chorus aviation inc.

Management's Discussion and Analysis

Three months ended
March 31, 2012

May 14, 2012

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1. HIGHLIGHTS

The financial and operating highlights for Chorus are as follows:

	Three months ended March 31,		
(unaudited)	2012 $	2011 $	Change %
<u>Financial Performance Metrics</u>			
Operating revenue ($000)	437,073	443,019	(1.3)
Operating expenses ($000)	407,136	421,446	(3.4)
Operating income ($000)	29,937	21,573	38.8
Non-operating income (expense) ($000)	17	(2,190)	(100.8)
Net income before income taxes ($000)	29,954	19,383	54.5
Net income for the period ($000)	26,404	14,656	80.2
EBITDA(1) ($000)	42,878	31,287	37.0
EBITDA(1) margin %	9.8	7.1	38.0
Cash and cash equivalents ($000)	110,184	88,447	24.6
Free Cash Flow(1) ($000)	32,927	25,109	31.1
Adjusted net income(1) ($000)	23,031	14,324	60.8
Net income per Share, basic ($)	0.21	0.12	75.0
Net income per Share, diluted ($)	0.20	0.12	66.7
<u>Operating statistics</u>			
Departures	67,489	67,578	(0.1)
Block Hours	100,051	100,652	(0.6)
Billable Block Hours	104,117	104,306	(0.2)
Available Seat Miles (ASM) (000's)	1,865,855	1,878,044	(0.6)
Cost per Available Seat Mile (CASM) (¢)	21.82	22.44	(2.8)
CASM, excluding aircraft fuel (¢)	16.54	16.54	-
Full-time equivalent (FTE) employees (end of period)	4,787	4,679	2.3
Number of Operating Aircraft (end of period)	137	132	3.8

(1) This is a non-GAAP measurement. Refer to Section 5 – Performance Indicators.

2. INTRODUCTION

Chorus Aviation Inc. ("Chorus" or the "Company") was incorporated on September 27, 2010 under the laws of Canada. The Company entered into an arrangement agreement dated October 4, 2010 with, among other parties, Jazz Air Income Fund (the "Fund"), pursuant to which the parties proposed to implement an arrangement (the "Arrangement") under the Canada Business Corporations Act ("CBCA"). The Arrangement, which was effective December 31, 2010, involved the exchange, on a one-for-one basis, of Units of the Fund for Shares of Chorus. As a result of the Arrangement, Unitholders of the Fund became Shareholders of Chorus. The Fund was subsequently wound up into Chorus. The Arrangement has been accounted for as a continuity of interest of the Fund because Chorus continues to substantially operate the business of the Fund and there were no ownership changes. On November 18, 2010 Chorus incorporated Aviation General Partner Inc. to act as general partner for a newly formed partnership, Jazz Aviation LP (the "Partnership"). On January 5, 2011, substantially all of the assets of Jazz Air LP were transferred to the Partnership. The airline business previously carried on by Jazz Air LP is now carried on by the Partnership. On February 28, 2011, Chorus incorporated three wholly-owned subsidiaries under the CBCA, Chorus Leasing I Inc., Chorus Leasing II Inc., and Chorus Leasing III Inc. (collectively, the "LeaseCos"). These entities were established for the sole purpose of acquiring 15 Q400 NextGen turboprop aircraft ("Q400 aircraft").

References to Chorus or the Company in this MD&A refer to, as the context may require, Chorus and its predecessor, the Fund, and their current and former subsidiaries (the Partnership, the Trust, Jazz Air LP, Jazz Air Holding GP Inc., Aviation General Partner Inc., 7503695 Canada Inc. and the LeaseCos) collectively, Chorus and one or more of its current and former subsidiaries, one or more of Chorus' current and former subsidiaries or Chorus itself.

The following MD&A, which presents a discussion of the financial condition and results of operations for Chorus, should be read in conjunction with the accompanying unaudited interim condensed consolidated financial statements of Chorus and the notes therein for the three months ended March 31, 2012, the audited consolidated financial statements of Chorus for the year ended December 31, 2011, the annual MD&A dated February 20, 2012, and Chorus' Annual Information Form dated March 30, 2012. The consolidated financial statements have been prepared in accordance with GAAP. This MD&A is prepared as of May 14, 2012.

The earnings and cash flows of Chorus are affected by certain risks. For a description of those risks, please refer to Section 18 – Risk Factors.

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

Caution regarding forward-looking information

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

Forward-looking statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and other uncertain events. Forward-looking statements, by their nature, are based on assumptions, including those described below, and are subject to important risks and uncertainties. Any forecasts or forward-looking predictions or statements cannot be relied upon due to, amongst other things, changing external events and general uncertainties of the business. Such statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements to differ materially from those expressed in the forward-looking statements. Results indicated in forward-looking statements may differ materially from actual results for a number of reasons, including without limitation, risks relating to the Partnership'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, leverage and restructure covenants in future indebtedness, dilution of Chorus Shareholders, uncertainty of dividend payments, managing growth, changes in laws, adverse regulatory developments or proceedings, pending and future litigation and actions by third parties, as well as the factors identified throughout this MD&A. The forward-looking statements contained in this discussion represent Chorus' expectations as of May 14, 2012, and are subject to change after such date. However, Chorus 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.

3. OVERVIEW

Chorus was established to acquire and hold, directly or indirectly, investments in the Partnership and its general partner Aviation General Partner Inc., 7503695 Canada Inc., the LeaseCos and other investments that it may acquire from time to time. Chorus operates the largest regional airline, and the second largest airline, in Canada after Air Canada, based on fleet size. Chorus provides a significant part of Air Canada's domestic and transborder network. Chorus and Air Canada are parties to the Capacity Purchase Agreement ("CPA"), under which Air Canada currently purchases the greater part of Chorus' fleet capacity at pre-determined rates. Under the CPA, Chorus provides service to and from lower density markets, along with higher density markets at off-peak times, throughout Canada, and to and from certain destinations in the United States. As at March 31, 2012, Chorus operated scheduled passenger service on behalf of Air Canada with approximately 791 departures per weekday to 56 destinations in Canada and 27 destinations in the United States, using 125 Covered Aircraft. Chorus and Air Canada have linked their regional and mainline networks in order to serve connecting passengers more efficiently and provide valuable traffic feed to Air Canada's mainline routes.

Under the CPA, Chorus operates flights on behalf of Air Canada under the "Air Canada Express" tradename, formerly "Air Canada Jazz". Air Canada is responsible for scheduling, pricing, product distribution, seat inventories, marketing and advertising, and customer service at certain airports staffed or administered directly by Air Canada. Air Canada is entitled to all revenues associated with the operation of the Covered Aircraft. Chorus is paid fees based on certain variables, including Block Hours flown, flight hours, cycles (number of take-offs and landings) and passengers carried, in addition to certain variable and fixed aircraft ownership rates. Chorus is also entitled to repayment of certain pass-through costs, including fuel, navigation, landing and terminal fees and certain other costs. Chorus is also eligible to receive incentive payments each quarter for successfully achieving certain performance levels related to on-time performance, controllable flight completion, baggage handling performance and overall customer satisfaction. Chorus is economically and commercially dependent upon Air Canada and certain of its subsidiaries as, in addition to being Chorus' primary source of revenue, these entities currently provide significant services to Chorus. Chorus is directly affected by the financial and operational strength of Air Canada, its competitive position, and its ability to maintain sufficient liquidity (refer to Section 18 - Risk Factors).

Pursuant to the terms of the CPA, Chorus and Air Canada are to re-set detailed Rates applicable to the period commencing on January 1, 2012 and ending on December 31, 2014. The new Rates will be retroactive to January 1, 2012. Negotiations regarding this rate re-set are in progress.

Chorus also operated Boeing 757-200 aircraft on behalf of Thomas Cook to various sun destinations from Canadian gateways, pursuant to a Flight Services Agreement. On April 13, 2012, Chorus announced that it had received notification from Thomas Cook of its intention to discontinue operating dedicated charter aircraft, branded as Thomas Cook Canada, due to market conditions. As a consequence, the remaining three years of the five-year flight services agreement with Chorus were terminated, effective April 30, 2012. Chorus continued to operate the Thomas Cook Canada flights, as scheduled for the remainder of the winter 2011-2012 program with the normal seasonal wind down completed on April 28, 2012. Chorus and Thomas Cook reached a commercial settlement in respect of the termination of the Flight Services Agreement, the economic terms of which reflect the original and intended expiration of the agreement, and address the recovery of certain initial start-up costs and foregone revenues. Amounts related to this settlement were recorded in the financial statements of Chorus on the effective date of the termination.

Under the CPA, Chorus has historically experienced greater demand for its services in the second and third quarters of the calendar year and lower demand in the first and fourth quarters of the calendar year. Termination of the Thomas Cook flying program is expected to return seasonality to previous patterns. Chorus has substantial fixed costs that do not meaningfully fluctuate with passenger demand in the short-term. Chorus' revenues do not fluctuate significantly with Passenger Load Factors.

Delivery of Q400 aircraft continued during the first quarter of 2012. On March 1, 2012 and March 30, 2012, Chorus received its eleventh and twelfth aircraft, respectively, from Bombardier. Chorus drew EDC financing for both of these aircraft. The eleventh and twelfth aircraft were used by Chorus as operational spares until their respective scheduled service dates of April 1 and May 1, 2012.

Chorus has entered into an agreement with a third party with respect to the sale of Q400 aircraft spare parts, which are classified as assets held for sale, for an amount which approximates the carrying value recorded on its statement of financial position. This agreement was effective May 1, 2012.

4. FIRST QUARTER ANALYSIS

The following table compares the results of operations of Chorus for the three months ended March 31, 2012 to the three months ended March 31, 2011.

(unaudited) (expressed in thousands of Canadian dollars)	Three months ended March 31, 2012 $	Three months ended March 31, 2011 $	Change $	Change %
Operating revenue	437,073	443,019	(5,946)	(1.3)
Operating expenses				
Salaries, wages and benefits	105,137	101,417	3,720	3.7
Aircraft fuel	98,556	110,872	(12,316)	(11.1)
Depreciation and amortization	12,941	9,714	3,227	33.2
Food, beverage and supplies	5,589	5,578	11	0.2
Aircraft maintenance materials, supplies and service	39,568	43,745	(4,177)	(9.5)
Airport and navigation fees	52,441	50,214	2,227	4.4
Aircraft rent	28,271	28,891	(620)	(2.1)
Terminal handling services	35,076	39,493	(4,417)	(11.2)
Other	29,557	31,522	(1,965)	(6.2)
Total operating expenses	407,136	421,446	(14,310)	(3.4)
Operating income	29,937	21,573	8,364	38.8
Non-operating income (expenses)				
Net interest expense	(3,757)	(2,081)	(1,676)	80.5
Gain on disposal of property and equipment	59	139	(80)	(57.6)
Foreign exchange gain (loss)	3,715	(248)	3,963	(1,598.0)
	17	(2,190)	2,207	100.8
Net income before deferred income taxes	29,954	19,383	10,571	54.5
Deferred income tax expense	(3,550)	(4,727)	1,177	(24.9)
Net income for the periods	26,404	14,656	11,748	80.2

Operating Revenue

Operating revenue decreased from $443.0 million to $437.1 million, representing a decrease of $5.9 million or 1.3%. The decrease in revenue was primarily attributable to a $13.7 million or 7.2% decrease in pass-through costs from $190.3 million to $176.6 million, which included $12.7 million related to fuel. Passenger revenue, excluding pass-through costs, increased by $7.2 million or 2.9% primarily as a result of a higher US dollar exchange rate, a $2.0 million increase in incentives earned under the CPA with Air Canada, and rate increases made pursuant to the CPA. Other revenue increased by $0.6 million.

Operating Expenses

Operating expenses decreased from $421.4 million to $407.1 million, a decrease of $14.3 million or 3.4%. Controllable Costs decreased by $0.6 million, or 0.3%.

- Salaries, wages and benefits increased by $3.7 million as a result of the increased number of FTEs required for the Q400 operation, wage and scale increases under new collective agreements, increased pension expense resulting from a revised actuarial valuation and increased incentive compensation expense.

- Aircraft fuel costs decreased by $12.3 million. As of November 1, 2011, Chorus no longer processes or records fuel for Thomas Cook, which resulted in a decrease in fuel costs related to flights operated on behalf of Thomas Cook. In the first quarter of 2011, $22.4 million was recorded as pass-through revenue and cost related to the Thomas Cook flight program. This decrease was offset by an increase in CPA fuel costs of $10.1 million, primarily attributable to a rise in the price of fuel in the first quarter of 2012.

- Depreciation and amortization expense increased by $3.2 million due to the purchase of Q400 aircraft, increased major maintenance overhauls and increased capital expenditures on aircraft rotable parts and other equipment; offset by certain assets reaching full amortization.

- Aircraft maintenance expense decreased by $4.2 million as a result of a decrease in engine maintenance activity due to the return of CRJ aircraft of $4.5 million; offset by the effect of the increase in the US dollar exchange rate on certain material purchases of $0.3 million.

- Airport and navigational fees increased by $2.2 million, primarily as a result of the Q400 aircraft and a rate increase resulting from a change in the airport user fee structure; offset by a general rate decrease related to changes in aircraft deployment and the removal of CRJ aircraft.

- Aircraft rent decreased by $0.6 million primarily as a result of the return of CRJ aircraft; offset by a higher US dollar exchange rate.

- Terminal handling costs decreased by $4.4 million due to changes in aircraft deployment, a decrease in deicing costs and a rate decrease resulting from a change in the terminal handling fee structure.

- Other expenses decreased by $2.0 million primarily due to decreased general overhead expenses and professional fees.

Non-Operating Income (Expenses)

Non-operating expense decreased by $2.2 million. This change was primarily attributable to a foreign exchange gain of $3.7 million (of which $3.4 million was related to an unrealized foreign exchange gain on long-term debt and finance leases) arising as a result of the change in value of the Canadian dollar relative to the US dollar; offset by increased interest expense related to Q400 aircraft financing.

5. PERFORMANCE INDICATORS

Chorus uses certain non-GAAP financial measures, described below, to evaluate operating performance and in making decisions relating to dividends to Shareholders. These measures are not recognized for financial statement presentation under GAAP, do not have a standardized meaning, and are therefore not likely to be comparable to similar measures presented by other public entities.

EBITDA

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

Free Cash Flow

Prior to Chorus' conversion from an income fund structure, distributable cash was a key performance indicator used by management to evaluate the ongoing performance of the Fund. Distributable cash is not a measure which is commonly utilized in respect of a public corporation. Management believes, however, that it is a term with which its Shareholders are familiar, and has calculated Free Cash Flow as a proxy for previously reported distributable income. Free Cash Flow is defined as EBITDA less non-operating expenses, Maintenance Capital Expenditures to sustain the operation, and adjusted for any unrealized foreign exchange gain or loss on long-term debt and finance leases and any unusual non-operating one-time items. Other capital expenditures incurred to facilitate growth of the business are excluded from the calculation.

The following table provides a reconciliation of Free Cash Flow to EBITDA:

(unaudited) (expressed in thousands of Canadian dollars)	Three months ended March 31, 2012	 2011
Operating income	29,937	21,573
Depreciation and amortization	10,062	6,922
Major maintenance overhauls	2,879	2,792
Total depreciation and amortization	12,941	9,714
EBITDA	42,878	31,287
EBITDA margin (%)(1)	9.8	7.1
EBITDA	42,878	31,287
Non-operating expenses(2)	(3,356)	(2,522)
	39,522	28,765
Capital expenditures, excluding Q400 aircraft purchases	(3,150)	(1,175)
Capitalized major maintenance overhauls	(3,445)	(2,481)
Maintenance Capital Expenditures(3)	(6,595)	(3,656)
Free Cash Flow	32,927	25,109
Dividends declared	18,602	18,602
Payout ratio – Dividends declared / Free Cash Flow (%)	56.5	74.1

(1) EBITDA margin is calculated as EBITDA divided by operating revenues.
(2) Excludes $3.4 million gain for the three months ended March 31, 2012, related to unrealized foreign exchange on long-term debt and finance leases (2011 - $0.3 million gain on unrealized foreign exchange).
(3) Excludes all capital expenditures related to the purchase of the Q400 aircraft, as these are not treated as Maintenance Capital Expenditures (refer to Section 9 – Liquidity and Capital Resources, Maintenance Capital Expenditures).

Due to the nature of the underlying associated revenue stream provided by the CPA, the unrealized foreign exchange gains or losses on long-term debt and finance leases will not affect future cash flows. As such, Chorus has excluded the unrealized portion of foreign exchange gains or losses on long-term debt and finance leases from the Free Cash Flow calculation.

The lower payout ratio for the three months ended March 31, 2012 is primarily attributable to Chorus' increased EBITDA in respect of this period. EBITDA increased primarily as a result of the Q400 aircraft, as leasing revenue earned under the CPA is included in operating income and ownership costs (interest and depreciation) associated with the Q400 aircraft on a consolidated basis are added back to the calculation. In addition, the Free Cash Flow calculation does not include a deduction for principal long-term debt repayments. These are captured in the financing section of the consolidated statement of cash flows.

The following table provides a reconciliation of cash flows from operating activities to Free Cash Flow:

(unaudited) (expressed in thousands of Canadian dollars)	Three months March 31, 2012 $	 2011 $
Cash flows from operating activities	33,906	29,400
Maintenance Capital Expenditures, net of gain on disposal	(6,536)	(3,517)
Change in non-cash operating working capital	6,760	103
Amortization of prepaid aircraft rent and related fees	(538)	(478)
Stock-based compensation	(614)	(585)
Accretion of debt component of convertible debentures	(406)	(383)
Other	355	569
Free Cash Flow	32,927	25,109

Adjusted Net Income

Adjusted net income is calculated by adjusting net income by the amount of any unrealized foreign exchange gains and losses on long-term debt and finance leases. This adjustment more clearly reflects earnings from an operating perspective.

(unaudited) (expressed in thousands of Canadian dollars)	Three months ended March 31, 2012 $	 2011 $	 Variance %
Net income for the periods	26,404	14,656	80.2
Unrealized foreign exchange gain	(3,373)	(332)	916.0
Adjusted net income	23,031	14,324	60.8
Adjusted net income per Share – basic	0.19	0.12	58.3
Adjusted net income per Share – diluted	0.18	0.12	50.0

6. FLEET

As at March 31, 2012, Chorus' operating fleet was made up of 137 operating aircraft, of which 56 were regional jets, 76 were turboprop aircraft, and five were Boeing 757-200 aircraft.

The following table lists Chorus' operating fleet as at March 31, 2012:

(unaudited)	Number of Operating Aircraft as at March 31, 2012	Average Age of Operating Aircraft	Owned	Finance Lease	Operating Lease	Number of Operating Aircraft as at March 31, 2011
Canadair Regional Jet CRJ100	14	16.5	-	-	14	22
Canadair Regional Jet CRJ200	26	9.8	-	-	26	26
Canadair Regional Jet CRJ705	16	6.7	-	-	16	16
De Havilland DHC-8-300	28	21.6	19	7	2	28
De Havilland DHC-8-100	36	24.0	29	-	7	36
Bombardier Q400(1)	12	0.5	12	-	-	-
Boeing 757-200	5	14.6	-	-	5	4
Total Operating Aircraft	137	15.7	60	7	70	132

(1) Includes Q400 aircraft delivered on March 1, 2012 and March 30, 2012.

Chorus operated two Dash-8-100, two Dash-8-300, and one CRJ200 aircraft for charter purposes and six 757-200 aircraft for Thomas Cook. Chorus returned one 757-200 aircraft on March 30, 2012 and the remaining five 757-200 aircraft were returned to the lessor by the end of April 2012. The Thomas Cook winter season operation began to wind down during the quarter.

Effective July 1, 2011, following the entry of the second Q400 aircraft into service, the number of aircraft comprising the Covered Aircraft returned to 125, being the Guaranteed Minimum Number of Covered Aircraft. Upon the delivery of each remaining Q400 aircraft, one CRJ100 will be removed from the fleet of Covered Aircraft, such that the number of aircraft shall remain at the Guaranteed Minimum Number of Covered Aircraft. As at March 31, 2012, eight CRJ100 aircraft had been returned to the lessor.

7. QUARTERLY FINANCIAL DATA

The following table summarizes quarterly financial results and major operating statistics of Chorus for the previous eight quarters.

(unaudited)	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010
Operating revenue ($000)	437,073	407,742	411,660	402,046	443,019	392,675	379,109	359,010
Operating expenses ($000)	407,136	382,422	380,566	378,086	421,446	374,604	352,133	333,114
Operating income ($000)	29,937	25,320	31,094	23,960	21,573	18,071	26,976	25,896
Total non-operating income (expense) ($000)	17	2,656	(12,564)	(925)	(2,190)	(10,174)	3,191	(10,612)
Deferred income tax (expense) recovery ($000)	(3,550)	(5,302)	(4,620)	(6,140)	(4,727)	(19,779)	(4)	5,924
Net income (loss) ($000)	26,404	22,674	13,910	16,895	14,656	(11,882)	30,163	21,208
Adjusted net income (loss)(1) ($000)	23,031	19,553	21,535	16,240	14,324	(12,360)	29,635	21,942
Billable Block Hours	104,117	97,108	102,431	97,632	104,306	98,817	99,390	93,585
Available Seat Miles (000's)	1,865,855	1,459,392	1,487,874	1,460,612	1,878,044	1,497,201	1,425,130	1,345,703
Cost per Available Seat Mile (CASM) (¢)	21.82	26.20	25.58	25.89	22.44	25.02	24.71	24.75
CASM, excluding fuel (¢)	16.54	19.75	18.68	18.83	16.54	19.38	19.26	19.45
EBITDA(1) ($000)	42,878	37,960	42,954	33,885	31,287	28,343	37,361	36,048
Free Cash Flow(1) ($000)	32,927	29,375	29,101	23,257	25,109	20,498	29,782	29,475
Free Cash Flow(1) per Share ($)	0.27	0.24	0.24	0.19	0.21	0.17	0.25	0.24
Dividends / distributions declared per Share ($)	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15
Net income (loss) per Share, basic ($)	0.21	0.18	0.11	0.14	0.12	(0.10)	0.25	0.17
Net income (loss) per Share, diluted ($)	0.20	0.18	0.11	0.13	0.12	(0.10)	0.20	0.17
Adjusted net income (loss) per Share, basic(1) ($)	0.19	0.16	0.17	0.13	0.12	(0.10)	0.24	0.18

(1) This is a non-GAAP measurement. Refer to Section 5 – Performance Indicators.

8. PENSION PLANS

Projected pension funding obligations

The table below provides projections for Chorus' pension funding obligations from 2012 to 2016:

(unaudited) (expressed in thousands of Canadian dollars)	2012 $	2013 $	2014 $	2015 $	2016 $
Defined benefit pension plans, current service	21,500	21,400	22,000	22,500	22,900
Defined benefit pension plans, past service	14,300	9,400	9,100	9,100	9,100
Defined contribution pension plans	8,700	9,100	9,500	9,700	9,800
Projected pension funding obligations	44,500	39,900	40,600	41,300	41,800

The estimated pension funding obligations shown in the above table are in respect of the defined benefit and defined contribution pension plans sponsored by Chorus. Defined benefit pension plans include the Chorus pilots' registered defined benefit pension plan as well as an unregistered defined benefit supplemental executive retirement plan that Chorus sponsors for eligible employees. Defined contribution pension plans include a number of defined contribution pension arrangements that Chorus contributes to for its eligible employees.

The funding requirements for the Chorus pilots' registered pension plan are estimated based on the projected January 1, 2012 actuarial valuation for that plan and an estimate of the pilot payroll over the projection period. The estimated funding requirements for the supplemental executive retirement plan are based on a funding policy adopted by Chorus and the January 1, 2012 projected actuarial valuation for that plan.

Chorus calculated these funding requirements based on projected actuarial valuations for 2012 rather than the January 1, 2011 actuarial valuation filed in respect of the plan (based upon which Chorus calculated its funding requirements in prior periods). Projected valuations provide a more accurate estimate of this liability, as these reflect, among other things, the 100 basis point decrease in Government of Canada Bond rates (which are applied to calculate past service obligations) over the beginning and end of 2011 and the poor investment returns earned by plan assets in 2011.

The projected January 1, 2012 actuarial valuation for the Chorus pilot's registered plan applies a smoothed value of the plan assets which amortizes investment gains and losses over a five year period with a cap on the smoothed value of assets at 110% of market value of assets.

Changes in the economic conditions, mainly the investment returns generated by the plan assets and changes in interest rates, will impact the financial position of these plans and, hence, future required contributions. These projections are updated annually (refer to Section 2 – Introduction, "Caution regarding forward-looking information").

9. LIQUIDITY AND CAPITAL RESOURCES

Chorus continues to generate positive operating income and cash flows from operations. At March 31, 2012, Chorus had $110.2 million in cash and cash equivalents on hand, representing an increase of $21.7 million from March 31, 2011, such increase resulting primarily from the timing of commodity tax payments (received during the period, but not due to be remitted until following the end of the period) and the increase in operating income. Chorus expects to generate sufficient cash flow to fund dividends (which are declared at the discretion of the Board of Directors), planned Maintenance Capital Expenditures and interest costs under its convertible debentures (refer to Section 2 – Introduction, "Caution regarding forward-looking information"). Management has evaluated aspects of Chorus' business and financial condition and, as at the date of this report, no material adverse changes with respect to its liquidity have occurred (refer to Section 18 – Risk Factors, and Section 2 – Introduction, "Caution regarding forward-looking information").

(unaudited) (expressed in thousands of Canadian dollars)	Three months ended March 31, 2012 $	 2011 $
Cash provided by operating activities	33,906	29,400
Cash provided by (used in) financing activities	36,429	(671)
Cash used in investing activities	(68,219)	(6,178)
Net change in cash and cash equivalents during the periods	2,116	22,551
Cash and cash equivalents – Beginning of periods	108,068	65,896
Cash and cash equivalents – End of periods	110,184	88,447

Operating activities

Chorus continued to generate positive cash flows from operations of $33.9 million for the three months ended March 31, 2012, compared to $29.4 million for the same period in 2011. The increase for the three months ended March 31, 2012, was attributable to a higher net income, a decrease in prepaid expenses and an increase in accounts payable; offset by an increase in accounts receivable and spare parts, materials and supplies.

Financing activities

Cash provided by (used in) financing activities for the three months ended March 31, 2012 included proceeds received from long-term borrowings of $57.6 million (refer to discussion below), dividends to Shareholders of $18.6 million, a repayment of obligations under finance leases of $0.6 million and a repayment of long-term borrowings of $1.9 million.

Cash used in financing activities for the three months ended March 31, 2011 included a repayment of obligations under finance leases of $0.7 million.

Investing activities

Investing activities for the three months ended March 31, 2012 included capital expenditures of $67.7 million, assets held for sale of $0.2 million and a $0.4 million increase in restricted cash relating to letters of credit. Capital expenditures consisted of major maintenance overhauls, the purchase of aircraft spare parts, other purchases necessary to support ongoing operations and the acquisition of Q400 aircraft (refer to Section 2 – Introduction, "Caution regarding forward-looking information").

Investing activities for the three months ended March 31, 2011 included capital expenditures of $7.0 million, which included $3.3 million in purchase deposits on aircraft relating to the order of Q400 aircraft, and a $0.7 million decrease to restricted cash related to letters of credit. Capital expenditures consisted of investments made to major maintenance overhauls, replenish aircraft rotable parts, and other purchases necessary to support the ongoing operations.

Contractual obligations and other commitments

Please refer to Chorus' annual MD&A dated February 20, 2012 for information regarding Chorus' contractual obligations and other commitments. There have been no material changes to debt and lease obligations during the three months ended March 31, 2012, except as outlined below.

Long-term debt

Chorus has 12 separate loan agreements with Export Development Canada ("EDC") ("Q400 financing"), which provide committed financing for the majority of the purchase price of each of the 12 related Q400 aircraft deliveries. Each loan has a maturity of 12 years and bears interest at a fixed rate. At March 31, 2012, the net book value of property and equipment pledged as collateral under Q400 financing was $252.7 million.

Long-term debt consists of the following:

(unaudited) (in thousands of dollars)	March 31, 2012 $
$225,678 owing under 12 separate term loans, repayable in semi-annual instalments, ranging from $960 to $1,013, including fixed interest at a weighted average rate of 3.559%, maturing between May 2023 and March 2024, each secured by one Dash 8 402 ("Q400") aircraft and two PWA 150A engines	225,678[1]
Less: Current portion	15,050
	210,628

(1) At March 31, 2012, the total Q400 financing payable in US dollars was US$226.2 million.

The following future principal repayments on long-term debt which are payable in US dollars, have been converted to Canadian dollars at $0.9975, which was the exchange rate in effect at the end of day closing on March 31, 2012.

(in thousands of dollars)	$
No later than one year	15,050
Later than one year and no later than five years	68,602
Later than five years	142,026
	225,678

Under the Q400 financing, the "Jazz Group" (currently comprised of Jazz and the LeaseCos) is required to be in compliance with the following quarterly financial covenants:

- Maximum Adjusted Leverage Ratio of 2.25:1: adjusted consolidated debt[1] to consolidated EBITDAR[2]; and
- Minimum Adjusted Interest Coverage Ratio of 1.66:1: consolidated EBITDAR to the sum of consolidated interest expenses plus consolidated lease expense

(1) Consolidated debt includes amounts related to Q400 financing, letters of credit and finance leases.
(2) Earnings before interest, taxes, depreciation, amortization and rent. This is a non-GAAP measurement.

As at March 31, 2012, the Jazz Group was in compliance with these covenants. Failure by the Jazz Group to satisfy either such ratio at an applicable time would constitute an event of default under the financing agreement, which could have a material adverse effect on Chorus.

The Q400 financing also contains several covenants which are specific to Jazz as the lessee of the Q400 aircraft, including:

- a tangible asset disposal covenant, and;
- a continuation of business under the CPA covenant.

Jazz is in compliance with both of these continuous covenants.

As additional security under the financing agreements, the aircraft leases between Jazz and the LeaseCos have been assigned to EDC. Also, Chorus Aviation Inc., has provided a limited recourse guarantee to EDC and pledged the issued shares of the LeaseCos to EDC as security for such guarantee.

Maintenance Capital Expenditures

Maintenance Capital Expenditures represent expenditures incurred to sustain operations or Chorus' productive capacity. Chorus separates its capital expenditures into three categories: leasehold improvements (includes improvements made to leased aircraft), aircraft-related (includes aircraft, aircraft related communication, equipment and tooling, aircraft rotable parts and engines, and major maintenance overhaul expenditures), and facilities and owned buildings.

For the three months ended March 31, 2012, Maintenance Capital Expenditures were $6.6 million (2011 - $3.7 million), which included $3.4 million for capitalization of major maintenance overhauls, and $3.2 million for ongoing fleet modification programs, ongoing landing gear and spare parts replacements for the DHC-8-100, DHC-8-300 and Q400 fleet, facility improvements, and technological upgrades to foster process improvements. Management anticipates Maintenance Capital Expenditures for the year ended December 31, 2012 to be $30.0 million (refer to Section 2 – Introduction, "Caution regarding forward-looking information").

Shares

At May 10, 2012, the issued and outstanding common Shares of Chorus, along with common Shares potentially issuable, pursuant to convertible debentures, were as follows:

Number of Shares

(unaudited)	May 10, 2012	December 31, 2011
Issued and outstanding common Shares		
Class A variable voting Shares	19,372,053	13,173,264
Class B voting Shares	104,643,418	110,842,207
Total issued and outstanding common Shares	124,015,471	124,015,471
Common Shares potentially issuable		
Convertible debentures(1)	15,278,095	15,278,095
Total outstanding and potentially issuable common Shares	139,293,566	139,293,566

(1) Assuming all outstanding convertible debentures are exercised.

10. OFF-BALANCE SHEET ARRANGEMENTS

Information regarding Chorus' off-balance sheet arrangements is disclosed in Section 10 of Chorus' annual MD&A dated February 20, 2012. There have been no material changes to Chorus' off-balance sheet arrangements from what was disclosed at that time.

11. RELATED PARTY TRANSACTIONS

As at March 31, 2012, Chorus had no transactions with related parties as defined in the CICA Handbook, except those pertaining to transactions with key management personnel in the ordinary course of their employment or directorship arrangements.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Chorus has exposure to the following risks from its use of financial instruments: interest rate risk, credit risk, liquidity risk and currency risk. Senior management monitors risk levels and reviews risk management activities as they determine to be necessary. Please refer to Chorus' annual MD&A dated February 20, 2012 for further discussion on interest rate risk, credit risk, liquidity risk and currency risk.

13. ECONOMIC DEPENDENCE

For a detailed description of the CPA with Air Canada, please refer to Section 13 of Chorus' Annual MD&A dated February 20, 2012.

Please see below for a discussion of the 2009 Benchmark process.

The Controllable Mark-Up may be reduced as a result of benchmarking Chorus' Controllable Costs to those of a group of comparable operators (the "Comparable Operators"). Under the CPA, this benchmarking was to be effected in 2010 (based on information from Chorus' 2009 calendar year – the "2009 Benchmark") and again in 2016 (using information from Chorus' 2015 calendar year – the "2015 Benchmark"). If the 2009 Benchmark reveals that the percentage difference between Chorus' Unit Costs and the median controllable unit costs, stage length adjusted, of the Comparable Operators has increased compared to the percentage difference of these costs 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) to the lower of 12.50% or the percentage that is equal to 16.72% minus the change in Controllable Mark-up resulting from the 2009 Benchmark. If the 2015 Benchmark indicates that percentage difference between Chorus' Controllable Costs and the median controllable unit costs, stage length adjusted, of the Comparable Operators has increased compared to the percentage difference determined during the 2009 Benchmark, the Controllable Mark-Up then in effect shall be reduced based on the results of the 2015 Benchmark, with effect as of January 1, 2016 until December 31, 2020. The comparison of Chorus' Unit Costs to the median controllable unit costs, stage length adjusted, shall be subject to adjustments required to reflect the differences between Chorus and each Comparable Operator in fleet type and size, aircraft utilization, currency, geographical deployment and growth relative to Chorus.

Chorus and Air Canada were unable to reach agreement in 2010 on the results of the 2009 Benchmark. On February 3, 2011, Chorus and Air Canada agreed to proceed to binding arbitration in respect of the 2009 Benchmark (the "Arbitration"). On October 3, 2011, Air Canada delivered its claim in the Arbitration (the "AC Claim"). In the AC Claim, Air Canada seeks a declaration that the appropriate methodology for comparing Chorus' Unit Costs to the adjusted median controllable unit costs of the Comparable Operators is a "component unit cost driver methodology" or "CUCD". The AC Claim further seeks a declaration that the proper application of the CUCD for the purpose of the 2009 Benchmark results in a reduction of the Controllable Mark-Up from 12.50% to 9.54%, effective from January 2010. Air Canada claims that, if the Controllable Mark-Up is reduced from 12.50% to 9.54%, Chorus would be required to repay Air Canada the amount of $26.0 million in respect of payments made by Air Canada to Chorus in 2010. Air Canada seeks an order that Chorus be required to pay Air Canada that amount, or such other amount as the arbitration panel may determine, as well as any other amount necessary to account for the adjustment of Controllable Mark-Up for payments made by Air Canada to Chorus in 2011 and on a going-forward basis. The AC Claim also alleges that the formula for calculating the Compensating Mark-Up ought to be adjusted to take into account any reduction in the Controllable Mark-Up.

On November 7, 2011, Chorus delivered its Defence and Counterclaim in the Arbitration (the “Chorus Claim”). In the Chorus Claim, Chorus asserts that the relevant provisions of the CPA provide that the preferred methodology to be applied for comparing Chorus’ Unit Costs to the adjusted median controllable unit costs of the Comparable Operators shall be on a “cost per available seat mile” or “CASM” basis. Chorus further asserts that, if a CASM methodology is applied with the appropriate normalizations and adjustments no adjustment to the Controllable Mark-Up will be required as a result of the 2009 Benchmark. As a result, Chorus is not required to repay Air Canada any amounts in respect of payments made in 2010 or 2011 and its Controllable Mark-Up will remain at 12.50% going forward until at least the 2015 Benchmark. In the alternative, Chorus asserts that, even if the arbitration panel were to accept that CASM was not an appropriate methodology, the CUCD methodology proposed by Air Canada in the AC Claim is not an “alternate market recognized benchmark” as contemplated by the CPA. In the further alternative, the Chorus Claim asserts that, even if CUCD were to be found to be an “alternate recognized benchmark”, a proper application of the CUCD methodology with the appropriate normalizations and adjustments would not result in the adjustment to the Controllable Mark-Up claimed by Air Canada. Finally, Chorus states that the CPA does not provide for any adjustment to the Compensating Mark-Up formula resulting from an adjustment to the Controllable Mark-Up as a consequence of the 2009 Benchmark exercise. Hearing of the Arbitration has been scheduled for June 2012.

Although Chorus believes that the methodology it has proposed is both fair and reasonable and consistent with the relevant provisions of the CPA, there can be no assurances that the methodology Chorus has proposed will ultimately be the basis of conducting the 2009 Benchmark exercise as a result of the arbitration process. If Chorus’ methodology is not consistent with any arbitration decision, operating results, financial condition and liquidity may be materially negatively impacted by any resulting reduction in the Controllable Mark-Up.

No amounts have been recorded in the accounts of Chorus in 2010, 2011 or 2012 related to this claim as management has determined that it is not probable that the AC claim will be successful and it is not practicable to determine an estimate of the possible financial effect, if any, with sufficient reliability.

14. CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make estimates, judgments and assumptions that management believes are reasonable based upon the information available. These estimates, judgments and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results can differ from those estimates (refer to Section 2 – Introduction, “Caution regarding forward-looking information”). The significant accounting policies of Chorus are described in note 3 of the December 31, 2011 consolidated financial statements of Chorus. Information regarding Chorus’ critical accounting estimates is disclosed in Section 14 of Chorus’ annual MD&A dated February 20, 2012. See discussion below for changes regarding critical accounting estimates for the three months ended March 31, 2012.

Operating Revenue

Pursuant to the terms of the CPA, Chorus and Air Canada are to re-set detailed Rates applicable to the period commencing on January 1, 2012 and ending on December 31, 2014. The new Rates will be retroactive to January 1, 2012. The negotiation of these Rates has not been completed. As a result, for the period ended March 31, 2012, Chorus used a mutually agreed upon interim Rate of 1.25% plus the prior year’s Rate as the basis for estimating CPA operating revenues during the quarter ended March 31, 2012. Once the new Rates are established, Chorus and Air Canada will reconcile amounts already recorded to those Rates now under negotiation. Any upward or downward adjustment to CPA operating revenue will be made in the quarter in which the negotiations conclude. As such, Chorus’ revenue is subject to judgement and estimate uncertainty. Were the negotiated Rates to differ 1% from the current estimate being used, the amount of operating revenue recognized under the CPA in the quarter would be increased/decreased by approximately $2.4 million.

15. ACCOUNTING POLICIES

Refer to section 15 of Chorus' Annual MD&A dated February 20, 2012 for information on new accounting standards and amendments not yet effective.

16 CONTROLS AND PROCEDURES

Disclosure controls and procedures and internal control over financial reporting

Chorus' disclosure controls and procedures have been designed to provide reasonable assurance that all relevant information is identified to the disclosure committee to ensure appropriate and timely decisions are made regarding public disclosure.

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

Chorus' annual 2011 MD&A dated February 20, 2012, contains a statement that the President and Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have concluded that Chorus' disclosure controls and procedures, and internal control over financial reporting, are effective based upon an evaluation of these controls and procedures conducted at December 31, 2011.

Jazz filed certifications, signed by the CEO and CFO, with the Canadian Securities Administrators upon filing of Chorus' 2011 annual filings. In those filings, the CEO and CFO certified, as required by National Instrument 52-109, the appropriateness of the financial disclosure, the design and effectiveness of Chorus' disclosure controls and procedures and the design and effectiveness of internal control over financial reporting. The CEO and CFO also certified the appropriateness of the financial disclosures in Chorus' interim filings with the Canadian Securities Administrators. In those interim filings, the CEO and CFO also certified the design of Chorus' disclosure controls and procedures and the design of internal control over financial reporting.

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

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

There has been no change in Chorus' internal control over financial reporting that occurred during the first quarter of fiscal 2012 that has materially affected, or is reasonably likely to materially affect, Chorus' or the Partnership's internal control over financial reporting.

The Audit, Finance and Risk Committee of the board of directors of Chorus reviewed this MD&A, and the unaudited interim condensed consolidated financial statements of Chorus for March 31, 2012, and Chorus' board of directors approved these documents prior to their release.

17. OUTLOOK

The discussion that follows represents forward-looking information (refer to Section 2 – Introduction, "Caution regarding forward-looking information").

Based upon the 2011/2012 winter schedule and planning assumptions received from Air Canada and the flying for Thomas Cook for the 2011/2012 winter season, Chorus anticipates billing between 385,000 and 400,000 Block Hours for the year ending December 31, 2012. As the majority of the Block Hours flown for the Thomas Cook 2011/2012 season was completed by April 28, 2012, there will be no change to Chorus' Billable Block Hour guidance for the year ending December 31, 2012, as a result of the early termination of the Thomas Cook Flight Services Agreement.

18. RISK FACTORS

For a detailed description of the possible risk factors associated with Air Canada, Chorus, the industry, the structure of Chorus, current legal proceedings and convertible debentures, including description of the 2009 Benchmark Arbitration (refer to Section 13 – Economic Dependence for further discussion) refer to the Section entitled "Risk Factors" in the Chorus Aviation Inc., 2011 Annual MD&A dated February 20, 2012 and Chorus' Annual Information Form dated March 30, 2012. Certain risk factors have been updated as follows:

Risks Relating to Thomas Cook

On April 12, 2012, Thomas Cook terminated the Flight Services Agreement with Chorus with effect as of April 30, 2012. As a consequence, Chorus will no longer be exposed to the risks previously associated with Thomas Cook.

Risks Relating to the Industry

Seasonal nature of the business, other factors and prior performance

Under the CPA, Chorus has historically experienced greater demand for its services in the second and third quarters of the calendar year and lower demand in the first and fourth quarters of the calendar year. Termination of the Thomas Cook flying program is expected to return seasonality to previous patterns. Chorus has substantial fixed costs that do not meaningfully fluctuate with passenger demand in the short-term. Chorus' revenues do not fluctuate significantly with Passenger Load Factors.

19. ADDITIONAL INFORMATION

Additional information relating to Chorus, including Chorus' Annual Information Form is available on SEDAR at www.sedar.com or on Chorus' website at www.chorusaviation.ca, under Investors.

20. GLOSSARY OF TERMS

"**7503695**" means 7503695 Canada Inc., a corporation incorporated under the Canada Business Corporations Act on April 14, 2010;

"**ABCP**" means asset backed commercial paper;

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

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

“**Billable Block Hours**” mean actual Block Hours flown, Block Hours related to weather and air traffic control cancellations, and commercial cancellations and commercial ferry flights;

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

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

“**Chorus**” references herein to Chorus or the Company in this MD&A refer to, as the context may require, Chorus Aviation Inc. and its predecessor, the Fund and their current and former subsidiaries (the Partnership, the Trust, Jazz Air LP, Jazz Air Holding GP Inc., Aviation General Partner Inc., 7503695 Canada Inc. and the LeaseCos) collectively, Chorus and one or more of its current and former subsidiaries, one or more of Chorus' current and former subsidiaries or Chorus itself;

“**CICA Handbook**” means the handbook of the Canadian Institute of Chartered Accountants;

“**Controllable Costs**” mean for any period, all costs and expenses incurred and paid by Chorus other than Pass-through costs;

“**Controllable Mark-Up**” has the meaning given in the CPA;

“**Cost per Available Seat Mile**” or “**CASM**” means the operating expense per Available Seat Mile;

“**Covered Aircraft**” means Chorus’ aircraft subject to the CPA;

“**CPA**” means the amended and restated capacity purchase agreement effective January 1, 2006, between Air Canada and the Partnership, as amended by the Rate Amending Agreement and the CPA Amending Agreement, and as may be further amended;

“**CPA Amending Agreement**” means the agreement to amend the CPA between the Partnership and Air Canada dated September 22, 2009;

“**CPA Asset**” means the intangible asset consisting of Chorus’ rights under the CPA;

“**Debentures**” mean the $86.25 million principal amount of 9.50% convertible unsecured subordinated debentures of Chorus due December 31, 2014;

“**EDC**” means Export Development Canada;

“**Flight Hours**” has the meaning given in the CPA;

“**Flight Services Agreement**” means the contractual flying agreement between Thomas Cook and Chorus;

“**FTE**” means full-time equivalents in respect of employee staffing levels;

“**Fund**” means Jazz Air Income Fund;

“**GAAP**” means generally accepted accounting principles in Canada after the adoption of IFRS;

“**Guaranteed Minimum Number of Covered Aircraft**” has the meaning given in the CPA;

“**IASB**” means the International Accounting Standards Board;

“**IFRS**” means International Financial Reporting Standards;

“**Jazz**” means Jazz Aviation LP, together with its general partner, Aviation GP, and their respective subsidiaries and predecessors; and, in particular, reference to Jazz in respect of a time period prior to October 1, 2004 are references to the business of Jazz as carried on by Jazz Air Inc., which was liquidated on September 30, 2004, and references to Jazz in respect of the time period from October 1, 2004 until February 1, 2006 are references to the business of Jazz as carried on by Jazz Air Limited Partnership, and references to Jazz in respect of the time period from February 2, 2006 to January 5, 2011 are references to the business of Jazz as carried on by Jazz Air LP, unless the context requires otherwise;

“**Jazz Air LP**” means Jazz Air LP, a limited partnership established under the laws of the Province of Québec on September 12, 2005, which carried on the regional airline business from February 2, 2006 until January 5, 2011;

"**LARAH**" means Latin American Regional Aviation Holding Corporation;

"**LeaseCos**" means Chorus Leasing I Inc., Chorus Leasing II Inc., and Chorus Leasing III Inc., collectively;

"**Maintenance Capital Expenditures**" represent expenditures incurred to sustain operations or Chorus' productive capacity;

"**Management**" means management personnel of Chorus;

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

"**Operating Aircraft**" means Covered Aircraft under the CPA plus charter aircraft, plus Thomas Cook aircraft, less new aircraft deliveries which have not yet entered commercial service;

"**Partnership Agreements**" mean those contracts signed by Jazz for contract flying;

"**Pass-through costs**" mean those costs that are reimbursed under Partnership Agreements;

"**Pass-through revenue**" means operating revenue derived from costs that are reimbursed under Partnership Agreements;

"**Q400 aircraft**" means Q400 NextGen turboprop aircraft;

"**Rate Amending Agreement**" means the agreement to amend and re-set the rates between the Partnership and Air Canada dated July 28, 2009;

"**Shareholders**" mean holders of Shares;

"**Shares**" mean common shares of Chorus Aviation Inc.;

"**The Partnership**" means Jazz Aviation LP, a limited partnership established under the laws of the Province of Ontario;

"**Thomas Cook**" means Thomas Cook Canada Inc.;

"**Trust**" means Jazz Air Trust;

"**Unit Costs**" has the meaning given in the CPA;

"**Unitholders**" mean holders of the Units;

"**Units**" or "**Fund Units**" mean units of the Fund;

"**Variable Voting Shares**" mean Class A common Variable Voting Shares of Chorus; and

"**Voting Shares**" mean Class B Common Voting Shares of Chorus.