after receiving notice from Jazz Air Fund, give to the holders of Debentures a notice of the Change of Control, the repayment right of the holders of Debentures and Jazz Air Fund's right to redeem untendered Debentures under certain circumstances; and
- (b) a holder of Debentures, to exercise the right to require Jazz Air Fund to purchase its Debentures, must deliver to the Debenture Trustee, not less than five business days prior to the Put Date, written notice of the holder's exercise of such right, together with a duly endorsed form of transfer.

Jazz Air Fund will comply with the requirements of Canadian securities laws and regulations to the extent such laws and regulations are applicable in connection with the repurchase of the Debentures in the event of a Change of Control.

Modification

The rights of the holders of the Debentures may be modified in accordance with the terms of the Indenture. For that purpose, among others, the Indenture will contain certain provisions which will make Extraordinary Resolutions binding on all holders of Debentures. Under the Indenture, the Debenture Trustee will have the right to make certain amendments to the Indenture in its discretion, without the consent of the holders of Debentures.

Events of Default

The Indenture will provide that an Event of Default in respect of the Debentures will occur if certain events described in the Indenture occur, including if any one or more of the following described events has occurred and is continuing with respect to the Debentures: (i) failure for 15 days to pay interest on the Debentures when due; (ii) failure to pay principal or premium, if any, on the Debentures, whether at the Maturity Date, upon redemption, by declaration of acceleration or otherwise; (iii) an unremedied breach of any material covenant or condition of the Indenture by Jazz Air Fund after a 30 day cure period following notice of such breach; or (iv) certain events of bankruptcy, insolvency or reorganization of Jazz Air Fund under bankruptcy or insolvency laws. If an Event of Default has occurred and is continuing, the Debenture Trustee may, in its discretion, and shall, upon the request of holders of not less than 25% in principal amount of the then outstanding Debentures, declare the principal of (and premium, if any) and interest on all outstanding Debentures to be immediately due and payable. Certain Events of Default may be waived by written direction of the holders of at least 66 $\frac{2}{3}$ % of the principal amount of the outstanding Debentures, by Extraordinary Resolution or by the Debenture Trustee in certain circumstances in accordance with the terms of the Indenture.

Offers for Debentures

The Indenture will contain provisions to the effect that if an offer is made for the Debentures which is a takeover bid for Debentures within the meaning of the *Securities Act* (Ontario) and not less than 90% of the outstanding principal amount of the Debentures (other than Debentures held at the date of the takeover bid by or on behalf of the offeror or associates or affiliates of the offeror or any person acting jointly or in concert with the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Debentures held by holders of Debentures who did not accept the offer on the terms offered by the offeror.

Limitation on Non-Resident Ownership

At no time may non-residents of Canada be the beneficial owners (on either a basic or fully diluted basis) of more than 49% of the Units, whether by way of conversion of Debentures into Units, repayment of Debentures by issuance of Units, or otherwise. The Debenture Trustee may, upon the instruction of Jazz Air Fund, require declarations as to the jurisdictions in which beneficial owners of Debentures are resident. If Jazz Air Fund notifies the Debenture Trustee that the beneficial owners (on either a basic or fully diluted basis) of more than 49% of the Units are, or may be, non-residents, or that such a situation is imminent, Jazz Air Fund may require the Debenture Trustee to make a public announcement thereof and Jazz Air Fund may instruct the Debenture Trustee not to register a transfer of Debentures to a person unless the person provides a declaration that the person is not a non-resident and does not hold his or her Debentures for the benefit of a non-resident. If, notwithstanding the foregoing, Jazz Air Fund notifies the Debenture Trustee that beneficial owners (on either a basic or fully diluted basis) of more than 49% of the Units are non-residents, Jazz Air Fund may instruct the Debenture Trustee to, or Jazz Air Fund's trustees may, send a notice to non-resident holders of Debentures or Units and holders of Debentures or Units for the benefit of non-residents, chosen in inverse order to the order of acquisition or registration of the Debentures or Units or in such manner as the Debenture Trustee or Jazz Air Fund's trustees may consider equitable and practicable, requiring them to sell their Debentures or Units or a portion thereof within a specified period of not more than 60 days. If the Debenture holders or unitholders receiving such notice have not sold the specified number of Debentures or Units or provided the Debenture Trustee and Jazz Air Fund with satisfactory evidence that they are not non-residents and do not hold Debentures or Units for the benefit of a non-resident within such period, Jazz Air Fund's trustees may or Jazz Air Fund may instruct the Debenture Trustee, on behalf of such Debenture holder or unitholder, and Jazz Air Fund's trustees or the Debenture Trustee, as applicable, shall have the power of attorney of such holder to, sell or redeem such Debentures or Units, as the case may be, and, in the interim, shall suspend the rights attached to such Debentures or Units. Upon such sale or redemption, the affected holders shall cease to be holders of Debentures or Units, as the case may be, and their rights shall be limited to receiving the net proceeds of sale or redemption upon surrender of such Debentures or Units.

Limitation on Exercise of Voting Rights by Non-Canadians

The *Canada Transportation Act* (the "CTA") requires that a specified percentage of the voting interest of Units be owned and controlled by Canadians, as that term is defined in the CTA. In order to ensure compliance with these Canadian ownership requirements, Jazz Air Fund's Declaration of Trust includes certain constraints on the voting rights of non-Canadian unitholders. Each Unit entitles the unitholder thereof to one vote, however each Unit that is not owned and controlled by a Canadian entitles the unitholder thereof to one vote, except in the following circumstances: (i) if more than 25% (or any higher percentage that the Governor in Council may by regulation specify) of the aggregate number of outstanding Units (determined on a fully diluted basis) are not owned and controlled by Canadians, the vote attaching to each Unit that is not owned and controlled by a Canadian will decrease automatically by such amount as is necessary to ensure that the aggregate number of votes attaching to all outstanding Units that are not owned and controlled by Canadians does not exceed 25% (or any higher percentage that the Governor in Council may by regulation specify) of the aggregate number of outstanding votes attaching to all outstanding Units; and (ii) if the aggregate number of votes that could be cast at any meeting in respect of Units that are not owned and controlled by Canadians would exceed 25% (or any higher percentage that the Governor in Council may by regulation specify) of the aggregate number of votes that could be cast at such meeting, the vote attaching to each Unit that is not owned and controlled by a Canadian will decrease automatically by such amount as is necessary to ensure that the aggregate number of votes that may be cast at such meeting in respect of all outstanding Units that are not owned and controlled by Canadians does not exceed 25% (or any higher percentage that the Governor in Council may by regulation specify) of the aggregate number of votes that can be cast at such meeting by all unitholders.

On February 6, 2009, the Government of Canada introduced Bill C-10 (Budget Implementation Act, 2009) ("Bill C-10"), which proposed amendments to the CTA relating to the foreign ownership restrictions on domestic air carriers. Bill C-10 received Royal Assent on March 12, 2009. The Governor in Council now has the authority on the recommendation of the Minister of Transport to fix by order, a day on which the Governor in Council may by regulation, set new foreign ownership limits up to a maximum of 49% foreign ownership. The regulations may specify that the new limits apply in the case of all non-Canadian investors or, alternatively, a specific class of non-Canadians identified in the regulations. On October 8, 2009, the Canadian Transportation Agency announced its plans to consult with relevant stakeholders and published details of proposed regulations, requesting comments by November 28, 2009.

Book-entry Only Delivery and Form

Debentures will be issued in the form of Global Debentures held by, or on behalf of, the Depository as custodian for its participants. All Debentures will be represented in the form of Global Debentures registered in the name of the Depository or its nominee. Purchasers of Debentures represented by Global Debentures will not receive Debentures in definitive form. Rather, the Debentures will be represented only in “book-entry only” form (unless Jazz Air Fund, in its sole discretion, elects to prepare and deliver definitive Debentures in fully-registered form). Beneficial interests in the Global Debentures, constituting ownership of the Debentures, will be represented through book-entry accounts of institutions (including the Underwriters) acting on behalf of beneficial owners, as direct and indirect participants of the Depository (the “**participants**”). Each purchaser of a Debenture represented by a Global Debenture will receive a customer confirmation of purchase from the Underwriter or Underwriters from whom the Debenture is purchased in accordance with the practices and procedures of the selling Underwriter or Underwriters. The practices of the Underwriters may vary but generally customer confirmations are issued promptly after execution of a customer order. The Depository will be responsible for establishing and maintaining book-entry accounts for its participants having interests in Global Debentures.

If the Depository notifies us that it is unwilling or unable to continue as depository in connection with the Global Debentures, or if at any time the Depository ceases to be a clearing agency or otherwise ceases to be eligible to be a depository and Jazz Air Fund and the Debenture Trustee are unable to locate a qualified successor, or if Jazz Air Fund elects, in its sole discretion, to terminate the book-entry system, beneficial owners of Debentures represented by Global Debentures at such time will receive Definitive Debentures.

Transfer and Exchange of Debentures

Transfers of beneficial ownership in Debentures represented by Global Debentures will be effected through records maintained by the Depository for such Global Debentures or its nominees (with respect to interests of participants) and on the records of participants (with respect to interests of persons other than participants). Unless Jazz Air Fund elects, in its sole discretion, to prepare and deliver Definitive Debentures, beneficial owners who are not participants in the Depository’s book-entry system, but who desire to purchase, sell or otherwise transfer ownership of or other interest in Global Debentures, may do so only through participants in the Depository’s book-entry system.

The ability of a beneficial owner of an interest in a Debenture represented by a Global Debenture to pledge the Debenture or otherwise take action with respect to such owner’s interest in a Debenture represented by a Global Debenture (other than through a participant) may be limited due to the lack of a physical certificate.

Registered holders of Definitive Debentures may transfer such Debentures upon payment of taxes or other charges incidental thereto, if any, by executing and delivering a form of transfer together with the Debentures to the registrar for the Debentures at its principal offices in Toronto, Ontario or such other city or cities as may from time to time be designated by Jazz Air Fund whereupon new Debentures will be issued in authorized denominations in the same aggregate principal amount as the Debentures so transferred, registered in the names of the transferees. No transfer or exchange of a Debenture will be registered during the period from the date of any selection by the Debenture Trustee of any Debentures to be redeemed or during the 15 preceding days or thereafter until the close of business on the date upon which notice of redemption of such Debentures is given. In addition, no transfer or exchange of any Debentures which have been selected or called for redemption will be registered.

Payments

Payments of interest and principal on each Global Debenture will be made to the Depository or its nominee, as the case may be, as the registered holder of the Global Debenture. As long as the Depository or its nominee is the registered owner of a Global Debenture, such Depository or its nominee, as the case may be, will be considered the sole legal owner of the Global Debenture for the purposes of receiving payments of interest and principal on the Debentures and for all other purposes under the Indenture and the Debentures. Interest payments on Global Debentures will be made by electronic funds transfer on the day interest is payable and delivered to the Depository or its nominee, as the case may be. Jazz Air Fund will make any withholdings or deductions from all payments of interest on the Debentures in respect of taxes required by law or by the interpretation or administration thereof and will remit the full amount withheld or deducted to the relevant taxing authority in accordance with applicable law.

Jazz Air Fund understands that the Depository or its nominee, upon receipt of any payment of interest or principal in respect of a Global Debenture, will credit participants’ accounts, on the date interest or principal is payable, with payments in amounts proportionate to their respective beneficial interest in the principal amount of such Global Debenture as shown on the records of the Depository or its nominee. Jazz Air Fund also understands that payments of interest and principal by participants to the owners of beneficial interest in such Global Debenture held through such participants will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name” and will be the responsibility of such participants. Jazz Air Fund’s responsibility and liability in respect of payments on Debentures represented by the Global Debenture is limited solely and exclusively, while the Debentures are registered in Global Debenture form, to making payment of any interest and principal due on such Global Debenture to the Depository or its nominee.

If Definitive Debentures are issued instead of or in place of Global Debentures, payments of interest on each Definitive Debenture will be made by electronic funds transfer, if agreed to by the holder of the Definitive Debenture or if required under

any applicable payment clearing system rules, or by cheque dated the Interest Payment Date and mailed at least five business days (a business day for this purpose being a day, other than a Saturday, Sunday or statutory holiday, on which Canadian chartered banks are open for business in Toronto, Ontario) preceding the applicable Interest Payment Date to the address of the holder appearing in the register maintained by the registrar for the Debentures at the close of business on the Record Date. Payment of principal at maturity will be made at the principal office of the Debenture Trustee in the City of Toronto, Ontario (or in such other city or cities as may from time to time be designated by Jazz Air Fund) against surrender of the Definitive Debentures, if any. If the due date for payment of any amount of principal or interest on any Definitive Debenture is not, at the place of payment, a business day such payment will be made on the next business day and the holder of such Definitive Debenture shall not be entitled to any further interest or other payment in respect of such delay.

Reports to Holders

Jazz Air Fund will file with the Debenture Trustee, within 15 days after the filing thereof with the securities regulatory authorities in Canada, copies of Jazz Air Fund's annual report and the information, documents and other reports that Jazz Air Fund is required to file with the securities regulatory authorities in Canada and deliver to its unitholders. Notwithstanding that Jazz Air Fund may not be required to remain subject to the reporting requirements of the securities regulatory authorities in Canada, Jazz Air Fund shall provide to the Debenture Trustee (a) within 90 days after the end of each fiscal year, an annual financial statement of Jazz Air Fund, and (b) within 45 days after the end of each of the first three fiscal quarters of each fiscal year, interim financial statements of Jazz Air Fund which shall, at a minimum, contain such information as is required to be provided in quarterly reports under the laws of Canada or any province thereof to security holders of a company with securities listed on the TSX, whether or not Jazz Air Fund has any of its securities so listed. Each of such reports will be prepared in accordance with applicable Canadian disclosure requirements and generally accepted accounting principles. Jazz Air Fund will provide copies of such information, documents and reports to holders of Debentures upon request.

Governing Law

Each of the Indenture and the Debentures are governed by, and will be construed in accordance with, the laws of the Province of Ontario applicable to contracts executed and to be performed entirely in such province.

TRADING PRICE AND VOLUME OF UNITS

The outstanding Units are traded on the TSX under the trading symbol "JAZ.UN". On October 22, 2009, the trading day on which Jazz Air Fund announced the Offering, the closing price of the Units on the TSX was \$4.42. The following table sets forth the reported minimum and maximum closing prices and total monthly trading volumes of the outstanding Units as reported by the TSX for the periods indicated.

<u>Period</u>	High	Low	Total Monthly Volume Traded
2009			
October (October 1 to October 22)	4.50	3.55	7,335,723
September	3.68	3.35	4,648,240
August	3.66	3.29	6,512,443
July	3.91	3.06	12,382,692
June	3.69	2.56	11,461,971
May	3.34	2.41	4,866,593
April	2.99	1.91	9,536,108
March	4.26	3.13	4,241,092
February	4.68	3.91	5,881,963
January	4.74	3.23	11,691,639
2008			
December	3.77	3.18	6,126,603
November	4.78	3.06	9,085,833
October	5.35	3.41	13,712,286

PLAN OF DISTRIBUTION

Pursuant to an underwriting agreement (the “**Underwriting Agreement**”) dated October 28, 2009 between Jazz Air Fund and the Underwriters, Jazz Air Fund has agreed to sell and the Underwriters have severally agreed to purchase, subject to the terms and conditions contained in the Underwriting Agreement, on November 12, 2009 or on such other date as may be agreed between Jazz Air Fund and the Underwriters, but, in any event, not later than November 30, 2009, \$75,000,000 aggregate principal amount of Debentures, at par, payable in cash to Jazz Air Fund against delivery of the Debentures. The Underwriting Agreement provides that Jazz Air Fund will pay to the Underwriters a fee of \$40 per \$1,000 principal amount of Debentures in consideration of their services in connection with the Offering. The obligations of the Underwriters under the Underwriting Agreement are several and may be terminated at their discretion on the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all of the Debentures if any of such Debentures are purchased under the Underwriting Agreement.

Jazz Air Fund has agreed to grant the Underwriters the Over-Allotment Option, exercisable in whole or in part at any time until 30 days after the Closing, to purchase up to an additional \$11,250,000 principal amount of Debentures on the same terms as set out above solely to cover over-allotments, if any. Jazz Air Fund has agreed to pay to the Underwriters a fee of \$40 per \$1,000 principal amount of Debentures with respect to Debentures issued under the Over-Allotment Option. This prospectus qualifies the grant of the Over-Allotment Option and the issuance of Debentures on the exercise of the Over-Allotment Option.

In connection with the Offering, the Underwriters may effect transactions that stabilize or maintain the market price of the Debentures at levels other than those which otherwise might prevail on the open market. Such transactions, if commenced, may be discontinued at any time. **The Underwriters may offer the Debentures at a price lower than that stated above.**

The Offering is being made in each of the provinces and territories of Canada. The Debentures have not and will not be registered under the U.S. Securities Act or any state securities laws and, subject to certain exceptions, may not be offered or sold in the United States. The Underwriters have agreed that they will not offer or sell the Debentures within the United States of America, its territories, its possessions and other areas subject to its jurisdiction, except, in accordance with the Underwriting Agreement, pursuant to an exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A thereunder and in compliance with applicable state securities laws. This prospectus does not constitute an offer to sell or solicitation of an offer to buy any of the Debentures in the United States. In addition, until 40 days after the commencement of the offering of the Debentures pursuant to this prospectus, an offer or sale of Debentures within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act if such offer is made otherwise than in compliance with Rule 144A.

Jazz Air Fund has agreed to indemnify the Underwriters and their directors, officers and employees against certain liabilities pursuant to the Underwriting Agreement, including liabilities under Canadian securities legislation.

Jazz Air Fund has agreed that it will not, directly or indirectly, without the prior written consent of TD Securities Inc., on behalf of the Underwriters, issue, offer, sell, grant any option to purchase or otherwise dispose of (or announce any intention to do so) any Units or securities convertible into or exchangeable for Units (subject to certain exceptions) or enter into any swap transaction in respect of the Units for a period commencing on the date of the Underwriting Agreement and ending on the date that is 90 days after the Closing.

Jazz Air Fund has applied to list the Debentures to be distributed under this short form prospectus (and the Units issuable on conversion of the Debentures) on the TSX. Listing will be subject to Jazz Air Fund fulfilling all of the listing requirements of the TSX. **There is no market through which the securities may be sold and purchasers may not be able to resell securities purchased under this short form prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of securities, and the extent of issuer regulation.**

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice.

The price of the Debentures offered under this short form prospectus was established by negotiation between Jazz Air Fund and the Underwriters. The Underwriters propose to offer the Debentures initially at the offering price specified on the cover page of this prospectus. After the Underwriters have made a reasonable effort to sell all of the Debentures at the price specified on the cover page, the offering price may be decreased and may be further changed from time to time to an amount not greater than that set out on the cover page, and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by purchasers for the Debentures is less than the price paid by the Underwriters to Jazz Air Fund.

Pursuant to the policy statements of certain securities regulators, the Underwriters may not, throughout the period of distribution, bid for or purchase Debentures other than pursuant to the Underwriting Agreement. The foregoing restriction is subject to exceptions, including (i) a bid or purchase permitted under Universal Market Integrity Rules; and (ii) a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution, provided that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Debentures. Jazz Air Fund has been advised that in connection with the Offering and pursuant to the first-mentioned exception, the Underwriters may effect transactions which stabilize or maintain the market price of the Debentures at levels other than those which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

TD Securities Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc. and RBC Dominion Securities Inc. are subsidiaries or affiliates of lenders that have made credit facilities available to Jazz Air LP. Accordingly, under applicable securities laws, Jazz Air Fund may be considered a “connected issuer” of such Underwriters. As of June 30, 2009, \$115,000,000 was outstanding under such credit facilities. Borrowings under the credit facilities are secured by substantially all the present and future assets of Jazz Air Fund. For additional information describing the credit facilities refer to Note 3 of Jazz Air Fund’s Unaudited Consolidated Financial Statements for the period ended June 30, 2009. As at June 30, 2009, Jazz was in compliance with all debt covenants under the credit facilities. Neither the financial position of Jazz Air LP nor the value of the security under the credit facilities has changed substantially since the indebtedness under the credit facilities was incurred. The terms of the offering of the Debentures were negotiated at arm’s-length between TD Securities Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc. and RBC Dominion Securities Inc. (of which Jazz Air Fund is neither a related issuer nor a connected issuer) and Jazz Air Fund. The Underwriters participated in the drafting of this prospectus, the negotiation of the pricing of the Debentures and the due diligence process in respect of the Offering. TD Securities Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc. and RBC Dominion Securities Inc. will not receive any benefit in connection with this offering other than as described in this prospectus.

In order for Jazz Air Fund to maintain its status as a mutual fund trust as defined in the Tax Act, it must not be established or maintained primarily for the benefit of non-residents of Canada within the meaning of the Tax Act. Jazz Air Fund’s Declaration of Trust provides constraints on the ownership of the Units for this purpose. See “Description of the Fund — Limitation on Non-Resident Ownership” in the Annual Information Form and “Details of the Offering — Limitation on Non-Resident Ownership” in this short form prospectus. Jazz Air Fund monitors ownership of its Units which are held by non-residents by periodically obtaining and reviewing unit ownership reports from our transfer agent or other service providers.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Osler, Hoskin & Harcourt LLP, counsel to Jazz Air Fund, and Stikeman Elliott LLP, counsel to the Underwriters (together, the “**Counsel**”), the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable under the Tax Act that apply to a holder that acquires Debentures under this Offering and to a holder that acquires Units pursuant to a conversion, redemption or repayment at maturity of Debentures acquired by the holder under this Offering. This summary is applicable to such a holder who, for purposes of the Tax Act and at all relevant times, is resident in Canada, holds any Units and/or Debentures as capital property and deals at arm’s length and is not affiliated with Jazz Air Fund (a “**Holder**”). Generally, Debentures and Units will be considered to be capital property to a Holder provided that the Holder does not hold the Debentures or Units, as applicable, in the course of carrying on a business of buying and selling securities and has not acquired them in one or more transactions considered to be an adventure in the nature of trade.

Certain Holders whose Debentures or Units might not otherwise qualify as capital property may, in certain circumstances, be entitled to have such Debentures and Units and any other “Canadian securities” (as defined in the Tax Act) owned by such Holder in the taxation year of the election and all subsequent taxation years deemed to be capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. Such Holders should consult their own tax advisors, having regard to their own particular circumstances.

This summary is not applicable to a Holder: (i) that is a “financial institution” (as defined in the Tax Act for purposes of the mark-to-market rules); (ii) that is a “specified financial institution” (as defined in the Tax Act); (iii) an interest in which is a tax shelter investment (as defined in the Tax Act); or (iv) who has elected to report its “Canadian tax results” (as defined in the Tax Act) in a currency other than Canadian dollars. Any such Holders should consult their own tax advisors with respect to an investment in the Debentures or Units.

This summary is based upon the current provisions of the Tax Act and the regulations thereunder (the “**Regulations**”), taking into account proposed amendments to the Tax Act and the Regulations thereunder publicly announced by or on behalf of the Minister of Finance prior to the date hereof (the “**Tax Proposals**”), and counsels’ understanding of the current published administrative practices and assessing policies of the Canada Revenue Agency. The summary is not exhaustive of all possible income tax considerations and, except for the Tax Proposals, does not otherwise take into account or anticipate any changes in the law, whether by way of legislative, governmental or judicial action, or in the administrative practices or assessing policies of the Canada Revenue Agency, nor does it take into account tax laws of countries other than Canada or any relevant provincial tax legislation or considerations. **The income and other tax consequences of acquiring, holding or disposing of Debentures and/or Units will vary depending on the particular circumstances of the holder thereof, including the provinces and territories in which the Holder resides or carries on business. Accordingly, this summary is of a general nature only and is not intended to be legal or tax advice to any prospective purchaser. Consequently, prospective purchasers should consult their own tax advisors for advice with respect to the tax consequences to them of an investment in Debentures and/or Units based on their particular circumstances.**

Qualification as a Mutual Fund Trust

This summary is based on the assumption that Jazz Air Fund will qualify as a “mutual fund trust”, as defined in the Tax Act, on the completion of the Offering and will thereafter continuously qualify as a mutual fund trust at all relevant times. If Jazz Air Fund were not to so qualify as a mutual fund trust, the income tax considerations would be materially different, in some respects, from those described below.

Currently, a trust will not be considered to be a mutual fund trust if it is established or maintained primarily for the benefit of non-residents of Canada unless all or substantially all of its property is property other than “taxable Canadian property” as defined in the Tax Act. Jazz Air Fund’s Declaration of Trust contains mechanisms to ensure that this limitation will not be breached. On September 16, 2004, the Minister of Finance (Canada) released draft amendments to the Tax Act providing that a trust will cease to qualify as a mutual fund trust at the time trust units representing more than 50% of the fair market value of all issued trust units are held by one or more non-residents of Canada or one or more partnerships that are not “Canadian partnerships”, as defined in the Tax Act, where more than 10% (based on fair market value) of the trust’s property is taxable Canadian property or certain other types of property. On December 6, 2004, the Minister of Finance (Canada) tabled a Notice of Ways and Means Motion to implement certain measures proposed in the September 16, 2004 draft amendments, which Notice did not include this particular draft amendment, and the Department of Finance (Canada) indicated in a concurrent release that further discussions would be pursued with the private sector in this respect. The issue of the ownership of units of mutual fund trusts by non-residents of Canada and partnerships that are not “Canadian partnerships” was not addressed in the most recent federal budgets.

SIFT Rules

On October 31, 2006, the Minister of Finance (Canada) announced a “Tax Fairness Plan” which, in part, proposed changes to the manner in which certain flow-through entities and the distributions from such entities are taxed. Bill C-52, the Budget Implementation Act, 2007, which received Royal Assent on June 22, 2007, contained rules relating to the tax treatment of SIFTs (the “**SIFT Rules**”) which implement these proposals. Under the SIFT Rules, Jazz Air Fund, as a publicly traded income trust, is considered a SIFT and will be subject to trust level taxation as of January 1, 2011 at a rate substantially equivalent to the combined federal and provincial corporate tax rate on certain types of income. In addition, the taxable distributions received by unitholders will be treated as dividends from a taxable Canadian corporation.

The SIFT Rules could become effective on a date earlier than January 1, 2011 if Jazz Air Fund is deemed to have undergone “undue expansion” during the period from November 1, 2006 to December 31, 2010, as described in the normal growth guidelines issued by the Department of Finance on December 15, 2006 (the “**Normal Growth Guidelines**”).

The Normal Growth Guidelines indicate that Jazz Air Fund will not lose the benefit of the deferred application of the new tax regime to 2011 if the equity capital of Jazz Air Fund does not grow as a result of issuances of new equity (which includes Units, debt that is convertible into Units, and potentially other substitutes for such equity) before 2011 by an amount that exceeds the greater of \$50 million and an objective “safe harbour” amount based on a percentage of Jazz Air Fund’s market capitalization as of the end of trading on October 31, 2006 (measured in terms of the value of Jazz Air Fund’s issued and outstanding publicly traded Units, not including debt, options or interests that were convertible into Units, the (“**October 31, 2006 Market Capitalization**”). The Normal Growth Guidelines provide for a “safe harbour” amount.

Time Period	Safe Harbour Amount
November 1, 2006 to December 31, 2007	40% of October 31, 2006 Market Capitalization
2008	20% of October 31, 2006 Market Capitalization
2009	20% of October 31, 2006 Market Capitalization
2010	20% of October 31, 2006 Market Capitalization

These “safe harbour” amounts are cumulative such that any unused limit for a given period is carried over to the next period until the end of 2010.

On December 4, 2008, Finance announced an acceleration of the safe harbour amounts for 2009 and 2010 such that after December 4, 2008, they became immediately available. The safe harbour rules remained cumulative such that after December 4, 2008, the maximum amount that could be issued by a SIFT under the safe harbour rules is 100% of its October 31, 2006 market capitalization less the value of any units issued after October 31, 2006 (other than any issuances of units that would not be subject to the Normal Growth Guidelines).

Management has advised Counsel that Jazz Air Fund’s October 31, 2006 Market Capitalization was approximately \$232 million. Management has further advised Counsel that taking into account all equity issuances since November 1, 2006, determined in accordance with the Normal Growth Guidelines, Jazz Air Fund had not exceeded the “safe harbour” amount and the issuance of the Debentures will not cause it to exceed the “safe harbour” amount. It is assumed, for the purpose of this summary, that Jazz Air Fund will not currently be subject to the SIFT Rules. However, in the event that Jazz Air Fund issues additional Units or convertible debentures (or other equity substitutes) prior to 2011, Jazz Air Fund may become subject to the SIFT Rules prior to January 1, 2011. No assurance can be given that the SIFT Rules will not apply to Jazz Air Fund prior to 2011.

The remainder of this summary is subject to the SIFT Rules as discussed above.

Taxation of Jazz Air Fund

Jazz Air Fund will be subject to tax under Part I of the Tax Act in each taxation year (which will be the calendar year) on its taxable income for the year, including net realized taxable capital gains, less the portion thereof that is paid or payable in such year to the unitholders and that is deducted by Jazz Air Fund in computing its income for tax purposes. An amount is

considered to be payable to a unitholder in a taxation year if it is paid to the unitholder in the year or if the unitholder is entitled in that year to enforce payment of the amount.

Jazz Air Fund will include in its income for each taxation year such amount of the income for tax purposes of Jazz Air Trust (the “Trust”), including net taxable capital gains, as is paid or becomes payable to Jazz Air Fund in the year in respect of the units of the Trust held by Jazz Air Fund and all interest on the notes of the Trust, held by Jazz Air Fund, that accrues to Jazz Air Fund to the end of the year, or that becomes receivable or is received by it before the end of the year, except to the extent that such interest was included in computing Jazz Air Fund’s income for a preceding year. Jazz Air Fund will not be subject to income tax on any amount received as a payment of principal in respect of the Trust Notes or on any amount received as distributions on the Trust Units that are in excess of the income of the Trust that is paid or payable by the Trust to Jazz Air Fund in the year, which amount will generally reduce the adjusted cost base of the Trust Units. If, as a result, Jazz Air Fund’s adjusted cost base in any taxation year of its Trust Units would otherwise be a negative amount, Jazz Air Fund will be deemed to realize a capital gain in such amount for that year and Jazz Air Fund’s adjusted cost base of its Trust Units will then be reset to nil. Jazz Air Fund will generally be entitled to deduct in computing income reasonable administrative and other operating expenses (other than expenses on account of capital) incurred by it for the purpose of earning income, subject to the relevant provisions of the Tax Act.

Under the terms of Jazz Air Fund’s Declaration of Trust, an amount equal to the annual income of Jazz Air Fund (determined without reference to subsection 104(6) of the Tax Act), together with the taxable and non-taxable portion of any net capital gains realized by Jazz Air Fund in the year (excluding taxable capital gains or income of Jazz Air Fund arising upon a distribution *in specie* of property of Jazz Air Fund on redemption of a Unit which are paid or payable by Jazz Air Fund to the redeeming unitholder and taxable capital gains which may be offset by allowable capital losses of Jazz Air Fund carried forward from prior years) will be payable in the year to the unitholders by way of cash distributions, subject to the exceptions described below. Jazz Air Fund’s Declaration of Trust further provides that Jazz Air Fund will deduct in computing its income for tax purposes such amounts as are paid or payable to unitholders for the year whether in cash, additional Units or otherwise as is necessary to ensure that Jazz Air Fund is not liable to pay income tax under Part I of the Tax Act in any year. Counsel express no opinion in this regard. Income of Jazz Air Fund which is applied to fund redemptions of Units for cash or is otherwise unavailable for cash distribution will be distributed to unitholders in the form of additional Units. Losses incurred by Jazz Air Fund cannot be allocated to unitholders, but can be deducted by Jazz Air Fund in future years in computing taxable income, in accordance with the Tax Act.

A distribution in specie by Jazz Air Fund to a unitholder upon a redemption of Units will give rise to dispositions of property by Jazz Air Fund. Such dispositions will result in a capital gain (or a capital loss) to Jazz Air Fund to the extent that the proceeds of disposition are greater (or less) than the cost amount to Jazz Air Fund of such property and any reasonable costs of disposition. Capital gains and income of Jazz Air Fund attributable to an in specie distribution will be designated in respect of, and made payable to, the redeeming unitholder, with the result that the taxable portion of such gains and income should generally be included in computing the income of the redeeming unitholder and deductible by Jazz Air Fund in computing its income.

Once Jazz Air Fund becomes subject to the SIFT Rules (which is assumed to be, subject to compliance with the Normal Growth Guidelines, no earlier than 2011), Jazz Air Fund will no longer be able to deduct any part of the amounts payable to unitholders in respect of its “non-portfolio earnings”, as defined in the Tax Act, which will include all income from the Trust Units and the Trust Notes. Income which Jazz Air Fund is unable to deduct, pursuant to the SIFT Rules, will be taxed in Jazz Air Fund at a rate substantially equivalent to the combined federal and provincial corporate tax rate. The SIFT Rules do not change the tax treatment of distributions that are in excess of the income of Jazz Air Fund.

Taxation of Holders of Debentures

Interest on Debentures

A Holder of Debentures that is a corporation, partnership, unit trust or any trust of which a corporation or a partnership is a beneficiary will be required to include in computing its income for a taxation year any interest on the Debentures that accrues (or is deemed to accrue) to it to the end of the particular taxation year (or if the Holder disposes of the Debentures in the year, that accrues or is deemed to accrue to it until the time of disposition) or that has become receivable by or is received by the Holder before the end of that taxation year, including on a conversion, redemption or repayment on maturity, except to the extent that such interest was included in computing the Holder’s income for a preceding taxation year.

Any other Holder will be required to include in computing income for a taxation year all interest on the Debentures that is received or receivable by such Holder in that taxation year (depending upon the method regularly followed by the Holder in computing income), including on a conversion, redemption or repayment on maturity, except to the extent that the interest was included in the Holder’s income for a preceding taxation year. In addition, if at any time a Debenture should become an “investment contract”, as defined in the Tax Act, in relation to a Holder, such Holder will be required to include in computing the Holder’s income for a taxation year all interest (not otherwise required to be included in income) that accrues or is deemed to accrue on the Holder’s Debentures to the end of any “anniversary day”, as defined in the Tax Act, in that year to the extent such interest was not otherwise included in the Holder’s income for that year or a preceding year.

The fair market value of any premium paid by Jazz Air Fund to a Holder on a Put Date, whether paid in cash or in Units, will generally be deemed to be interest received at that time by such Holder if such premium is paid by Jazz Air Fund

because of the repayment by it to the Holders of the Debentures before their maturity and to the extent that such premium can reasonably be considered to relate to, and does not exceed the value on the Put Date, of the interest that would have been paid or payable by Jazz Air Fund on the Debentures for taxation years of Jazz Air Fund ending after the Put Date.

A Holder that is a “Canadian-controlled private corporation” (as defined in the Tax Act) may be liable to pay an additional tax, a portion of which is refundable, on certain investment income, including amounts in respect of interest.

Exercise of Conversion Privilege

A Holder who converts a Debenture into Units pursuant to the conversion privilege will be considered to have disposed of the Debenture for proceeds of disposition equal to the aggregate of the fair market value of the Units so acquired at the time of the conversion and the amount of any cash received in lieu of fractional Units. The Holder will realize a capital gain or capital loss computed as described below under “Dispositions of Debentures”. The cost to the Holder of any Units so acquired will also be equal to their fair market value at the time of acquisition, and must be averaged with the adjusted cost base of all other Units held as capital property by the Holder for the purposes of calculating the adjusted cost base of such Units.

Redemption or Repayment of Debentures

If Jazz Air Fund redeems a Debenture prior to maturity or repays a Debenture upon maturity and the Holder does not exercise the conversion privilege prior to such redemption or repayment, the Holder will be considered to have disposed of the Debenture for proceeds of disposition equal to the amount received by the Holder (other than the amount received on account of interest) on such redemption or repayment. If the Holder receives Units on redemption or repayment, the Holder will be considered to have proceeds of disposition equal to the aggregate of the fair market value of the Units so received and the amount of any cash received in lieu of fractional Units. The Holder may realize a capital gain or capital loss computed as described below under “Dispositions of Debentures”. The cost to the Holder of the Units so received will also be equal to their fair market value at the time of acquisition, and must be averaged with the adjusted cost base of all other Units held as capital property by the Holder for the purpose of calculating the adjusted cost base of such Units.

Dispositions of Debentures

A disposition or deemed disposition of a Debenture by a Holder will generally result in the Holder realizing a capital gain (or capital loss) equal to the amount by which the proceeds of disposition (adjusted as described below) are greater (or less) than the aggregate of the Holder’s adjusted cost base thereof and any reasonable costs of disposition. Any such capital gain or capital loss will be treated, for tax purposes, in the same manner as capital gains and capital losses arising from a disposition of Units which treatment is discussed below under “—Disposition of Units”.

Upon such a disposition or deemed disposition of a Debenture, interest accrued thereon to the date of disposition and not yet due will be included in computing the Holder’s income, except to the extent such amount was otherwise included in the Holder’s income, and will be excluded in computing the Holder’s proceeds of disposition of the Debenture. A Holder who has overaccrued interest income will generally be entitled to a deduction in computing the Holder’s income for a taxation year in which a Debenture is disposed of (including on conversion) for an amount equal to such overaccrued income.

A capital gain realized by a Holder who is an individual or trust (other than certain specified trusts) may give rise to a liability for alternative minimum tax.

A “Canadian-controlled private corporation” (as defined in the Tax Act) that disposes of Debentures may be liable to pay an additional tax, a portion of which is refundable, on certain investment income for the year, including amounts in respect of taxable capital gains.

Income Trust Conversion Transaction

An Income Trust Conversion Transaction may result in tax consequences to a Holder. However, the tax consequences associated with an Income Trust Conversion Transaction will depend on the manner in which any Income Trust Conversion Transaction is carried out. Holders should consult their own tax advisors regarding the tax consequences arising from any Income Trust Conversion Transactions.

Taxation of Unitholders

Trust Distributions

A Holder of Units is generally required to include in computing income for a particular taxation year of the Holder the portion of the net income of Jazz Air Fund for the taxation year of Jazz Air Fund ending on or before the particular taxation year end of the Holder, including net taxable capital gains (determined for the purposes of the Tax Act), that is paid or payable, or deemed to be paid or payable, to the Holder in such taxation year of Jazz Air Fund, whether or not those amounts are received in cash, additional Units or otherwise.

The non-taxable portion of any net capital gains of Jazz Air Fund that is paid or payable, or deemed to be paid or payable, to a Holder in a taxation year will not be included in computing the Holder’s income for the year. Any other amount in

excess of the net income and net taxable capital gains of Jazz Air Fund that is paid or payable, or deemed to be paid or payable, by Jazz Air Fund to a Holder in a year, will not generally be included in the Holder's income for the year. However, where such an amount is paid or payable to a Holder, a Holder will be required to reduce the adjusted cost base of its Units by the portion of any amount (other than proceeds of disposition in respect of the redemption of Units) paid or payable to such Holder that was not included in computing the Holder's income and will realize a capital gain to the extent that the adjusted cost base of the Holder's Units would otherwise be a negative amount.

Provided that appropriate designations are made by Jazz Air Fund, such portions of the net taxable capital gains, taxable dividends received, or deemed to be received, on shares of taxable Canadian corporations and foreign source income as are paid or payable, or deemed to be paid or payable, by Jazz Air Fund to the Holders will effectively retain their character and be treated and taxed as such in the hands of the Holders for purposes of the Tax Act, and Holders may be entitled to claim a foreign tax credit for foreign taxes paid by Jazz Air Fund. To the extent that amounts are designated as having been paid to Holders out of the net taxable capital gains of Jazz Air Fund, such designated amounts will be deemed for tax purposes to be received by Holders in the year as a taxable capital gain and will be subject to the general rules relating to the taxation of capital gains described below. To the extent that amounts are designated as having been paid to Holders out of taxable dividends received, or deemed to be received, on shares of taxable Canadian corporations, they will be subject to the normal gross-up and dividend tax credit provisions in respect of Holders who are individuals, to the refundable tax under Part IV of the Tax Act in respect of Holders that are private corporations and certain other corporations controlled directly or indirectly by or for the benefit of an individual (other than a trust) or related group of individuals (other than trusts), and to the deduction in computing taxable income in respect of Holders that are corporations. A Holder of Units that is a Canadian controlled private corporation (as defined in the Tax Act) may also be liable to pay an additional tax, a portion of which is refundable, on certain investment income, including amounts in respect of taxable capital gains. Holders of Units should consult their own tax advisors for advice with respect to the potential application of these provisions.

Certain taxable dividends received by individuals from a corporation resident in Canada will be eligible for the enhanced dividend tax credit to the extent certain conditions are met and designations are made, such as the dividend being sourced out of income that is subject to tax at the general corporate tax rate. This could apply to distributions made by Jazz Air Fund to the Holders that have as their sources eligible taxable dividends received from a corporation resident in Canada, to the extent Jazz Air Fund makes the appropriate designation to have such eligible taxable dividends deemed received by the Holder of Units and provided that the corporate dividend payer makes the required designation to treat such taxable dividends as eligible dividends.

Dispositions of Units

On the disposition or deemed disposition of a Unit by a Holder, whether on redemption or otherwise, the Holder will generally realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition are greater (or less) than the aggregate of the Holder's adjusted cost base of the Unit and any reasonable costs of disposition. Proceeds of disposition will not include an amount payable by Jazz Air Fund that is otherwise required to be included in the Holder's income (such as an amount designated as payable by Jazz Air Fund to a redeeming Holder out of capital gains or income of Jazz Air Fund as described above).

For the purpose of determining the adjusted cost base to a Holder of Units, when a Unit is acquired, the cost of the newly-acquired Unit will be averaged with the adjusted cost base of all of the Units owned by the Holder as capital property immediately before that acquisition. The adjusted cost base of a Unit to a Holder will include all amounts paid by the Holder for the Unit, with certain adjustments. The cost to a Holder of Units received on the conversion, redemption or repayment of Debentures will be equal to the fair market value of the Units at the time of the conversion, redemption or repayment.

Where the redemption price for Units is paid and satisfied by way of a distribution *in specie* to the Holders of securities of a Subsidiary of Jazz Air Fund ("**Subsidiary Securities**"), the proceeds of disposition to the Holder of the Units will be equal to the fair market value of the property so distributed less any income or capital gain realized by Jazz Air Fund as a result of the redemption of those Units to the extent such income or capital gain is designated by Jazz Air Fund to the redeeming Holder. Where income or capital gain realized by Jazz Air Fund as a result of the redemption of Units has been so designated by Jazz Air Fund, the Holder will be required to include in computing its income for tax purposes the income and the taxable portion of the capital gain so designated. The cost of any Subsidiary Security distributed by Jazz Air Fund to a Holder upon a redemption of Units will generally be equal to the fair market value of such Subsidiary Security at the time of distribution.

One-half of any capital gains realized by a Holder and the amount of any net taxable capital gains designated by Jazz Air Fund in respect of a Holder will be included in the Holder's income as a taxable capital gain. One-half of any capital loss realized by a Holder on a disposition, or deemed disposition of Units, may generally be deducted only from taxable capital gains of the Holder in the year of disposition, in the three preceding taxation years or in any subsequent taxation years, to the extent and under the circumstances described in the Tax Act.

Where a Holder that is a corporation or a trust (other than a mutual fund trust) disposes of a Unit, the Holder's capital loss from the disposition will generally be reduced by the amount of any dividends received by Jazz Air Fund previously designated by Jazz Air Fund to the Holder, to the extent and under the circumstances prescribed in the Tax Act. Analogous rules apply where a corporation or trust (other than a mutual fund trust) is a member of a partnership that disposes of Units.

Alternative Minimum Tax

In general terms, net income of Jazz Air Fund, paid or payable, or deemed to be paid or payable, to a Holder who is an individual or trust (other than certain specified trusts), and that is designated as taxable dividends or as net taxable capital gains, and capital gains realized on the disposition of Units may increase the Holder's liability for alternative minimum tax.

ELIGIBILITY FOR INVESTMENT

In the opinion of Osler, Hoskin & Harcourt LLP, counsel to Jazz Air Fund, and Stikeman Elliott LLP, counsel to the Underwriters, provided that, on the date of issue, Jazz Air Fund is a mutual fund trust under the Tax Act and the Regulations and provided that the Debentures or Units are listed on a designated stock exchange (which currently includes the TSX), the Debentures, if issued on the date hereof, will be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, registered disability savings plans, deferred profit sharing plans, tax-free savings accounts (a "TFSA") and registered education savings plans (collectively, the "Plans") (other than a deferred profit sharing plan for which Jazz Air Fund, or a corporation with which Jazz Air Fund does not deal at arm's length is the employer). In addition, provided that the Units are listed on a designated stock exchange or Jazz Air Fund qualifies as a mutual fund trust for purposes of the Tax Act, the Units, including the Units issuable on a conversion, redemption or repayment at maturity of the Debentures, if issued on the date hereof, would be qualified investments for the Plans.

Notwithstanding that Units and Debentures may be qualified investments for a trust governed by a TFSA, the holder of a TFSA will be subject to a penalty tax on the Units or Debentures if such Units or Debentures, as the case may be, are a "prohibited investment" for the TFSA. Units or Debentures will generally be a "prohibited investment" if the holder of a TFSA does not deal at arm's length with Jazz Air Fund for purposes of the Tax Act or the holder of the TFSA has a "significant interest" (within the meaning of the Tax Act) in Jazz Air Fund or a corporation, partnership or trust with which Jazz Air Fund does not deal at arm's length for purposes of the Tax Act.

RISK FACTORS

An investment in the Debentures is subject to a number of risks. Before making an investment decision, investors should carefully consider the risks described below and in the Annual Information Form and the June 2009 MD&A.

Risks Relating to the Debentures

Matters Affecting Trading Prices for the Debentures

Jazz Air Fund has applied to list Debentures to be distributed under this short form prospectus (and the Units issuable on conversion of the Debentures) on the TSX. Listing will be subject to Jazz Air Fund fulfilling all of the listing requirements of the TSX. There is currently no market through which the securities may be sold and purchasers may not be able to resell securities purchased under the short form prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of securities, and the extent of issuer regulation.

No assurance can be given that an active or liquid trading market for the Debentures will develop or be sustained. If an active or liquid market for the Debentures fails to develop or be sustained, the prices at which the Debentures trade may be adversely affected. Whether or not the Debentures will trade at lower prices depends on many factors, including the liquidity of the Debentures, prevailing interest rates and the markets for similar securities, the market price of the Units, general economic conditions and Jazz Air Fund's financial condition, historic financial performance and future prospects. Further, the holders of Units may suffer dilution if Jazz Air Fund decides to redeem outstanding Debentures for Units or to repay outstanding principal amounts thereunder at maturity of the Debentures by issuing additional Units. See "Details of the Offering – Payment upon Redemption or Maturity".

Credit Risk and Prior Ranking Indebtedness; Absence of Covenant Protection

The likelihood that purchasers of the Debentures will receive payments owing to them under the terms of the Debentures will depend on the financial health of Jazz Air Fund and its creditworthiness. In addition, the Debentures are unsecured obligations of Jazz Air Fund and are subordinate in right of payment to all Jazz Air Fund's existing and future Senior Indebtedness. Therefore, if Jazz Air Fund becomes bankrupt, liquidates its assets, reorganizes or enters into certain other transactions, Jazz Air Fund's assets will be available to pay its obligations with respect to the Debentures only after it has paid all of its senior and secured indebtedness in full. There may be insufficient assets remaining following such payments to pay amounts due on any or all of the Debentures then outstanding. The Debentures are also effectively and structurally subordinate to claims of creditors (including trade creditors) of Jazz Air Fund's subsidiaries except to the extent Jazz Air Fund is a creditor of such subsidiaries ranking at least *pari passu* with such other creditors. The Indenture does not prohibit or limit the ability of Jazz Air Fund or its subsidiaries to incur additional debt or liabilities (including Senior Indebtedness) or to make distributions, except, in respect of distributions, where an Event of Default has occurred and such default has not been cured or waived. The Indenture does not contain any provision specifically intended to protect holders of Debentures in the event of a future leveraged transaction involving Jazz Air Fund.

Conversion Following Certain Transactions

In the case of certain transactions, each Debenture will become convertible into the securities, cash or property receivable by a holder of Units in the kind and amount of securities, cash or property into which the Debenture was convertible immediately prior to the transaction. This change could substantially lessen or eliminate the value of the conversion privilege associated with the Debentures in the future. For example, if Jazz Air Fund were acquired in a cash merger, each Debenture would become convertible solely into cash and would no longer be convertible into securities whose value would vary depending on Jazz Air Fund's future prospects and other factors. See "Details of the Offering – Conversion Privilege".

Risks Relating to the Relationship with Air Canada

For a detailed description of the possible risk factors relating to Jazz Air Fund's and Jazz's relationship with Air Canada, refer to the Section entitled "Risk Factors" in the Annual Information Form and the June 2009 MD&A. There have been no material changes to the risk factors disclosed in those documents, with the exception of the following matters.

Termination of the CPA

The CPA Amending Agreement extended the initial term of the CPA from December 31, 2015 to December 31, 2020. The CPA will still be automatically renewed for two additional five year periods, unless either party gives notice to the other of its intention not to renew within one year prior to the expiry of the initial term or any renewal term.

The CPA Amending Agreement also provides Air Canada with the right to revise the MADUG in the event Air Canada's domestic market share for the twelve month period from October 1, 2014 to September 30, 2015 has decreased by a fixed percentage compared to its domestic market share for the twelve month period from August 1, 2008 to July 31, 2009. In the event of such a decrease, the CPA Amending Agreement requires that Air Canada and Jazz agree upon a revised MADUG by November 17, 2015, failing which Air Canada shall have the right to unilaterally set a revised MADUG by sending Jazz notice by November 20, 2015. The CPA Amending Agreement provides Jazz with the right to send Air Canada notice by December 18, 2015, of Jazz's intention to either accept the revised MADUG or exercise its right to terminate the CPA as of December 31, 2016.

If the CPA is terminated, Jazz's revenue and earnings would be significantly reduced or eliminated unless Jazz is able to enter into satisfactory substitute arrangements. There is no assurance that Jazz would be able to enter into satisfactory substitute arrangements or that such arrangements would be as favourable to Jazz as the CPA.

Reduced utilization levels

Pursuant to the terms of the CPA Amending Agreement, Air Canada and Jazz have agreed that the MADUG shall never be less than 339,000 annual Block Hours, despite the reduction in the number of Covered Aircraft described in "Recent Developments – Amendments to the Capacity Purchase Agreement with Air Canada".

If Air Canada was unable to find sufficient capacity for its own aircraft or was able to operate at a competitive cost compared to Jazz or use other suppliers at competitive cost, or for any other reason, Air Canada could reduce Jazz's flights to the minimum utilization levels or could require Jazz to fly its aircraft on routes that may under-utilize Jazz's aircraft capacity or may make it more difficult for Jazz to reach incentive targets and thus Jazz may earn less revenue under the CPA.

Changes in costs and fees

The CPA Amending Agreement amended the Rates established for the 2009-2011 Rate Period. The Rates negotiated and reflected in the Rate Amending Agreement were established to enable Jazz to achieve a Controllable Target Margin of 14.32%, corresponding to a Controllable Target Mark-Up of 16.72% on Jazz's Controllable Costs. However, pursuant to the terms of the CPA Amending Agreement, Air Canada and Jazz agreed that the Controllable Mark-Up of 16.72% shall only apply as of and from January 1, 2009 through to July 31, 2009. Effective commencing August 1, 2009, an agreed set of revised Rates will be effective, enabling Jazz to achieve a Controllable Target Margin of 11.11%, corresponding to a Controllable Mark-Up of 12.50% on Jazz's Controllable Costs. If Controllable Costs exceed Jazz's estimates, Jazz may realize decreased profits and even losses under the CPA, and may be unable to generate sufficient cash flow to pay its debts on time and Jazz may have to reduce its expansion plans. If any of these events occurs, Jazz's business, results from operations and financial condition could be materially adversely affected.

The CPA Amending Agreement also provides for adjustments to the Controllable Mark-Up in certain circumstances. Commencing January 1, 2010, if the Annual Delivered Block Hours are less than 375,000 Block Hours, the Controllable Mark-Up will be increased, to a maximum of 16.72%, to compensate Jazz for increased unit costs and lost margin due to the reduction in flying. If, on the other hand, the Annual Delivered Block Hours are greater than 375,000 Block Hours, the Controllable Mark-Up of 12.50% shall only apply to Jazz's fixed controllable charges and the Controllable Mark-Up of 12.50% shall be reduced to 5% on Jazz's variable controllable charges.

The Controllable Mark-Up may also be reduced as a result of the 2009 Benchmark and the 2015 Benchmark. If the 2009 Benchmark indicates that the percentage difference between Jazz's Controllable Costs and those of the Comparable Group has increased compared to the percentage difference for the twelve month period beginning July 1, 2006 and ending June 30, 2007, the Controllable Mark-Up shall be reduced accordingly with effect as of January 1, 2010 until December 31, 2020, unless

as a result of the 2015 Benchmark it is further reduced. In the event the 2009 benchmarking results in the reduction described above, notwithstanding the foregoing, the benchmarking scheduled for the end of 2009 will only serve to reduce the Controllable Mark-Up from 16.72% and the Controllable Mark-Up will be the lower of 12.50% or (16.72% minus the amount of the increase described above). If the 2015 Benchmark indicates that the percentage difference between Jazz's Controllable Costs and those of the Comparable Group has increased compared to the percentage difference determined during the 2009 benchmarking, the Controllable Mark-Up then in effect shall be reduced accordingly by the results of the 2015 Benchmark, with effect as of January 1, 2016 until December 31, 2020.

Risks Relating to Jazz

For a detailed description of the possible risk factors relating to Jazz, refer to the Section entitled "Risk Factors" in the Annual Information Form and the June 2009 MD&A. There have been no material changes to the risk factors disclosed in those documents, with the exception of the following matters.

Labour costs and labour relations

Labour costs constitute the largest percentage of Jazz's total operating costs that are borne by Jazz. There can be no assurance that the estimates of Jazz's future labour costs will be accurate. If such costs exceed Jazz's estimates, Jazz may realize decreased profits or even losses under the CPA. Most of Jazz's employees are unionized and its collective bargaining agreements all expired at the end of June 2009. Jazz has pursued negotiations with each union.

On August 30, 2009, Jazz reached a tentative three year agreement with its maintenance and engineering employees who are represented by the CAW. That tentative agreement was subsequently ratified on September 12, 2009 by a union vote. On August 28, 2009, Jazz reached a tentative agreement with its customer service and airport services division, also represented by the CAW, which was narrowly rejected by a union vote on September 24, 2009. There were 337 votes in favour of and 341 votes against the tentative agreement. On October 27, 2009, Jazz announced a new tentative agreement has been reached with the customer service and airport services division which is subject to ratification. Jazz is currently in negotiations with all other unionized groups of employees.

There can be no assurance that the collective agreements will be 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 Jazz's service or otherwise adversely affect Jazz's ability to conduct its operations, all of which could have a material adverse effect on its business, results from operations and financial condition. There can be no assurance that these agreements with employees' unions will be on terms in line with Jazz's expectations or comparable to agreements entered into by other regional airlines, and any future agreements may increase labour costs or otherwise adversely affect Jazz.

If there is a labour disruption or work stoppage by any of the unionized work groups of Air Canada, there would also likely be a material adverse effect on Jazz's business, results from operations and financial condition.

If there is a labour disruption or work stoppage by any unionized work group of Air Canada which provides services to Jazz under the CPA, Jazz may lose access to such services and there can be no assurance that sufficient replacement services could be obtained or that replacement services could be obtained on a cost effective basis.

Risks Relating to the Industry

Epidemic Disease

On October 26, 2009, U.S. President Barack Obama declared a state of emergency over the H1N1 epidemic. An outbreak of H1N1 could have a material adverse on passenger demand for air travel and the number of passengers travelling on Air Canada and Jazz flights. While any resulting reduction in passenger revenues is principally Air Canada's risk, such an event could have a material adverse effect on Jazz's business, results from operations and financial condition if Air Canada were to reduce its capacity usage or were unable to meet its obligations under the CPA.

Risks Related to Current Legal Proceedings

In February 2006, Jazz commenced proceedings before the Ontario Superior Court of Justice against the Toronto Port Authority ("TPA"), Porter Airlines Inc. ("Porter") and other defendants (collectively with Porter, the "Porter Defendants") after Jazz became aware that it would be excluded from operating flights from Toronto City Centre (Island) Airport (the "TCCA"). On October 26, 2007, Porter counter-claimed against Jazz and Air Canada alleging various violations of competition law, including that Jazz and Air Canada's commercial relationship contravenes Canadian competition laws, and claiming \$850,000,000 in damages. Concurrently with the Ontario Superior Court of Justice proceedings, Jazz commenced judicial review proceedings against the TPA before the Federal Court of Canada relating to Jazz's access to the TCCA. The Porter Defendants were granted intervener and party status in these proceedings. In January of 2008, Porter filed a defence and counterclaim against Jazz and Air Canada making allegations and seeking damages similar to those in the Ontario Superior Court counterclaim. On October 16, 2009, Jazz discontinued its action in the Ontario Superior Court against the Porter Defendants and the TPA. On the same date, the counterclaim filed by Porter in the Ontario Superior against Jazz and Air Canada was stayed pending the outcome of the proceeding in Federal Court. Jazz is continuing its proceeding in the Federal Court of Canada against the TPA, in which the Porter Defendants intervened and have been made parties. Jazz maintains that Porter's counterclaims in both jurisdictions are without merit. The counterclaims are currently being vigorously contested by Jazz in court. If Jazz is not successful in the

Federal Court of Canada action, it will not have fair and equal access to the TCCA. If Jazz is not successful in defending the counter-claims, it could be subject to a material damages award.

INTERESTS OF EXPERTS

The matters referred to under “Certain Canadian Federal Income Tax Considerations” and “Eligibility for Investment”, as well as certain other legal matters relating to the issue and sale of the Debentures, will be passed upon on behalf of Jazz Air Fund by Osler, Hoskin & Harcourt LLP and on behalf of the Underwriters by Stikeman Elliott LLP. As of the date of this short form prospectus, the partners and associates of Osler, Hoskin & Harcourt LLP, as a group, and partners and associates of Stikeman Elliott LLP, as a group, each owned, beneficially or of record, less than 1% of the outstanding securities of Jazz Air Fund and its affiliates and associates.

PROMOTER

Jazz Air LP took the initiative in organizing the business and affairs of Jazz Air Fund and was named as a possible promoter, for the purposes of applicable securities legislation, in connection with Jazz Air Fund’s secondary offering of Units which closed in October of 2007. Jazz Air LP is no longer a promoter of Jazz Air Fund for the purposes of such legislation.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Units is CIBC Mellon Trust Company at its principal transfer offices in Montreal, Toronto, Vancouver, Calgary and Halifax.

AUDITORS

The independent auditors of Jazz Air Fund are PricewaterhouseCoopers LLP, Chartered Accountants, Halifax, Nova Scotia.

PURCHASER’S STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, securities legislation further provides a purchaser with remedies for rescission, or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission, revision of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for the particulars of these rights or consult with a legal advisor.

AUDITOR'S CONSENT

We have read the short form prospectus of Jazz Air Income Fund ("Jazz Air Fund") dated ●, 2009 relating to the issue and sale of \$75,000,000 of convertible unsecured subordinated debentures of Jazz Air Fund. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use through incorporation by reference, in the above-mentioned short form prospectus of our reports to:

- The unitholders of Jazz Air Fund on the consolidated balance sheets of Jazz Air Fund as at December 31, 2008 and 2007 and the consolidated statements of unitholders' equity, income (loss), comprehensive income (loss) and cash flows for the years ended December 31, 2008 and 2007. Our report is dated February 10, 2009; and
- The Directors of Jazz Air Holding GP Inc. on the consolidated balance sheets of Jazz Air LP as at December 31, 2008 and 2007 and the consolidated statements of partners' capital, income, comprehensive income and cash flows for the years ended December 31, 2008 and 2007. Our report is dated February 10, 2009.

(Signed) ●
Chartered Accountants
Halifax, Nova Scotia
●, 2009

CERTIFICATE OF JAZZ AIR INCOME FUND

October 28, 2009

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces and territories of Canada.

JAZZ AIR INCOME FUND
by Jazz Air Holding GP Inc., its attorney

By: (Signed) Joseph D. Randell
President and Chief Executive Officer

By: (Signed) Allan Rowe
Senior Vice President and Chief Financial Officer

On behalf of the Board of Directors

By: (Signed) Richard H. McCoy
Director

By: (Signed) Katherine M. Lee
Director

CERTIFICATE OF UNDERWRITERS

October 28, 2009

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces and territories of Canada.

TD SECURITIES INC.

By: (Signed)
Steve Dumanski

BMO NESBITT BURNS INC.

By: (Signed)
Jeff Watchorn

**CIBC WORLD MARKETS
INC.**

By: (Signed)
Charles St-Germain

**RBC DOMINION SECURITIES
INC.**

By: (Signed)
Kiron Mondal

**BEACON SECURITIES
LIMITED**

By: (Signed)
Jane M. Smith

**GENUITY CAPITAL MARKETS
G.P.**

By: (Signed)
Marc Fredette

SALMAN PARTNERS INC.

By: (Signed)
Douglas A. Harris

VERSANT PARTNERS INC.

By: (Signed)
Jean-Pierre Buyze