



# **Chorus Aviation Inc.**

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Notice of 2017 Annual and Special Meeting of  
Shareholders and Management Proxy Circular

May 12, 2017  
Halifax, Nova Scotia



## What's Inside

1	Letter to Shareholders from the Chairman and the President and Chief Executive Officer
3	Notice of 2017 Annual and Special Shareholder Meeting
4	Management Proxy Circular
5	About Our Annual and Special Shareholder Meeting
8	Voting Your Shares
17	The Nominated Directors
25	Remuneration of Directors
27	Share Ownership Requirement For Directors
27	Certain Proceedings
27	Statement of Governance Practices
36	Committees
40	Executive Compensation
60	Other Important Information
60	How to Request More Information
A-1	Annex A – Second Amended and Restated By-Law No. 1
B-1	Annex B – Mandate of the Board of Directors



## Letter to Shareholders from the Chairman and the President and Chief Executive Officer

Dear Chorus Shareholder:

We are pleased to provide you with the materials for the annual and special meeting of the shareholders of Chorus Aviation Inc. ("Chorus") that will take place on Friday, May 12, 2017 at 09:00 a.m. (Atlantic time), at the Chrysler Canada Pavilion, Canadian Museum of Immigration at Pier 21, located at 1055 Marginal Road in Halifax, Nova Scotia.

As a shareholder of Chorus, you have the right to vote your shares on all items that come before the meeting. You can vote your shares either by proxy or in person at the meeting. This management proxy circular ("circular") provides you with information about the business of the meeting and how to exercise your right to vote. Among other things, we will ask you to approve a special resolution authorizing an administrative amendment to Chorus's Articles of Incorporation, a resolution ratifying amendments to Chorus' by-laws to permit electronic payments, and a non-binding advisory resolution regarding Chorus' approach to executive compensation. Each proposed resolution is more fully described in this circular. During the meeting, we will also present the highlights of our 2016 achievements and the opportunities that 2017 brings.

2016 was a pivotal year for Chorus as our achievements significantly advanced our company towards our vision of delivering regional aviation to the world. Our positive operational and financial results reflect the ability of our team to execute on our strategic priorities that delivered net income of \$111.8 million, or \$0.91 per basic share.

Year over year, we achieved increases in operating income and adjusted EBITDA<sup>1</sup>, excluding other items, of 1.3% and 8.7%, respectively. Further, our aircraft leasing revenue under the Capacity Purchase Agreement ("CPA") with Air Canada increased by 44.0%, generating \$99.0 million.

We continue to generate strong and stable cash flow from the CPA, while modernizing our fleet and improving our cost competitiveness. In 2016, we transitioned 28 aircraft in and out of the Jazz Aviation fleet and flowed over 200 pilots to Air Canada. Further, the creation of Jazz Technical Services, and its success in securing third-party business, improves operational efficiencies and offers potential for further growth.

Voyageur's new structure, which established Voyageur Avparts and Voyageur Aerotech alongside Voyageur Airways, enabled Voyageur to focus on its core business and generate positive returns. The renovations to our second hangar in North Bay are expected to be completed this summer and will essentially double the footprint for our Voyageur Aerotech business. Voyageur Airways was also successful in extending a number of flying contracts with existing customers, and secured new flying missions with international customers in Africa.

The announcement of Chorus Aviation Capital as a regional aircraft leasing company was a major milestone. We believe this new subsidiary has the potential to become one of the leading players in this growing sector industry on a global level. The private placement of convertible debt units with Fairfax Financial has provided us with cost effective and flexible capital, that will enable us to accelerate the execution of our regional aircraft leasing plan.



Combined, Chorus' unique capabilities in regional aviation provide us the opportunity to deliver a full suite of services including flying operations, maintenance, repair and overhaul, aircraft modifications, aircraft parts provisioning, airport operations and leasing solutions to regional aircraft owners and operators around the world. These are the strengths that will grow our company and differentiate us from the competition.

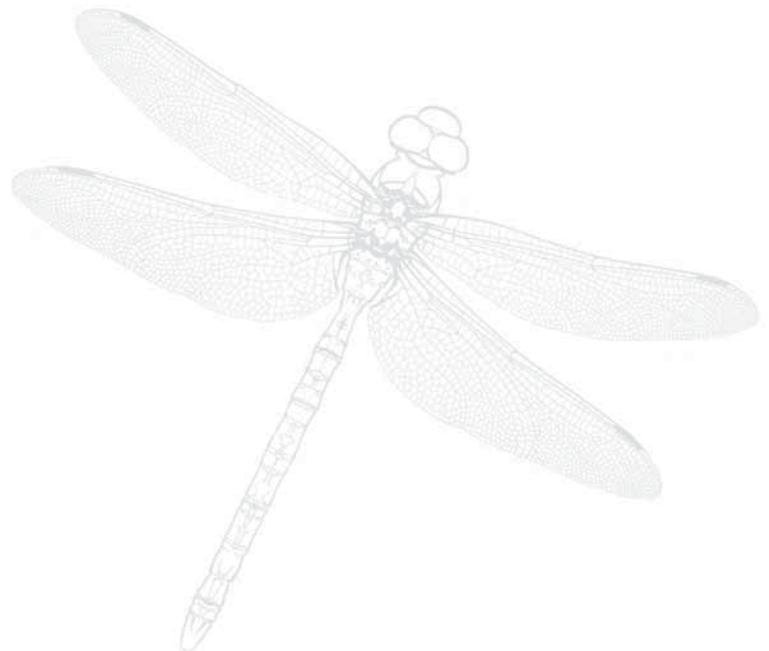
Our accomplishments in 2016 significantly strengthened our organization, delivered value for our shareholders, and set the stage for the next chapter in our development as a company.

On behalf of our Board of Directors and the Chorus team, we thank you for your support and welcome the opportunity to meet you at our annual and special meeting.

Richard H. McCoy  
Chairman

Joseph D. Randell  
President and Chief Executive Officer

<sup>1</sup> Adjusted EBITDA, excluding other items, is a non-GAAP term that does not have standardized meaning under GAAP, and may not be comparable to similar terms presented by other issuers. We refer you to the full Management's Discussion and Analysis for the year ended December 31, 2016 at [www.chorusaviation.ca](http://www.chorusaviation.ca) for a complete explanation of this term and why it provides useful information to investors and its reconciliation to GAAP terms.





## Notice of 2017 Annual and Special Meeting of Shareholders

Friday, May 12, 2017 at  
9:00 a.m. (Atlantic time)  
The Chrysler Canada Pavilion  
Pier 21, 1055 Marginal Road  
Halifax, Nova Scotia  
Canada B3H 4P7

A webcast replay of management's presentation at the annual and special meeting of shareholders will be made available at a later date on our website at [www.chorusaviation.ca](http://www.chorusaviation.ca).

### Business of the 2017 Annual and Special Shareholder Meeting

The following business will be considered at the meeting:

1. placement before the shareholders of the consolidated financial statements of Chorus Aviation Inc. ("Chorus") for the year ended December 31, 2016, including the auditors' report thereon;
2. election of the directors of Chorus who will serve until the end of the next annual meeting of shareholders unless a director leaves the Board prior to such time;
3. appointment of auditors of Chorus;
4. adoption of a special resolution authorizing the removal of a provision in the Articles of Incorporation of Chorus which restricts the transfer of certain Chorus securities;
5. adoption of a resolution ratifying the adoption of amendments to Chorus' by-laws in order to permit electronic payments;
6. approval, in an advisory, non-binding capacity, of a resolution regarding Chorus' approach to executive compensation; and
7. consideration of such other business, if any, that may properly come before the meeting or any adjournment or postponement thereof.

The management proxy circular accompanying this notice of meeting provides specific details of the business to be considered at the meeting.

**You are entitled to receive notice of, and vote at, our annual and special meeting of shareholders or any adjournment or postponement thereof if you are a shareholder on March 21, 2017.**

### Your vote is important.

As a shareholder of Chorus, it is very important that you read this material carefully and vote your shares, either by proxy or in person at the meeting.

The following pages tell you more about how to exercise your right to vote your shares and provide additional information relating to the matters to be dealt with at the meeting.

By Order of the Board of Directors of Chorus.

Dennis Lopes  
Senior Vice President, General Counsel and Corporate Secretary  
Dartmouth, Nova Scotia  
March 20, 2017



## Management Proxy Circular

This management proxy circular (this “circular”) is for the annual and special meeting of the shareholders of Chorus Aviation Inc. (“Chorus” or the “Corporation”) to be held on May 12, 2017 (such meeting, and any adjournment or postponement thereof, the “meeting”). As a shareholder of Chorus, you have the right to vote your shares in respect of the election of the directors, the appointment of the auditors, an amendment to Chorus’ Articles of Incorporation, ratification of amendments to Chorus’ by-laws, and a non-binding advisory vote on Chorus’ approach to executive compensation and on any other items that may properly come before the meeting.

To help you make an informed decision, please read this circular. This circular describes the meeting, the nominee directors, the proposed auditors, our corporate governance practices, the compensation of our directors and certain officers, and the other business to come before the meeting. Financial information regarding Chorus is provided in the consolidated financial statements of Chorus and management’s discussion and analysis (“MD&A”) for the year ended December 31, 2016, both of which are available on our website at [www.chorusaviation.ca](http://www.chorusaviation.ca) and on SEDAR at [www.sedar.com](http://www.sedar.com).

**Your proxy is solicited by or on behalf of the management of Chorus for use at the meeting.** In addition to solicitation by mail, employees or agents may solicit proxies by other means. The cost of any such solicitation will be borne by Chorus. Chorus has retained D. F. King Canada, a division of CST Investor Services Inc. (“D.F. King”), to solicit proxies from shareholders and has agreed to pay a fee of \$25,000 for proxy solicitation services plus disbursements and additional fees for ancillary services provided. If you have any questions regarding the procedures for voting or completing your proxy form or voting instruction form, please contact D. F. King toll free in North America at 1-800-884-4590 or collect call from outside North America at 1-201-806-7301, or by email at [inquiries@dfking.com](mailto:inquiries@dfking.com).

This circular and related proxy materials are being sent to both registered and non-registered shareholders. The Corporation is not relying on the notice-and-access provisions of securities laws for delivery to either registered or non-registered shareholders. Chorus (or its agent) will send proxy-related materials directly to non-registered shareholders who are “non-objecting beneficial owners” and will deliver proxy-related materials to nominees, custodians and fiduciaries who will be asked to promptly forward them to non-registered shareholders who are “objecting beneficial owners”. The Corporation pays for the delivery of the proxy-related materials to all registered and non-registered shareholders, which includes reimbursing brokers and other persons holding shares in their names, or in the names of nominees, for their costs incurred in sending proxy materials to beneficial owners and obtaining their proxies or voting instructions. If you are a non-registered shareholder, you should receive a voting instruction form along with this circular. Refer to the section entitled “Voting your shares” to find out if you are a non-registered holder.

In this circular, “we”, “us” and “our” refer to Chorus and “management” refers to Chorus’ management. “You” and “your” refer to the shareholders of Chorus, and “shares” refers to the Class A Variable Voting Shares and Class B Voting Shares of Chorus. All monetary amounts are stated in Canadian Dollars unless otherwise indicated and all information in this circular is current as of March 20, 2017 unless otherwise indicated. If you have any questions about any of the information in this circular, please call Chorus Investor Relations at (902) 873-5094 for service in English or French.

### Approval of this circular

The board of directors of Chorus (the “Board of Directors” or the “Board”) approved the contents of this circular and authorized it to be sent to each shareholder who is eligible to receive notice of, and vote his, her or its shares, at our annual and special meeting of shareholders, as well as to each director of Chorus and to the auditors of Chorus. Shareholders who own shares of Chorus on March 21, 2017 will be eligible to receive this circular.

Dennis Lopes  
Senior Vice President, General Counsel and Corporate Secretary  
Dartmouth, Nova Scotia  
March 20, 2017

# About Our Annual and Special Meeting of Shareholders

## Business of the Meeting

The following items of business will be considered at the meeting:

1. placement before the shareholders of the consolidated financial statements of Chorus for the year ended December 31, 2016, including the auditors' report thereon;
2. election of the directors of Chorus who will serve until the end of the next annual meeting of shareholders unless a director leaves the Board prior to such time;
3. appointment of auditors of Chorus;
4. adoption of a special resolution, the text of which is contained in this circular, authorizing the removal of a provision in the Articles of Incorporation of Chorus which restricts the transfer of certain Chorus securities;
5. adoption of a resolution, the text of which is contained in this circular, ratifying the adoption of amendments to Chorus' by-laws in order to permit electronic payments;
6. approval, in an advisory, non-binding capacity, of a resolution, the text of which is contained in this circular, regarding Chorus' approach to executive compensation; and
7. consideration of such other business, if any, that may properly come before the meeting or any adjournment or postponement thereof.

Further details of the business to be considered at the meeting are contained in this circular.

As of the date of this circular, management is not aware of any changes to these items, and does not expect any other items to be brought forward at the meeting. If there are changes or new items, your proxyholder can vote your shares on these items as he or she sees fit.

### 1) Placement of financial statements of Chorus

The consolidated financial statements of Chorus for the year ended December 31, 2016, including the auditors' report thereon, are available on our website at [www.chorusaviation.ca](http://www.chorusaviation.ca) and on SEDAR at [www.sedar.com](http://www.sedar.com). Copies of such statements will also be available at the meeting.

### 2) Election of the directors of Chorus

Eight directors are to be elected to the Board of Directors. Each director elected at the meeting will serve until the end of the next annual shareholder meeting unless he or she leaves the Board prior to such time.

All of the individuals to be nominated as directors are currently members of the Board of Directors. These individuals are Gary M. Collins, Karen Cramm, Richard D. Falconer, R. Stephen Hannahs, Sydney John Isaacs, Richard H. McCoy, Marie-Lucie Morin and Joseph D. Randell. Please see "The Nominated Directors" section in this circular for additional information relating to each such director standing for nomination.

Only individuals nominated in accordance with the advance notice provisions of Chorus' by-laws are eligible for election as directors of Chorus. The by-laws set deadlines by which a shareholder must notify Chorus of his or her intention to nominate one or more directors and specify the information that must be included with the notice for a nomination to be valid. For this meeting, any nominations are required to be made not less than 30 days prior to the date of the meeting. A copy of Chorus' by-laws is available on SEDAR at [www.sedar.com](http://www.sedar.com).

The Board has adopted a majority voting policy which stipulates that if a director nominee is not elected by at least a majority (50% + 1 vote) of the votes cast with respect to his or her election, the nominee will immediately submit his or her resignation, to be effective on acceptance by the Board. The Board will refer the resignation to the Governance and Nominating Committee for consideration. Any director who has tendered his or her resignation pursuant to this policy will be prohibited from participating in or attending any part of a meeting of the Board or the Governance and Nominating Committee at which his or her resignation is considered. The Board will make its decision within 90 days of the relevant shareholders' meeting and promptly issue a news release with its decision. The Board will accept the resignation unless the Governance and Nominating Committee determines that there are exceptional circumstances that should delay

acceptance of the resignation or justify rejecting it. If the Board does not accept the resignation, the news release will fully state the reasons for that decision.

The majority voting policy does not apply in respect of a contested meeting (i.e., a meeting at which the number of directors nominated for election is greater than the number of seats available on the Board). All of the individuals nominated for election as directors at the meeting have acknowledged and agreed to comply with the majority voting policy.

**If you do not specify how you want your shares voted, the persons named as proxyholders will cast the votes represented by proxy at the meeting FOR the election as directors of the nominee directors who are named in this circular.**

### 3) Appointment of auditors

The Board, on the advice of the Audit, Finance and Risk Committee, recommends that PricewaterhouseCoopers LLP, Chartered Accountants, be re-appointed as auditors of Chorus. PricewaterhouseCoopers LLP has served as auditors of Chorus' predecessors since February 19, 2001, and of Chorus since its creation on September 27, 2010. The auditors appointed at the meeting will serve until the end of the next annual meeting of shareholders or until their successors are appointed.

Fees payable for the years ended December 31, 2016 and December 31, 2015 to PricewaterhouseCoopers LLP and its affiliates were \$1,151,758 and \$846,510, respectively, as detailed below:

	Year ended December 31,	
	2016	2015
	\$	\$
Audit fees	410,000	466,500
Audit-related fees	162,545	59,600
Tax fees – compliance/preparation	51,244	29,651
Tax fees – other	482,409	290,759
Other	45,560	—
	1,151,758	846,510

The nature of each category of fees is described below.

Audit fees. Audit fees were paid for professional services rendered for the audit of the annual financial statements of the Corporation and its affiliates, for the reviews of quarterly reporting by the Corporation, and for services normally provided in connection with statutory and regulatory filings or engagements. Audit fees incurred in 2015 include additional audit work related to the acquisition of Voyageur.

Audit-related fees. Audit-related fees were paid for professional services related to pension plan audits and accounting consultation. Audit-related fees in 2016 include additional work related to the acquisition of Voyageur and translation services.

Tax fees – compliance/preparation. Tax fees were paid for professional services rendered with respect to indirect tax, income tax and payroll tax compliance.

Tax fees – other. Tax fees were paid for professional services rendered with respect to tax advice, tax planning and consulting. Fees in 2016 mainly relate to consulting in respect of the establishment of Chorus' aircraft leasing business.

Other. Other fees paid in 2016 were for pension filing software and a review of the security of Voyageur's information technology infrastructure.

**If you do not specify how you want your shares voted, the persons named as proxyholders will cast the votes represented by proxy at the meeting FOR the appointment of PricewaterhouseCoopers LLP as auditors.**

#### 4) Amendment of Chorus' Articles of Incorporation

Chorus was incorporated on September 27, 2010 pursuant to Articles of Incorporation (the "**Articles**") filed with the Director under the *Canada Business Corporations Act*. Since Chorus was not a reporting issuer at the time of its incorporation, the Articles contained the following restriction on transfers of Chorus' securities (the "**Transfer Provision**"):

*"The securities of the Corporation, other than non-convertible debt securities, shall not be transferred without the approval of the board of directors or of the holder or holders of more than 50% of the voting shares of the Corporation, to be evidenced in either case by a resolution of such directors or shareholders."*

Pursuant to a plan of arrangement completed on December 31, 2010 among Chorus, Jazz Air Income Fund, Jazz Air Trust and 7303695 Canada Inc., Chorus became a reporting issuer in all of the provinces and territories of Canada and its shares were posted for trading on the Toronto Stock Exchange (the "**TSX**") on January 4, 2011. Since then, the Board has passed resolutions approving all transfers of Chorus securities as required by the Transfer Provision, however, the Board and management believe that the Transfer Provision is unnecessary and should be removed from the Articles in light of the fact that Chorus' shares are traded on the TSX.

For the reasons indicated above, the Board and management recommend that shareholders vote to approve the deletion of the Transfer Provision from the Articles and authorize any officer or director of the Corporation to take all actions required to give effect to that removal.

To be adopted, this special resolution needs to be approved by at least two-thirds of the votes cast at the meeting by proxy or in person. The Board and management recommend that shareholders vote in favour of this special resolution.

*Form of Special Resolution:*

"BE IT RESOLVED THAT:

1. the Articles of Incorporation of Chorus Aviation Inc. ("Chorus") be amended to delete the restriction on the transfer of Chorus' securities set out in section 7(a) of Schedule B thereto; and
2. any officer or director of Chorus is hereby authorized to do all such acts and things, and to sign, execute and deliver any and all documents and instruments, as may be necessary or desirable in order to give effect to this special resolution."

**If you do not specify how you want your shares voted, the persons named as proxyholders will cast the votes represented by proxy at the meeting FOR the approval of the amendment to the Articles.**

#### 5) Ratification of amendment and restatement of Chorus' By-Law No. 1

The by-laws of Chorus were originally adopted on September 28, 2010, and an amendment and restatement thereof was enacted by the directors and confirmed by the shareholders of Chorus on May 13, 2016.

On March 20, 2017, the Board approved amendments to sections 2.7 and 10.2 of the by-laws to permit the electronic payment of dividends by direct deposit to Chorus' registered shareholders. Prior to these amendments, the by-laws required Chorus to pay dividends to its registered shareholders by way of a cheque mailed to such shareholders.

Chorus' shareholders are being asked to ratify and confirm these amendments, which are shown in the blacklined version of the Second Amended and Restated By-law No. 1 attached to this circular as Annex A. If the amendments to the by-laws are not approved by Chorus' shareholders, the amendments will immediately cease to have any force or effect.

To be adopted, the resolution needs to be approved by a majority of the votes cast at the meeting by proxy or in person. The Board and management recommend that shareholders vote in favour of this resolution.

*Form of Resolution*

"BE IT RESOLVED THAT the Second Amended and Restated By-law No. 1 of Chorus Aviation Inc. ("Chorus") reflecting the changes shown in Annex A to Chorus' Management Proxy Circular dated March 20, 2017, be and is hereby ratified, confirmed and approved."

If you do not specify how you want your shares voted, the persons named as proxyholders will cast the votes represented by proxy at the meeting FOR the ratification, confirmation and approval of the amendments to the by-laws.

#### 6) Advisory vote on approach to executive compensation

Chorus is providing shareholders with an opportunity to cast an advisory vote on Chorus' approach to executive compensation, as disclosed under the heading "Executive Compensation". Chorus' executive compensation practices are intended to align the interests of our executive team with those of our shareholders. We believe this compensation approach allows us to attract, motivate and retain executives who are incented to deliver strong operating results from our existing businesses while striving to create future shareholder value through the diversification and growth of Chorus. Accordingly, the Board recommends that shareholders vote in favour of the approval of the advisory resolution set out below.

##### *Form of Resolution*

"BE IT RESOLVED THAT, on an advisory basis and not to diminish the role and responsibilities of the Board of Directors of Chorus Aviation Inc. ("Chorus"), the shareholders accept the approach to executive compensation disclosed in Chorus' Management Proxy Circular dated March 20, 2017."

As this is an advisory vote, the result will not be binding upon the Board or Chorus. However, the members of the Board and the Human Resources and Compensation Committee will review and analyze the result of the vote and, as appropriate, take into account the result of the vote when considering, in future, executive compensation philosophy, policies, programs or arrangements.

If you do not specify how you want your shares voted, the persons named as proxyholders will cast the votes represented by proxy at the meeting FOR the advisory, non-binding resolution in respect of Chorus' approach to executive compensation.

#### 7) Consideration of other business

We will also report on other items that are significant to our business and invite questions and comments from shareholders.

## Voting your shares

### Your vote is important

As a shareholder of Chorus, it is very important that you read the following information on how to vote your shares and then vote your shares, either by proxy or in person, at the meeting.

### Voting

You can attend the meeting or you can appoint someone else to vote for you as your proxyholder. Voting by proxy means that you are giving the person named on your form of proxy or your voting instruction form ("**proxyholder**") the authority to vote your shares for you at the meeting. A shareholder entitled to vote at the meeting may by means of a proxy or voting instruction form appoint a proxyholder or one or more alternate proxyholders, who are not required to be shareholders, to attend and act at the meeting in the manner and to the extent authorized by the proxy and with the authority conferred by the proxy.

The persons who are named on the form of proxy or the voting instruction form are directors or officers of Chorus and will vote your shares for you. **You have the right to appoint someone else to be your proxyholder.** If you appoint someone else, he or she must attend the meeting to vote your shares.

## How to vote – registered shareholders

You are a registered shareholder if your name appears on your share certificate. If you are not sure whether you are a registered shareholder, please contact CST Trust Company at 1-800-387-0825.

A form of proxy, which allows you to provide your voting instructions by Internet, facsimile, mail, email or telephone, should be enclosed with this circular. Please contact CST Trust Company at 1-800-387-0825 if you have not received a form of proxy.

### ***By proxy***

You will be providing your proxy voting instructions directly to CST Trust Company (Chorus' transfer agent). CST Trust Company must receive your voting instructions **prior to Chorus' proxy deadline of 9:00 a.m. (Atlantic time) on May 10, 2017**. Notwithstanding the foregoing, the chair of the meeting has the sole discretion to accept proxies received after such deadline, but is under no obligation to do so. Please see the section of this circular titled "Completing the Proxy and Voting Instruction Form" for more information.

### *On the Internet*

Go to the website at [www.cstvotemyproxy.com](http://www.cstvotemyproxy.com) and follow the instructions on the screen. Your voting instructions are then submitted electronically over the Internet. You can appoint a person other than the directors or officers of Chorus named on the form of proxy as your proxyholder. This person does not have to be a shareholder. Fill in the name of the person you are appointing in the space provided on the website. Complete your voting instructions and submit the form. Make sure that the person you appoint is aware that he or she has been appointed and attends the meeting.

You will need the 13-digit Control Number found on your form of proxy.

**The cut-off time for voting on the Internet is 9:00 a.m. (Atlantic time) on May 10, 2017**, or, if the meeting is adjourned or postponed, not later than 48 hours prior to the adjourned or postponed meeting (excluding Saturdays, Sundays and statutory holidays).

### *By facsimile, mail or e-mail*

Complete the form of proxy and return it by facsimile to either 1-866-781-3111 or (416) 368-2502, or return it by mail in the enclosed business reply envelope, or scan and e-mail it to [proxy@canstockta.com](mailto:proxy@canstockta.com) **for receipt before 9:00 a.m. (Atlantic time) on May 10, 2017**, or, if the meeting is adjourned or postponed, not later than 48 hours prior to the adjourned or postponed meeting (excluding Saturdays, Sundays and statutory holidays).

If you return your proxy by facsimile, mail or e-mail, you can appoint a person other than the directors or officers of Chorus named in the form of proxy as your proxyholder. This person does not have to be a shareholder. Fill in the name of the person you are appointing in the blank space provided on the form of proxy. Complete your voting instructions, date and sign the form. Make sure that the person you appoint is aware that he or she has been appointed and attends the meeting.

### *By telephone*

You may also provide voting instructions by calling 1-888-489-7352 (Canada and the United States) **prior to Chorus' proxy deadline of 9:00 a.m. (Atlantic time) on May 10, 2017**.

### ***In person at the meeting***

You do not need to complete or return your form of proxy. Please register your attendance with CST Trust Company upon arrival at the meeting.

**If you have any questions or require more information with regard to the procedures for voting, please contact D.F. King, Chorus' proxy solicitation agent toll free in North America at 1-800-884-4590 or collect outside North America at 1-201-806-7301 or by email at [inquiries@dfking.com](mailto:inquiries@dfking.com).**

## How to vote – non-registered shareholders

Chorus is paying for the delivery of proxy-related materials to all non-registered shareholders who have not declined to receive these materials, including non-registered shareholders that have provided instructions to the intermediary holding their shares that they object to the intermediary disclosing information about their ownership (referred to as "objecting beneficial owners").

You are a non-registered shareholder if your bank, trust company, securities broker or other financial institution ("**your nominee**") holds your shares for you. If you are not sure whether you are a non-registered shareholder, please contact CST Trust Company at 1-800-387-0825.

### ***Non-objecting beneficial shareholders***

If you are a non-objecting beneficial owner and Chorus or its agent has sent these materials directly to you, your name and address and information about your holdings of securities, have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf.

By choosing to send these materials to you directly, Chorus (and not the intermediary holding on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions. A voting instruction form, which allows you to provide your voting instructions on the Internet or by facsimile, mail, email or telephone, should be enclosed with this circular. Please contact CST Trust Company at 1-800-387-0825 if you have not received a voting instruction form.

### ***By proxy***

You will be providing your proxy voting instructions directly to CST Trust Company (Chorus' transfer agent). CST Trust Company must receive your voting instructions **prior to Chorus' proxy deadline of 9:00 a.m. (Atlantic time) on May 10, 2017**. Notwithstanding the foregoing, the chair of the meeting has the sole discretion to accept proxies received after such deadline, but is under no obligation to do so. Please see the section of this circular titled "Completing the Proxy and Voting Instruction Form" for more information.

### ***On the Internet***

Please go to the website at [www.cstvotemyproxy.com](http://www.cstvotemyproxy.com). You will need the 13-digit Control Number found on your voting instruction form.

Upon accessing the website, follow the instructions on the screen. Your voting instructions will be submitted electronically over the Internet. You can appoint a person other than the directors or officers of Chorus named on the voting instruction form as your proxyholder. This person does not have to be a shareholder. Fill in the name of the person you are appointing in the space provided on the website. Complete your voting instructions and submit the form. Make sure that the person you appoint is aware that he or she has been appointed and attends the meeting.

**The cut-off time for voting on the Internet is 9:00 a.m. (Atlantic time) on May 10, 2017**, or, if the meeting is adjourned or postponed, not later than 48 hours prior to the adjourned or postponed meeting (excluding Saturdays, Sundays and statutory holidays).

### ***By facsimile, mail or email***

You may also vote your shares by completing the voting instruction form and returning it by facsimile to 1-866-781-3111 or (416) 368-2502, or by mail in the enclosed business reply envelope, or scanning and e-mailing it to [proxy@canstockta.com](mailto:proxy@canstockta.com) **for receipt before 9:00 a.m. (Atlantic time) on May 10, 2017**, or, if the meeting is adjourned or postponed, not later than 48 hours prior to the adjourned or postponed meeting (excluding Saturdays, Sundays and statutory holidays).

You can appoint a person other than the directors or officers of Chorus named on the voting instruction form as your proxyholder. This person does not have to be a shareholder. Fill in the name of the person you are appointing in the blank space provided on the voting instruction form. Complete your voting instructions, date and submit the form. Make sure that the person you appoint is aware that he or she has been appointed and attends the meeting.

### *By telephone*

You may also provide your voting instructions by calling 1-888-489-7352 (Canada and the United States) **prior to Chorus' proxy deadline of 9:00 a.m. (Atlantic time) on May 10, 2017.**

### *In person at the meeting*

You can vote your shares in person at the meeting if you have appointed yourself as proxyholder on your voting instruction form. To do this, fill in your name in the blank space provided on the voting instruction form. Please register your attendance with CST Trust Company upon arrival at the meeting.

**If you have any questions or require more information with regard to the procedures for voting, please contact D.F. King, Chorus' proxy solicitation agent toll free in North America at 1-800-884-4590 or collect outside North America at 1-201-806-7301 or by email at [inquiries@dfking.com](mailto:inquiries@dfking.com).**

### *Objecting beneficial shareholders*

If you are an "objecting beneficial owner", the nominee through which you hold your shares is responsible for (i) delivering the meeting materials to you, and (ii) executing your proper voting instructions. A voting instruction form, which allows you to provide your voting instructions on the Internet or by facsimile or mail, should be enclosed with this circular. Please contact your nominee if you have not received a voting instruction form.

### *By proxy*

You will be providing your proxy voting instructions to your nominee who will then submit them to CST Trust Company (Chorus' transfer agent). Your nominee must receive your voting instructions in sufficient time for your nominee to act on them **prior to Chorus' proxy deadline of 9:00 a.m. (Atlantic time) on May 10, 2017.** Notwithstanding the foregoing, the chair of the meeting has the sole discretion to accept proxies received after such deadline, but is under no obligation to do so. Please see the section of this circular titled "Completing the Proxy and Voting Instruction Form" for more information.

### *On the Internet*

Please go to the website at [www.proxyvote.com](http://www.proxyvote.com). You will need the 16-digit Control Number found on your voting instruction form.

Upon accessing the website, follow the instructions on the screen. Your voting instructions will be submitted electronically over the Internet. You can appoint a person other than the directors or officers of Chorus named on the voting instruction form as your proxyholder. This person does not have to be a shareholder. Fill in the name of the person you are appointing in the space provided on the website. Complete your voting instructions and submit the form. Make sure that the person you appoint is aware that he or she has been appointed and attends the meeting.

**The cut-off time for voting on the Internet is 9:00 a.m. (Atlantic time) on May 9, 2017,** or, if the meeting is adjourned or postponed, not later than 48 hours prior to the adjourned or postponed meeting (excluding Saturdays, Sundays and statutory holidays).

### *By facsimile or mail*

You may also vote your shares by completing the voting instruction form and returning it by facsimile to (905) 507-7793 (for English shareholders) or (514) 281-8911 (for French shareholders), or by mail in the enclosed business reply envelope **for receipt before 9:00 a.m. (Atlantic time) on May 9, 2017,** or, if the meeting is adjourned or postponed, not later than 48 hours prior to the adjourned or postponed meeting (excluding Saturdays, Sundays and statutory holidays).

You can appoint a person other than the directors or officers of Chorus named on the voting instruction form as your proxyholder. This person does not have to be a shareholder. Fill in the name of the person you are appointing in the blank space provided on the voting instruction form. Complete your voting instructions, date and submit the form. Make sure that the person you appoint is aware that he or she has been appointed and attends the meeting.

### ***In person at the meeting***

You can vote your shares in person at the meeting if you have instructed your nominee to appoint you as proxyholder. To do this, fill in your name in the blank space provided on the voting instruction form and otherwise follow the instructions of your nominee. Please register your attendance with CST Trust Company upon arrival at the meeting.

**If you have any questions or require more information with regard to the procedures for voting, please contact D.F. King, Chorus' proxy solicitation agent toll free in North America at 1-800-884-4590 or collect outside North America at 1-201-806-7301 or by email at [inquiries@dfking.com](mailto:inquiries@dfking.com).**

### **How to vote – employees holding shares under the Employee Share Ownership Plan ("ESOP")**

Shares purchased by employees of Chorus and its subsidiaries under the ESOP ("**Employee Shares**") are registered in the name of Computershare Trust Company of Canada ("**Computershare**"), as administrative agent, unless the employees have withdrawn their shares from the plan. If you are not sure whether you are an employee holding Employee Shares through Computershare, please contact Computershare at 1-866-982-0314.

If you also hold shares outside the ESOP and wish to vote those other shares, you must also complete a form of proxy (if a registered shareholder) or voting instruction form (if a non-registered shareholder) with respect to such other shares in the manner described above.

A voting instruction form, which allows you to provide your voting instructions on the Internet or by mail, should be enclosed with this circular. Please contact Computershare if you have not received a voting instruction form.

### ***By proxy***

You will be providing your proxy voting instructions to Computershare who will then submit them to CST Trust Company. Computershare must receive your voting instructions in sufficient time to act on them **prior to Chorus' proxy deadline of 9:00 a.m. (Atlantic time) on May 10, 2017**. Notwithstanding the foregoing, the chair of the meeting has the sole discretion to accept proxies received after such deadline, but is under no obligation to do so. Please see the section of this circular titled "Completing the Proxy and Voting Instruction Form" for more information.

### ***On the Internet***

Go to the website at [www.investorvote.com](http://www.investorvote.com) and follow the instructions on the screen. Your voting instructions are then submitted electronically over the Internet. You can appoint a person other than Computershare as your proxyholder. This person does not have to be a shareholder. Indicate the name of the person you are appointing in the space provided on the website. Complete your voting instructions, date and submit the form. Make sure that the person you appoint is aware that he or she has been appointed and attends the meeting.

You will need the 15-digit Control Number found on your voting instruction form.

**The cut-off time for voting on the Internet is 9:00 a.m. (Atlantic time) on May 9, 2017**, or, if the meeting is adjourned or postponed, not later than 48 hours prior to the adjourned or postponed meeting (excluding Saturdays, Sundays and statutory holidays).

### ***By mail***

Alternatively, you may vote your shares by completing the voting instruction form and returning it by mail in the enclosed business reply envelope **for receipt before 9:00 a.m. (Atlantic time) on May 9, 2017**, or, if the meeting is adjourned or postponed, not later than 48 hours prior to the adjourned or postponed meeting (excluding Saturdays, Sundays and statutory holidays).

You can appoint a person other than Computershare as your proxyholder. This person does not have to be a shareholder. Fill in the name of the person you are appointing in the blank space provided on the voting instruction form. Complete your voting instructions, date and submit the form. Make sure that the person you appoint is aware that he or she has been appointed and attends the meeting.

### ***In person at the meeting***

You can vote your shares in person at the meeting if you have instructed Computershare to appoint you as proxyholder. To do this, enter your name in the appropriate box on the website or write your name in the space provided on the voting instruction form and follow the instructions otherwise provided in the voting instruction form. Please register your attendance with CST Trust Company upon arrival at the meeting.

**If you have any questions or require more information with regard to the procedures for voting, please contact D.F. King, Chorus' proxy solicitation agent toll free in North America at 1-800-884-4590 or collect outside North America at 1-201-806-7301 or by email at [inquiries@dfking.com](mailto:inquiries@dfking.com).**

### **Completing the Proxy and Voting Instruction Form**

Please follow the instructions included on the form of proxy or voting instruction form.

You can choose to vote "For" or "Withhold" with respect to the election of each director and the appointment of the auditors. You can choose to vote "For" or "Against" the approval of the amendment to the Articles, the ratification of the Second Amended and Restated By-law No. 1 and the advisory, non-binding vote on Chorus' approach to executive compensation.

If you vote by proxy or using a voting instruction form without appointing an alternate proxyholder, you authorize Richard H. McCoy, Joseph D. Randell or Jolene Mahody, who are directors and/or officers of Chorus, to vote your shares for you at the meeting in accordance with your instructions. **If such individuals have been appointed as your proxyholder and you have not specified how you want your shares to be voted, they will vote on your behalf FOR the election of each of the nominee directors of Chorus who are named in this circular, FOR the appointment of PricewaterhouseCoopers LLP as auditors of Chorus, FOR the approval of the amendment to the Articles, FOR ratification of the Second Amended and Restated By-law No. 1, and FOR the advisory, non-binding vote on Chorus' approach to executive compensation.**

Your proxyholder also has authority to vote and act in such proxyholder's discretion with respect to amendments or variations to matters referred to in the notice of meeting and with respect to other matters which may properly come before the meeting, or any adjournment or postponement thereof, in each instance to the extent permitted by law, whether or not the amendment or variation or other matter that comes before the meeting is or is not routine and whether or not the amendment or variation or other matter that comes before the meeting is contested. The directors of Chorus are not aware of any other matters which will be presented for action at the meeting.

**You have the right to appoint someone other than the designated nominees to be your proxyholder. If you are appointing someone else to vote your shares for you at the meeting, fill in the name of the person voting for you in the blank space provided on the form of proxy or voting instruction form. Make sure that the person you appoint is aware that he or she has been appointed and attends the meeting.**

**You must also complete the Declaration of Canadian Status contained in the form of proxy or voting instruction form to inform Chorus whether or not you are Canadian (as defined in the "Restrictions on Voting Securities" section of this circular) in order to enable Chorus to comply with the share ownership and voting restrictions imposed by the *Canada Transportation Act* (the "Act"). If you do not complete such declaration or if it is determined by Chorus or its transfer agent that you incorrectly indicated (through inadvertence or otherwise) that the shares represented by proxy are owned and controlled by a Canadian, you will be deemed to be a non-Canadian for purposes of voting at the meeting.**

**If you have any questions or require more information with regard to the procedures for voting, please contact D.F. King, Chorus' proxy solicitation agent toll free in North America at 1-800-884-4590 or collect outside North America at 1-201-806-7301 or by email at [inquiries@dfking.com](mailto:inquiries@dfking.com).**

### **Changing Your Vote**

If you are a **registered shareholder**, you may change your vote by: (i) submitting a proxy bearing a later date with your new voting instructions (but your **new voting instructions must be received by CST Trust Company before 9:00 a.m. (Atlantic time) on May 10, 2017**, or, if the meeting is adjourned or postponed, not later than 48 hours prior to the adjourned or postponed meeting (excluding Saturdays, Sundays and statutory holidays) in order to be given effect), or (ii) by attending the meeting and voting in person. You may also revoke your prior voting instructions without giving new voting instructions (i) by

an instrument in writing executed by the shareholder or the shareholder's attorney authorized in writing and deposited either at the Toronto office of Chorus' transfer agent, CST Trust Company, 320 Bay Street, 3rd Floor, Toronto, Ontario M5H 4A6, or at Chorus' registered office, 100 King Street West, 1 First Canadian Place, Suite 6200, P.O. Box 50, Toronto, Ontario, M5X 1B8, **at any time up to 9:00 a.m. (Atlantic time) on May 10, 2017** (or 5:00 p.m. (Atlantic time) on the last business day preceding the date set for any adjourned or postponed meeting), or with the chair of the meeting on the day of the meeting or (ii) in any other way permitted by law.

If you are a **non-registered shareholder**, you may change your vote by submitting new voting instructions by Internet, facsimile or other manner described above. **Your new voting instructions must be received by CST Trust Company before 9:00 a.m. (Atlantic time) on May 10, 2017**, or, if the meeting is adjourned or postponed, not later than 48 hours prior to the adjourned or postponed meeting (excluding Saturdays, Sundays and statutory holidays) in order to be given effect, so you should provide your new voting instructions to your nominee in sufficient time for your nominee to act on them **prior to such deadline (generally one business day in advance)**. Please contact your nominee for assistance if you wish to revoke your voting instructions without providing new voting instructions.

If you hold Employee Shares under the ESOP, you may change your vote by submitting new voting instructions to Computershare Trust Company by Internet or mail in the manner set out above and Computershare Trust Company will then submit them to **CST Trust Company**. **Your new voting instructions must be received by CST Trust Company before 9:00 a.m. (Atlantic time) on May 10, 2017**, or, if the meeting is adjourned or postponed, not later than 48 hours prior to the adjourned or postponed meeting (excluding Saturdays, Sundays and statutory holidays) in order to be given effect, so you should provide your new voting instructions to Computershare Trust Company in sufficient time for Computershare Trust Company to act on them **prior to such deadline (generally one business day in advance)**. Please contact Computershare Trust Company for assistance if you wish to revoke your voting instructions without providing new voting instructions.

Notwithstanding the foregoing, the chair of the meeting has the sole discretion to accept proxies received after the deadline for the receipt of proxies, but is under no obligation to do so.

### **Voting Requirements**

The election of directors, the appointment of the auditors, the ratification of the Seconded Amended and Restated By-law No. 1 and the advisory, non-binding vote on Chorus' approach to executive compensation will be determined by a majority of votes cast at the meeting by proxy or in person. If there is a tie, the chair of the meeting is not entitled to a second or casting vote.

The amendment to the Articles must be approved by at least two-thirds of the votes cast at the meeting by proxy or in person.

CST Trust Company counts and tabulates the votes.

### **Voting Shares and Quorum**

As of March 15, 2017 there were 122,182,168 shares issued and outstanding. Shareholders of record on March 21, 2017 are entitled to receive notice of and vote at the meeting.

A quorum is present at the meeting if the holders of not less than 25% of the shares entitled to vote at the meeting are present in person or represented by proxy, irrespective of the number of persons actually present at the meeting. If a quorum is present at the opening of the meeting, the shareholders present or represented by proxy may proceed with the business of the meeting notwithstanding that a quorum is not present throughout the meeting. If a quorum is not present at the opening of the meeting, the shareholders present or represented by proxy may adjourn the meeting to a fixed time and place but may not transact any other business.

If two or more persons hold shares jointly, one of those holders present at the meeting may in the absence of the others vote the shares, but if two or more of those persons who are present, in person or by proxy, vote, they shall vote as one on the shares jointly held by them.

## Restrictions on Voting Securities

As of March 20, 2017, the applicable provisions of the Act require that holders of domestic, scheduled international and non-scheduled international licences be "Canadian" as defined in the Act ("**Canadian**"). As Chorus owns two air carriers that hold such licences, it must comply with these provisions. In the case of each licence holder, this requires that at no time may non-Canadians (i) control the corporation in fact or (ii) hold or beneficially own or control, directly or indirectly, such number of shares entitling them to more than 25% (or any higher percentage as the Governor in Council may by regulation specify) of the votes attached to all outstanding shares. The Articles of Incorporation of Chorus contains restrictions to ensure that Chorus remains Canadian under the Act. The definition of the term "Canadian" under section 55(1) of the Act may be summarized as follows:

- (a) Canadian citizen or a permanent resident within the meaning of the *Immigration and Refugee Protection Act* (Canada);
- (b) a government in Canada or an agent of such a government; or
- (c) a corporation or other entity that is incorporated or formed under the laws of Canada or a province, that is controlled in fact by Canadians and of which at least 75% (or such lesser percentage as the Governor in Council may by regulation specify) of the voting interests are owned and controlled by Canadians.

Chorus has two classes of shares: (i) Class B Voting Shares and (ii) Class A Variable Voting Shares. Effective May 24, 2016, the Class B Voting Shares and Class A Variable Voting Shares started trading on the TSX under the single ticker "CHR". Prior to that date, the Class B Voting Shares and Class A Variable Voting Shares traded on the TSX under their respective symbols, CHR.B and CHR.A. This change was limited solely to the administration of the trading of the Class B Voting Shares and the Class A Variable Voting Shares on the TSX. This change did not involve any amendment to Chorus' Articles, which continue to apply.

The Class B Voting Shares may only be held, beneficially owned and controlled, directly or indirectly, by persons who are Canadians. Unless the foreign ownership restrictions of the Act are repealed and not replaced with other similar restrictions, an issued and outstanding Class B Voting Share shall be converted into one Class A Variable Voting Share, automatically and without any further act of Chorus or the holder, if such Class B Voting Share becomes held, beneficially owned or controlled, directly or indirectly, otherwise than by way of security only, by a person who is not a Canadian. Each Class B Voting Share confers the right to one vote.

The Class A Variable Voting Shares may only be held, beneficially owned or controlled, directly or indirectly, by persons who are not Canadians. An issued and outstanding Class A Variable Voting Share shall be converted into one Class B Voting Share, automatically and without any further act of Chorus or the holder, if (i) such Class A Variable Voting Share becomes held, beneficially owned or controlled, directly or indirectly, otherwise than by way of security only, by a person who is a Canadian; or (ii) the provisions contained in the Act relating to foreign ownership restrictions are repealed and not replaced with other similar provisions.

The holders of Class A Variable Voting Shares are entitled to one vote per Class A Variable Voting Share unless: (i) the number of Class A Variable Voting Shares outstanding, as a percentage of the total number of all voting shares outstanding, exceeds 25% (or any higher percentage that the Governor in Council may by regulation specify); or (ii) the total number of votes cast by or on behalf of holders of Class A Variable Voting Shares at any meeting exceeds 25% (or any higher percentage that the Governor in Council may by regulation specify) of the total number of votes that may be cast at such meeting. If either of the above-noted thresholds would otherwise be surpassed at any time, the vote attached to each Class A Variable Voting Share will decrease proportionately, automatically and without further act or formality such that (i) the Class A Variable Voting Shares as a class do not carry more than 25% (or any higher percentage that the Governor in Council may by regulation specify) of the aggregate votes attached to all issued and outstanding voting shares of the corporation, and (ii) the total number of votes cast by or on behalf of holders of Class A Variable Voting Shares at any meeting do not exceed 25% (or any higher percentage that the Governor in Council may by regulation specify) of the total number of votes that may be cast at such meeting.

On March 12, 2009 Bill C-10, the *Budget Implementation Act, 2009*, which (among other things) proposed amendments to the CTA relating to foreign ownership restrictions on domestic air carriers, received Royal Assent. These amendments, which may come into force on a day fixed by order of the Governor in Council, provide the Governor in Council the authority to introduce regulations which set new foreign ownership limits up to a maximum of 49% foreign ownership. The regulations may specify that the new limits apply generally to all non-Canadian investors or, alternatively, may specify increased foreign ownership

limits available to specific classes of non-Canadians to be identified in the regulations. On November 3, 2016, the Minister of Transport announced the Government of Canada's intention to raise the foreign ownership limits to 49% (from the current 25%) but maintain a 25% sublimit on any single foreign investor. As of March 20, 2017, no regulations or legislative amendments giving effect to such changes have been passed or published for comment.

The holders of Class A Variable Voting Shares and Class B Voting Shares will vote together at the meeting and no separate meeting is being held for any such class of shares.

**Shareholders who wish to vote at the meeting either by completing and delivering a proxy or a voting instruction form or by attending and voting at the meeting will be required to complete a Declaration of Canadian Status in order to enable Chorus to comply with the restrictions imposed by the Act regarding the ownership and voting of its voting securities. If you do not complete such declaration or if it is determined by Chorus or its transfer agent that you incorrectly indicated (through inadvertence or otherwise) that the shares of Chorus represented by the proxy or the voting instruction form are owned and controlled by a Canadian, you will be deemed to be a non-Canadian for purposes of voting at the meeting. Such declaration is contained in the accompanying form of proxy or in the voting instruction form provided to you if you are a non-registered shareholder or an employee voting shares of Chorus under the Employee Share Ownership Plan and in the Internet voting instructions.**

### **Principal Shareholders**

On October 14, 2016, pursuant to an application by Chorus, the securities regulatory authorities in each of the provinces of Canada granted exemptive relief (the "**Decision**") from (i) applicable formal take-over bid requirements, as contained under Canadian securities laws, such that those requirements would only apply to an offer to acquire 20% or more of the outstanding Class B Voting Shares and Class A Variable Voting Shares of the Corporation on a combined basis, and (ii) applicable early warning reporting requirements, as contained under Canadian securities laws, such that those requirements would only apply to an acquirer who acquires or holds beneficial ownership of, or control or direction over, 10% or more of the outstanding Class B Voting Shares and Class A Variable Voting Shares of the Corporation on a combined basis (or 5% in the case of acquisitions during a take-over bid), and (iii) applicable alternative monthly reporting requirements, as contained under Canadian Securities laws, such that eligible institutional investors may meet the eligibility criteria for alternative monthly reporting by calculating its security holdings using a denominator comprised of all outstanding Class B Voting Shares and Class A Variable Voting Shares on a combined basis, and a numerator including all of the Class B Voting Shares or Class A Variable Voting Shares, as the case may be, beneficially owned or controlled by the eligible institutional investor. A copy of the Decision is available on SEDAR at [www.sedar.com](http://www.sedar.com).

As of the date of this circular, to the knowledge of the directors of Chorus and based on publicly available early warning reports and insider reports, no person or entity beneficially owned, or exercised control or direction over, directly or indirectly, shares carrying 10% or more of the votes attached to all outstanding shares entitled to vote in connection with any matters being proposed for consideration at the meeting.

## The Nominated Directors

Eight directors are to be elected at the meeting, each of whom is to hold office until the end of the next annual meeting of shareholders, unless he or she leaves the Board prior to such time.

All nominees have established their eligibility and willingness to serve as directors. If, prior to the meeting, any of the listed nominees becomes unable or unavailable to serve, proxies will be voted for any other nominee or nominees at the discretion of the proxyholder. The following pages set out, among other things, the names of the proposed nominees, together with their municipality of residence, the date they became directors (if applicable), their principal occupation and other principal directorships and committee memberships. Also indicated is the number of securities of Chorus beneficially owned, or over which control was exercised, directly or indirectly, as of March 15, 2017 and the value of those securities as of (i) March 15, 2017 based on a market value of \$7.33 per share.

### Biographies

#### Gary M. Collins

Vancouver, British Columbia, Canada



Age: 53

**Independent**

**Director of Chorus and its predecessors or subsidiaries since May 8, 2008**

**Chair of the Governance and Nominating Committee**

**Member of the Audit, Finance and Risk Committee**

Gary M. Collins is a Senior Advisor at Lazard Canada, a financial advisory and asset management firm. Until May 2014, Mr. Collins was the President of Coastal Contacts Inc., the world's leading online direct-to-customer retailer of replacement contact lenses, eye glasses and optical products. In May 2014 Coastal Contacts was purchased by Essilor International. From April 2007 to June 2012 Mr. Collins was Senior Vice President of Belcorp Industries Inc. Prior to that, Mr. Collins was the President and Chief Executive Officer of Harmony Airways from December 2004 until December 2006. From October 1991 to December 2004 he was a member of the British Columbia Legislative Assembly and held the portfolio of Minister of Finance from June 2001 to December 2004. Mr. Collins is also a director of Liquor Stores N. A. Ltd., D-Box Technologies Inc. and Rogers Sugar Inc.

#### Chorus Securities Held or Controlled:

<b>Class B Voting Shares:</b>	5,000	<b>Total Class B Voting Shares and Deferred Share Units:</b>	147,938
<b>Deferred Share Units:</b>	142,938	<b>Total Market Value of Class B Shares and Deferred Share Units:</b>	\$1,084,386

Mr. Collins' holdings exceed the director share ownership requirement of \$210,000.

#### Experience:

Executive Leadership, Other Board Experience, Accounting, Finance, Aviation/Transportation Industry Knowledge, Human Resources/Compensation, Strategic Planning, Government/Regulatory Affairs, International Business, Mergers & Acquisitions/Growth Strategy, Risk Management, Information Technology & Security, and Safety/Environment

#### Current Board Memberships

##### Public Boards:

Liquor Stores N. A. Ltd.  
D-Box Technologies Inc.  
Rogers Sugar Inc.

##### Non-Profit Boards and Private Boards:

None

#### Other Board Membership During the Last Five Years:

None

**Karen Cramm, FCPA, FCA**  
Halifax, Nova Scotia, Canada



Age: 66  
**Independent**

**Director of Chorus and its predecessors or subsidiaries since December 6, 2010**  
**Chair of the Audit, Finance and Risk Committee**  
**Member of the Governance and Nominating Committee**

Karen Cramm is a corporate director. A Chartered Accountant since 1977, Mrs. Cramm holds master's degrees in business administration (MBA) and in public administration (MPA). Mrs. Cramm was a senior partner of Deloitte & Touche ("Deloitte") in the Financial Services Group specializing in Reorganization as well as Forensic & Dispute services. While a partner of Deloitte, she served as the Managing Partner of the Halifax Office, was elected to the Canadian Deloitte Board of Directors for fourteen years and chaired the Deloitte Foundation, a registered charity focusing on corporate responsibility and giving back to communities across Canada. Mrs. Cramm has served as President of the Institute of Chartered Accountants of Nova Scotia and was elected as a Fellow of the Institute in recognition of distinguished service to the profession. She has also had extensive experience leading and serving on community-based, non-profit boards including Chair of the Boards of the Izaak Walton Killam Hospital and the Art Gallery of Nova Scotia and serving on the Boards and executive of both Dalhousie University and Mount Saint Vincent University. In April 2015, Mrs. Cramm was named to the board and is a member of the Audit and Risk Management Committee of Medavie Inc.

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**Chorus Securities Held or Controlled:**

<b>Class B Voting Shares:</b>	Nil	<b>Total Class B Voting Shares and Deferred Share Units:</b>	75,426
<b>Deferred Share Units:</b>	75,426	<b>Total Market Value of Class B Shares and Deferred Share Units:</b>	\$552,873

Mrs. Cramm's holdings exceed the director share ownership requirement of \$210,000.

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**Experience:**

Executive Leadership, Other Board Experience, Accounting, Finance, Aviation/Transportation Industry Knowledge, Human Resources/Compensation, Strategic Planning, International Business, Mergers & Acquisitions/Growth Strategy, Risk Management, Information Technology & Security, and Safety/Environment

**Current Board Memberships**

**Public Boards:**

None

**Non-Profit Boards and Private Boards:**

Medavie Inc.

**Other Board Membership During the Last Five Years:**

None

**Richard D. Falconer**  
Mississauga, Ontario, Canada



Age: 72

**Independent**

**Director of Chorus since March 1, 2012**

**Chair of the Human Resources and Compensation Committee**  
**Member of the Audit, Finance and Risk Committee**

Richard D. Falconer is a Managing Director with Lazard Canada, a financial advisory and asset management firm. Mr. Falconer retired from CIBC in 2011 after 40 years with the bank. At the time of retirement, Mr. Falconer was Vice Chairman and Managing Director, CIBC World Markets Inc. Mr. Falconer has extensive corporate finance and M&A experience in numerous industries including agriculture; energy; financial; forest products; media and telecom; mining; retail; technology; and transportation. Mr. Falconer holds a Master of Business Administration from York University, a Bachelor of Arts (Honours) from the University of Toronto, and is a Chartered Financial Analyst. Mr. Falconer is currently Chairman of the Board of Jaguar Mining Inc., a member of the Board of Directors of Resolute Forest Products Inc., a Director of LOFT Community Services and Dorothy Ley Hospice and a Member of the Board of Governors of the Shaw Festival Theatre Endowment Foundation.

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**Chorus Securities Held or Controlled:**

<b>Class B Voting Shares:</b>	35,000	<b>Total Class B Voting Shares and Deferred Share Units:</b>	105,075
<b>Deferred Share Units:</b>	70,075	<b>Total Market Value of Class B Shares and Deferred Share Units:</b>	\$770,200

Mr. Falconer's holdings exceed the director share ownership requirement of \$210,000.

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**Experience:**

Executive Leadership, Other Board Experience, Accounting, Finance, Aviation/Transportation Industry Knowledge, Human Resources/Compensation, Strategic Planning, Government/Regulatory Affairs, International Business, Mergers & Acquisitions/ Growth Strategy, Risk Management, Information Technology & Security, and Safety/Environment

**Current Board Memberships**

**Public Boards:**

Resolute Forest Products Inc.  
Jaguar Mining Inc.

**Non-Profit Boards and Private Boards:**

LOFT Community Services  
Dorothy Ley Hospice  
Shaw Festival Theatre Endowment Foundation

**Other Board Membership During the Last Five Years:**

None

## R. Stephen Hannahs

Corona Del Mar, California, U.S.A.



Age: 70

**Independent**

**Director of Chorus since August 10, 2015**

**Member of the Human Resources and Compensation Committee  
Member of the Audit, Finance and Risk Committee**

R. Stephen Hannahs is the Founder, Chief Executive Officer, and Managing Director at Wings Capital Partners. Wings Capital Partners makes targeted, non-passive equity investments in commercial aircraft, related assets parts, and aviation companies, with a focus on the mid-life narrow body commercial aircraft sector. In 1989, Mr. Hannahs co-founded Aviation Capital Group ('ACG') and served as its Chief Executive Officer and Group Managing Director until December 31, 2012. When Mr. Hannahs retired from ACG on January 1, 2013, he had built the Company into a \$7.0 billion enterprise and one of the top five aircraft leasing companies in the world. Between 1982 and 1989, he served as an Executive Vice President at Integrated Resources Inc. and President at Integrated Resources Aircraft Corporation. From 1980 to 1982, Mr. Hannahs was a Vice President and partner in Tanon Leasing Corporation, a partnership with the Hillman Company of Pittsburgh, where he was responsible for all of Tanon's aviation activities. From 1977 to 1980 he was employed by Itel Corporation where he was responsible for airline and aviation financing activities. He is a former officer in the United States Air Force, and holds Bachelor of Arts and Master of Business Administration degrees in Finance from the University of Wisconsin-Madison.

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### Chorus Securities Held or Controlled:

#### Class A Variable

<b>Voting Shares:</b>	Nil	<b>Total Class A Variable Voting Shares and Deferred Share Units:</b>	19,538
<b>Deferred Share Units:</b>	19,538	<b>Total Market Value of Class A Shares and Deferred Share Units:</b>	\$143,214

Mr. Hannahs joined the Board in August 2015 and has until August 2020 to meet the director share ownership requirement.

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### Experience:

Executive Leadership, Other Board Experience, Accounting, Finance, Aviation/Transportation Industry Knowledge, Human Resources/Compensation, Strategic Planning, International Business, Mergers & Acquisitions/Growth Strategy, Risk Management, and Information Technology & Security

### Current Board Memberships

#### Public Boards:

None

#### Non-Profit Boards and Private Boards:

Wings Capital Partners Management, LLC

#### Other Board Membership During the Last Five Years:

Aviation Capital Group

**Sydney John Isaacs**  
Westmount, Québec, Canada



Age: 60

**Independent**

**Director of Chorus and its predecessors or subsidiaries since January 1, 2008**

**Member of the Governance and Nominating Committee**

**Member of the Human Resources and Compensation Committee**

Sydney John Isaacs is a corporate director. He was the Senior Vice President, Corporate Development and Chief Legal Officer for ACE Aviation Holdings Inc. from November 2004 until June 2012. From September 2000 to October 2004, Mr. Isaacs held a number of senior management positions at Air Canada in restructuring, mergers and acquisitions and business development. Prior to that, Mr. Isaacs was a partner at Stikeman Elliott LLP, where his practice was focused on mergers and acquisitions, corporate finance and corporate and securities law.

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**Chorus Securities Held or Controlled:**

<b>Class B Voting Shares:</b>	5,000	<b>Total Class B Voting Shares and Deferred Share Units:</b>	82,506
<b>Deferred Share Units:</b>	77,506	<b>Total Market Value of Class B Shares and Deferred Share Units:</b>	\$604,769

Mr. Isaacs' holdings exceed the director share ownership requirement of \$210,000.

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**Experience:**

Executive Leadership, Other Board Experience, Finance, Aviation/Transportation Industry Knowledge, Human Resources/Compensation, Legal, Strategic Planning, Mergers & Acquisitions/Growth Strategy, Risk Management, and Safety/Environment

**Current Board Memberships**

**Public Boards:**

None

**Non-Profit Boards and Private Boards:**

None

**Other Board Membership During the Last Five Years:**

None

**Richard H. McCoy**  
Toronto, Ontario, Canada



Age: 74

**Independent**

**Director of Chorus and its predecessors or subsidiaries since January 24, 2006**

**Chairman of the Board of Directors since January 1, 2008**

Richard H. McCoy is a corporate director. Mr. McCoy has over 35 years of experience in the investment industry. From May 1997 to October 31, 2003, Mr. McCoy was Vice-Chairman, Investment Banking at TD Securities. Prior to joining TD Securities in 1997, Mr. McCoy was Deputy Chairman of CIBC Wood Gundy Securities. Mr. McCoy is a Director of Aberdeen Asia-Pacific Income Investment Company Limited, Uranium Participation Corporation and Pizza Pizza Royalty Corp.

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**Chorus Securities Held or Controlled:**

<b>Class B Voting Shares:</b>	51,294	<b>Total Class B Voting Shares and Deferred Share Units:</b>	254,892
<b>Deferred Share Units:</b>	203,598	<b>Total Market Value of Class B Shares and Deferred Share Units:</b>	\$1,868,358

Mr. McCoy's holdings exceed the share ownership requirement for the Chairman of \$420,000.

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**Experience:**

Executive Leadership, Other Board Experience, Accounting, Finance, Aviation/Transportation Industry Knowledge, Human Resources/ Compensation, Strategic Planning, International Business, Mergers & Acquisitions/Growth Strategy, and Risk Management

**Current Board Memberships**

**Public Boards:**

Aberdeen Asia-Pacific Income Investment Company Limited  
Uranium Participation Corporation  
Pizza Pizza Royalty Corp.

**Non-Profit Boards and Private Boards:**

None

**Other Board Membership During the Last Five Years:**

None

**Marie-Lucie Morin**  
Ottawa, Ontario, Canada



**Age:** 59

**Independent**

**Director of Chorus since February 17, 2016**

**Member of the Governance and Nominating Committee**

Ms. Morin served as Executive Director for Canada, Ireland and the Caribbean at the World Bank from November 2010 until December 2013 when she retired from the Public Service. She previously served as National Security Advisor to the Prime Minister of Canada and Associate Secretary to the Cabinet. From April 2006 to November 2008, she served as Deputy Minister of International Trade and from December 2003 to April 2006, as Associate Deputy Minister of Foreign Affairs. Prior to this appointment, she held the post of Assistant Deputy Minister, International Business, and Chief Trade Commissioner. Ms. Morin has extensive experience abroad, acquired during postings to San Francisco, Jakarta, London and Moscow. In 1997, she was appointed as Canada's Ambassador to the Kingdom of Norway with concurrent accreditation to the Republic of Iceland, a position she held until 2001.

Most recently Ms. Morin served as advisor for the Canada Transportation Act Review. She is currently a member of Canada's Security and Intelligence Review Committee, as well as a director of AGT Food & Ingredients Inc. and Stantec Inc.

Ms. Morin was awarded the Governor General's 125th Anniversary of the Confederation of Canada Medal and she was made "Chevalier de la Légion d'Honneur" (France) in 2012. On December 30, 2016, Ms. Morin was appointed to the Order of Canada.

Ms. Morin studied law and was admitted to the Quebec Bar in 1980.

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**Chorus Securities Held or Controlled:**

<b>Class B Voting Shares:</b>	2,073	<b>Total Class B Voting Shares and Deferred Share Units:</b>	8,525
<b>Deferred Share Units:</b>	6,452	<b>Total Market Value of Class B Shares and Deferred Share Units:</b>	\$62,488

Ms. Morin joined the Board in February 2016 and has until February 2021 to meet the director share ownership requirement.

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**Experience:**

Executive Leadership, Other Board Experience, Finance, Aviation/Transportation Industry Knowledge, Human Resources/Compensation, Legal, Strategic Planning, Government/Regulatory Affairs, International Business, and Safety/Environment

**Current Board Memberships**

**Public Boards:**

AGT Food & Ingredients Inc.  
Stantec Inc.

**Non-Profit Boards and Private Boards:**

Asia-Pacific Foundation  
Génome Québec  
Desjardins Development International  
Ottawa Symphony Orchestra  
Timberwest

**Other Board Membership During the Last Five Years:**

None

## Joseph D. Randell

Wellington, Nova Scotia, Canada



Age: 63

### Not Independent

### Director of Chorus and its predecessors or subsidiaries since January 24, 2006

Joseph (Joe) D. Randell has been President and Chief Executive Officer of Chorus and its predecessors since January 1, 2001. Mr. Randell was a founder of Air Nova in 1985 and served as its President. In 1999, Mr. Randell led the consolidation of Air Nova and Air Alliance, the eastern based Air Canada regional carriers. Under Mr. Randell's direction, further consolidation of Air Ontario, Air BC and Canadian Regional Airlines led to the creation of Jazz. Mr. Randell is a Director of the Multiple Sclerosis Scientific Research Foundation. Mr. Randell is the former Chairman of the Board of Directors of the National Airlines Council of Canada. Mr. Randell holds a Bachelor of Industrial Engineering with distinction from the Technical University of Nova Scotia and a Master's Degree in Business Administration from Memorial University, Newfoundland. Mr. Randell was presented with an Honourary Doctor of Laws from Dalhousie University in October 2015.

### Chorus Securities Held or Controlled:

<b>Class B Voting Shares:</b>	1,172,447	<b>Total Class B Voting Shares and Restricted Share Units:</b>	1,626,877
<b>Restricted Share Units:</b>	454,430	<b>Total Market Value of Class B Shares and Restricted Share Units:</b>	\$9,704,360 <sup>(1)</sup>

Mr. Randell's holdings exceed the executive share ownership requirement of \$2,250,000.

### Experience:

Executive Leadership, Other Board Experience, Accounting, Finance, Aviation/Transportation Industry Knowledge, Human Resources/Compensation, Strategic Planning, Government/Regulatory Affairs, International Business, Mergers & Acquisitions/Growth Strategy, Risk Management, Information Technology & Security, and Safety/Environment

### Current Board Memberships

#### Public Boards:

None

#### Non-Profit Boards and Private Boards:

Multiple Sclerosis Scientific Research Foundation

### Other Board Membership During the Last Five Years:

Discovery Air Inc.

National Airlines Council of Canada

Regional Airline Association

<sup>(1)</sup> The figures for Restricted Share Units reflect only LTIP awards that will vest with the passage of time (which make up 1/3 of annual awards) and do not include any of the LTIP awards that vest contingent on the achievement of prescribed performance requirements (which make up 2/3s of annual awards).

## Remuneration of Directors

The compensation structure of the Board is designed to attract and retain highly talented and experienced directors focused on the long-term success of Chorus. This requires that directors of Chorus be adequately and competitively compensated.

The Board has determined that non-executive directors should be compensated in a form and amount which is appropriate and customary for comparable corporations, having regard for such matters as time commitment, responsibility and trends in director compensation. The executive director, Mr. Randell, is not paid additional compensation for service on the Board.

Director compensation in 2016 was consistent with the structure in place since January 1, 2011, which followed a review by the Governance and Nominating Committee, assisted by Mercer Consulting, against the benchmark group used for executive compensation reviews. In November 2015, the Board approved changes to director compensation based on a review of the benchmark group used for executive compensation reviews and publicly available reports.

Compensation is paid quarterly and consists of a cash component and an equity component received as deferred share units ("DSUs"). DSUs are designed to promote the alignment of interests between individual non-executive directors and the shareholders of Chorus. DSUs have a value equivalent to the value of the shares at any time. DSUs may only be redeemed for cash and will be paid out only subsequent to the time the director ceases to be a director, or in the case of a U.S. taxpayer, subsequent to the date such person incurs a "separation from service" under applicable U.S. law. Participating directors will receive, in respect of their DSUs, an amount equivalent to the amount of any dividends that would have been paid on an equivalent number of shares in the form of additional DSUs. A participating director may elect to have the cash component of his or her annual base retainer and/or any additional committee retainers payable in the form of DSUs or a combination of DSUs and cash.

The chart below outlines the director compensation program in 2016.

Role	2016 Annual Base Retainer <sup>(*)</sup>	2016 Annual Equity Grant (DSUs)	2016 Annual Total
Chairman	\$140,000	\$60,000	\$200,000
All Other Directors	\$ 70,000	\$30,000	\$100,000
Board/Committee Meeting Attendance		No Meeting Fees	

Committee Fees	2016 Committee Chair Annual Retainer <sup>(*)</sup>	2016 Committee Member Annual Retainer <sup>(*)</sup>
Audit, Finance and Risk	\$15,000	\$5,000
Other Committees	\$10,000	\$3,000

(\*) Amounts in these columns are paid in cash, part cash and part DSUs or all in DSUs at the election of the individual board member.

Directors are reimbursed for travel and out-of-pocket expenses incurred in attending meetings of the Board or its committees, as applicable. Non-executive directors also receive an annual grant of travel reward miles. As these travel reward miles are a taxable benefit, they receive a payment to address the related income tax.

## Director Compensation in 2016

Name	Director	Committee	Committee	Equity Grant	Other <sup>(5)</sup> (\$)	Total for 2016 <sup>(6)</sup> (\$)
	Annual Base Retainer <sup>(1)</sup> (\$)	Annual Retainer(s) <sup>(2)</sup> (\$)	Chair-person's Annual Retainer(s) <sup>(3)</sup> (\$)	(DSUs) Share-Based Awards <sup>(4)</sup> (\$)		
Gary M. Collins	70,000	5,000	10,000	30,000	6,000	121,000
Karen Cramm	70,000	3,000	15,000	30,000	6,000	124,000
Richard D. Falconer	70,000	5,000	10,000	30,000	6,000	121,000
R. Stephen Hannahs	70,000	8,000	–	30,000	6,000	114,000
Sydney John Isaacs	70,000	6,000	–	30,000	6,000	112,000
G. Ross MacCormack	70,000	3,750	–	30,000	6,000	109,750
Richard H. McCoy	140,000	–	–	60,000	6,000	206,000
Marie-Lucie Morin <sup>(7)</sup>	60,962	2,613	–	26,126	6,000	95,701

- The annual base retainer for non-executive board members was \$70,000 and for the Chairman was \$140,000. Mr. Randell is not paid additional compensation for service on the Board
- Additional retainer for service on a Board committee or committees.
- Additional retainer for service as a Chair of a Board committee.
- Non-executive directors receive a portion of their remuneration in DSUs. All directors received \$30,000 annual value in DSUs with the exception of the Chairman who received \$60,000 value in DSUs.  
Directors have the option to elect, prior to the start of the fiscal quarter in which they wish the election to take effect, to have all or a portion of their annual base retainer and/or committee retainer(s) paid in DSUs. For the period January 1, 2016 to December 31, 2016, Mr. Collins, Mr. Falconer, Mr. Hannahs and Mr. McCoy elected to receive 50% of their total retainer paid in DSUs. Mrs. Cramm elected to take 100% of her annual committee retainers in DSUs. Mr. Isaacs elected not to take any DSUs in lieu of his retainers. Mr. MacCormack elected to take 30% of his annual base retainer in DSUs starting the second fiscal quarter and 100% of his annual committee retainer effective the fourth quarter. Starting with the second fiscal quarter, Ms. Morin elected to take 5% of her annual base retainer and 100% of her annual committee retainer in DSUs. The value of these DSUs in lieu of cash is reflected in the values shown in the columns headed "Director Annual Base Retainer" and "Committee Annual Retainer".
- Directors other than Mr. Randell receive an annual grant of travel reward miles. As these travel reward miles are a taxable benefit, the directors receive a payment to address the related income tax. The value of the travel reward miles is included as other income.
- The value of the aggregate number of DSUs credited to each director during 2016 (including DSU grants and DSUs taken in lieu of cash fees), the values of which are included in this table, are for Mr. Collins \$72,500, Mrs. Cramm \$48,000, Mr. Falconer \$72,500, Mr. Hannahs \$69,000 Mr. Isaacs \$30,000, Mr. MacCormack \$46,500, Mr. McCoy \$130,000 and Ms. Morin \$31,001.
- Ms. Morin joined the Board effective February 17, 2016.

Name	Share-Based Plan – value vested during 2016	2016 Outstanding Share-based awards at fiscal year end
	Share-Based Awards – Value vested during the year (\$) <sup>(1)</sup>	Market Value of DSUs vested but not paid out (\$) <sup>(2)(3)</sup>
Gary M. Collins	134,011	1,003,783
Karen Cramm	79,980	527,239
Richard D. Falconer	100,840	482,836
R. Stephen Hannahs	74,505	122,395
Sydney John Isaacs	63,811	546,622
G. Ross MacCormack	94,993	788,217
Richard H. McCoy	216,302	1,423,068
Marie-Lucie Morin	32,122	36,976

- The grant value of DSUs awarded in 2016 and the value of additional DSUs credited to the directors as dividend equivalents.
- Based on market value of shares of Chorus at December 31, 2016 of \$7.23 per share. Amounts represent the aggregate balance of DSUs awarded, including the additional DSUs that have been credited to the directors as dividend equivalents.
- The vested amount for each director cannot be paid to that director until after that director's retirement from the Board or in the case of a U.S. taxpayer, subsequent to the date such person incurs a "separation from service" under applicable U.S. law.

## Share Ownership Requirement for Directors

The Board has adopted share ownership guidelines which require non-executive directors to own shares and/or DSUs with a minimum aggregate value equal to three times their annual base retainer, which for 2016 would mean a requirement to hold shares and/or DSUs with a minimum aggregate value of \$210,000 for non-executive directors and \$420,000 for the Chairman. The value of securities for this purpose is the greater of the market value of the securities and the aggregate purchase price of the securities. Such ownership must be achieved within five years from the date the director joins the Board. As of March 20, 2017, all directors had met the guidelines except Mr. Hannahs and Ms. Morin who have until August, 2020 and February, 2021, respectively to meet the requirement. For share ownership requirements applicable to the executive director (Mr. Randell), please refer to the "Executive Compensation" section of this circular.

## Certain Proceedings

To the knowledge of Chorus, none of the proposed nominees for election as directors (a) are, as at the date hereof, or have been, within ten years before the date of this circular, a director, chief executive officer or chief financial officer of any company that, (i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days (an "Order") that was issued while the proposed nominee was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to an Order that was issued after the proposed nominee ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer, (b) are, as the date of this circular, or have been within ten years before the date of this circular, a director or executive officer of any company that, while person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (c) have, within the ten years before the date of this circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed nominee, except that (A) Richard D. Falconer was a member of the board of directors of Jaguar Mining Inc. when it filed for a voluntary proceeding under the *Companies' Creditors Arrangement Act* on December 23, 2013 and (B) within one year prior to Pluna Líneas Aéreas Uruguayas S.A. being petitioned into bankruptcy by the government of Uruguay, Joseph D. Randell ceased to be a director of that company.

## Statement of Governance Practices

Chorus is committed to maintaining effective corporate governance policies and practices, and to this end continues to implement enhancements with a view to strengthening its approach to corporate governance and increasing investor confidence. Initiatives implemented in recent years to enhance Board and compensation governance are highlighted below:

- Approved a Board Diversity Policy which outlines the Board's commitment to increasing diversity, including gender diversity, at the Board and executive officer level as an essential element to improving governance and performance.
- Amended the Corporation's Guidelines on Trading to prohibit insiders from engaging in transactions designed to hedge or otherwise limit the economic risk associated with their ownership of Chorus securities.
- Approved a Board and Individual Board Member Performance Assessment Policy which outlines the process taken to assess and improve the performance of individual directors, the Board's standing committees and the Board as a whole.
- Implemented a Compensation Recoupment Policy that permits Chorus to recoup and/or cancel incentive compensation paid or payable to an executive officer or any other employee with material oversight responsibilities over the preparation of Chorus' financial statements in the event of a financial restatement and misconduct.
- Amended the provisions of Chorus' Long-Term Incentive Plan ("LTIP") to include a double trigger requirement in the event of a change of control and a prohibition on the repricing of options.
- Amended the By-laws of Chorus to include advance notice provisions to ensure that all shareholders are treated fairly and provided with timely information in connection with the nomination of directors.
- Introduced a new Code of Ethics and Business Conduct and instituted annual training for all management, administrative and technical services employees of Chorus and its subsidiaries.
- Revised the Board's mandate, the charters of the Board's standing committees, and the position descriptions for the Board Chair, the Chairs of the Board's standing committees, and the President and Chief Executive Officer ("CEO") to more clearly define their respective roles and responsibilities.

- Implemented the practice of holding regular in camera sessions between the members of the Audit, Finance and Risk Committee and the chief financial officer (in addition to external auditor and the internal auditor).
- Introduced, at this meeting, an opportunity for shareholders to cast an advisory vote on Chorus' approach to executive compensation.

After reviewing its governance practices, the Board has concluded that Chorus complies with the requirements of National Instrument 58-101 – *Disclosure of Corporate Governance Practices*. Chorus regularly adjusts its governance practices as regulatory changes come into effect, and will continue to monitor these changes closely and make any required amendments to its governance practices.

## Board of Directors

### Director Independence

The mandate of the Board of Directors provides that the Board of Directors shall, at all times, be composed of a majority of individuals who must be determined to have no material relationship with Chorus and who, in the reasonable opinion of the Board of Directors, must be independent under the laws and stock exchange listing requirements to which Chorus is subject. Based on the information received from each director, the Board concluded that seven of the eight nominees for directors of Chorus are unrelated and independent under applicable laws and listing requirements. The eighth nominee, Joseph D. Randell, is not independent because he is the President and Chief Executive Officer of Chorus.

All committee members are independent.

Director Name	Independence Status		Reason for Non-Independence
	Independent	Not Independent	
Gary M. Collins	✓		
Karen Cramm	✓		
Richard D. Falconer	✓		
R. Stephen Hannahs	✓		
Sydney John Isaacs	✓		
Richard H. McCoy	✓		
Marie-Lucie Morin	✓		
Joseph D. Randell		✓	President and Chief Executive Officer of Chorus

### Chairman of the Board

The Chairman of the Board is an independent director. Chorus' separation of the Chair and Chief Executive Officer roles enables more effective oversight of management.

A position description for the Chair of the Board has been adopted under which the Chair is responsible for, among other things: (i) ensuring that the responsibilities of the Board are well understood; (ii) encouraging the Board to work as a cohesive team, leveraging the expertise, skills and perspectives of all Board members; (iii) ensuring that the Board has available to it on a timely basis all relevant information, professional advice and other resources required for the Board's effective functioning; (iv) ensuring sufficient time and attention are given to fulfilling the Board's duties and responsibilities, including by ensuring the Board's committees are appropriately constituted and instructed; (v) overseeing the development of meeting agendas and ensuring the frequency, length and content of such meetings are appropriate; (vi) monitoring relationships and interests with a view to ensuring the Board maintains the level of independence required for its effective functioning; (vii) ensuring that a process is in place by which the contribution of individual directors and the effectiveness of the Board as a whole are assessed; and (viii) chairing every meeting of the Board and encouraging candid discussion at such meetings.

### Board Size

Nine directors were elected at the annual meeting of shareholders held on May 13, 2016. Eight nominees are being proposed in this circular as directors. The Board is of the view that such size and composition is currently adequate and allows for the efficient functioning of the Board.

### In camera Sessions of Board of Directors

At Board of Directors meetings, time is reserved for directors to hold in camera sessions in the absence of the executive director (Mr. Randell) and other members of management. The Board meets without management and without the executive

director at each regularly-scheduled Board meeting, and at all other Board meetings, the directors consider whether an in camera meeting would be appropriate in the circumstances. Questions and comments formulated during in camera sessions are then passed on to the executive director and other members of management who were excluded from the in camera sessions. During the year ended December 31, 2016, nine such in camera sessions were held in the absence of the executive director and other members of management.

During 2016, the Audit, Finance and Risk Committee and the Human Resources & Compensation Committee each held four in camera sessions in the absence of the executive director and other members of management, and the Governance & Nominating Committee held two such sessions.

### Board and Committee Composition

at December 31, 2016

Director	Year Appointed to the Board	2016 Committees		
		Audit, Finance & Risk Committee	Human Resources & Compensation Committee	Governance & Nominating Committee
Gary M. Collins	2008	✓	–	Chair
Karen Cramm	2010	Chair	–	✓
Richard D. Falconer	2012	✓	Chair	–
R. Stephen Hannahs	2015	✓	✓	–
Sydney John Isaacs	2008	–	✓	✓
G. Ross MacCormack	2006	–	✓	–
Marie-Lucie Morin	2016	–	–	✓
Richard H. McCoy	2006	–	–	–
Joseph D. Randell	2006	–	–	–

### Attendance Record

The attendance record of each Board member at meetings of the Board and its committee held in 2016 is shown below.

Director	Board <sup>(1)</sup>	Audit, Finance & Risk Committee	Human Resources & Compensation Committee	Governance & Nominating Committee	Totals
Gary M. Collins	14 of 14	4 of 4	–	4 of 4	22 of 22 (100%)
Karen Cramm	14 of 14	4 of 4	–	4 of 4	22 of 22 (100%)
Richard D. Falconer	14 of 14	4 of 4	4 of 4	–	22 of 22 (100%)
R. Stephen Hannahs	13 of 14	4 of 4	4 of 4	–	21 of 22 (95%)
Sydney John Isaacs	14 of 14	–	4 of 4	4 of 4	22 of 22 (100%)
G. Ross MacCormack <sup>(2)</sup>	14 of 14	–	4 of 4	1 of 1	19 of 19 (100%)
Marie-Lucie Morin <sup>(2)</sup>	14 of 14	–	–	3 of 3	17 of 17 (100%)
Richard H. McCoy <sup>(3)</sup>	14 of 14	4 of 4	4 of 4	4 of 4	26 of 26 (100%)
Joseph D. Randell <sup>(3)</sup>	14 of 14	4 of 4	4 of 4	4 of 4	26 of 26 (100%)

1 Includes all Board meetings and the annual meeting of shareholders.

2 Mr. MacCormack was a member of the Governance and Nominating Committee for one meeting in 2016, and Ms. Morin was a member of the Governance and Nominating Committee for three meetings in 2016.

3 The Chairman of the Board, Mr. McCoy, and the President and Chief Executive Officer, Mr. Randell, attended all committee meetings in a non-voting capacity.

### Board Mandate

The Board has adopted a written mandate which sets out, among other things, its roles and responsibilities. The Mandate of the Board of Directors can be found at Annex B to this circular.

### Position Descriptions

#### President and CEO

The Board has adopted a position description for the CEO of Chorus. The CEO is accountable for the day-to-day management of Chorus' business and affairs in accordance with the policies, strategic objectives and operating plans and budgets approved by the Board. The CEO is expected to foster a culture of integrity throughout Chorus, keep the Board apprised of all significant developments, and seek the approval of the Board for all matters outside the ordinary course of the Chorus' business.

More specifically, the primary responsibilities of the CEO include the following: (i) developing, for the Board's approval, the Corporation's strategic objectives and overall direction; (ii) developing, for the Board's approval, annual operating plans and budgets that support the achievement of the Corporation's strategic objectives; (iii) maintaining a high level of employee morale and motivation, and fostering a corporate culture that promotes strong ethical practices and a focus on customer satisfaction; (iv) maintaining a strong working relationship with the Board and keeping the Board informed of opportunities and threats in the marketplace; and (v) ensuring that the Corporation has an effective management team below the level of the CEO and an effective plan for its development and succession.

### ***Chair of each Committee***

The Chairs of the Audit, Finance and Risk Committee, the Governance and Nominating Committee, and the Human Resources and Compensation Committee, are respectively, Karen Cramm, Gary M. Collins and Richard D. Falconer. The Board has adopted position descriptions for the Chairs of each of these committees. Under such position descriptions, the Chair of each committee is required to, among other things: (i) ensure that the committee fulfils the duties and responsibilities set out in its charter; (ii) ensure that meetings are appropriate in terms of frequency, length and content, and that members are able to engage in candid discussion and raise important issues for discussion; (iii) ensure that the committee has available to it on a timely basis all relevant information, professional advice and other resources required for the committee's effective functioning; (iv) ensure that members maintain the level of independence required by law and that they possess the skills and experience required by the committee; (v) monitor the committee's overall effectiveness and, in consultation with the Board Chair, make appropriate recommendations to the Board regarding the committee's charter, structure and membership; and (vi) carry out other duties as requested by the Board.

In addition, the position descriptions for the Chairs contain requirements that are specific to each committee. The Chair of the Audit, Finance and Risk Committee is required to ensure that (i) members are financially literate, (ii) the Corporation's external auditors report directly to the committee and that committee members have access to the external and internal auditors, and (iii) the committee is kept apprised of the Corporation's principal risks and that the committee plays a lead role in overseeing the implementation of policies and procedures for the appropriate assessment, disclosure, management and monitoring of those risks. The Chair of the Governance and Nominating Committee is required to ensure that (i) the committee is kept apprised of developments in the area of corporate governance, and that the committee plays a lead role in developing the Corporation's approach to corporate governance, and (ii) he or she plays a lead role in recruiting individuals identified by the committee for election or appointment as directors. The Chair of the Human Resources and Compensation Committee is required to ensure that (i) the committee is kept apprised of developments in the area of executive compensation, and that the committee plays a lead role in developing the Corporation's compensation philosophy, and (ii) as and when required, he or she plays a lead role in approaching individuals identified by the committee for appointment as the CEO of the Corporation.

### **Orientation**

Chorus has in place an orientation program for new directors. The orientation program helps new directors improve their understanding of Chorus' business so they can be fully engaged and contribute to the Board and committees in a meaningful way.

New directors attend orientation sessions with the President and CEO, the Executive Vice President and Chief Financial Officer, and other members of senior management of Chorus. These sessions include a detailed briefing on the Capacity Purchase Agreement between Jazz Aviation LP ("**Jazz Aviation**" or "**Jazz**") and Air Canada (the "**CPA**").

As part of their orientation, new directors also receive reference materials, including the following:

- most recent Chorus Annual Audited Consolidated Financial Statements and MD&A;
- most recent Chorus Unaudited Interim Condensed Consolidated Financial Statements and MD&A;
- most recent Chorus Annual Information Form;
- most recent Chorus Management Proxy Circular;
- mandate of the Board of Directors and charters for each of the Board's standing committees;
- position descriptions for each of the Chair of the Board, the President and CEO and the Chair of each of the Board's standing Committees;
- most recent Chorus budget and long-range plan;
- organizational charts reflecting all Chorus subsidiaries and details of their executive teams;
- Chorus' Guidelines on Trading for insiders; and
- Chorus' Code of Ethics and Business Conduct.

New directors also meet with the Chair of the Board and each of its standing committees and may attend committee meetings for educational purposes before becoming a member. When possible, new directors tour corporate facilities during the orientation period.

## Continuing Education

As part of its charter, the Governance and Nominating Committee is also responsible for providing continuing education opportunities for the directors. Management assists by regularly providing directors with analyst studies, industry studies and benchmarking information. At each regular Board meeting, the directors are also provided with updates on the competitive landscape and the performance of each of the Corporation's principal subsidiaries. Select articles and presentations are also routinely provided to directors to keep current their knowledge and understanding of Chorus' industry and its attendant challenges and opportunities. Furthermore, facility tours are periodically provided to directors so that they can enhance their understanding of the operational aspects of Chorus' business and seminars focused on specific topics are also periodically arranged. In 2016, the Board participated in an education session on the topic of aircraft leasing and risk management led by a legal expert in the field of aircraft finance.

## Skills Matrix

Directors identify their skills and experience in the first quarter of each year. This information, which is set forth below for all directors nominated by management for election, is used to assess the overall strength and diversity of the Board.

	Collins	Cramm	Falconer	Hannahs	Isaacs	McCoy	Morin	Randell
Executive Leadership <sup>(1)</sup>	✓	✓	✓	✓	✓	✓	✓	✓
Other Board Experience <sup>(2)</sup>	✓	✓	✓	✓	✓	✓	✓	✓
Accounting <sup>(3)</sup>	✓	✓	✓	✓		✓		✓
Finance <sup>(4)</sup>	✓	✓	✓	✓	✓	✓	✓	✓
Aviation / Transportation Industry Knowledge <sup>(5)</sup>	✓	✓	✓	✓	✓	✓	✓	✓
Human Resources / Compensation <sup>(6)</sup>	✓	✓	✓	✓	✓	✓	✓	✓
Legal <sup>(7)</sup>					✓		✓	
Strategic Planning <sup>(8)</sup>	✓	✓	✓	✓	✓	✓	✓	✓
Government / Regulatory Affairs <sup>(9)</sup>	✓		✓				✓	✓
International Business <sup>(10)</sup>	✓	✓	✓	✓	✓	✓	✓	✓
Mergers & Acquisitions / Growth Strategy <sup>(11)</sup>	✓	✓	✓	✓	✓	✓		✓
Risk Management <sup>(12)</sup>		✓	✓	✓	✓	✓		✓
Information Technology & Security <sup>(13)</sup>	✓	✓	✓	✓				✓
Safety / Environment <sup>(14)</sup>	✓	✓	✓		✓		✓	✓

1. Experience as senior executive/officer of a publicly listed company or major organization.
2. Served as a board member of a public, private or non-profit entity.
3. Knowledge of and experience with financial accounting and reporting, and familiarity with internal financial/accounting controls, Canadian or U.S. Generally Accepted Accounting Principles.
4. Experience with corporate finance and financing transactions.
5. Knowledge of the aviation/transportation industry.
6. Experience with benefit, pension and compensation programs (in particular, executive compensation programs).
7. Experience as a lawyer either in private practice or in-house with a publicly listed company or major organization.
8. Experience in the development and implementation of a strategic direction for a major organization.
9. Experience with government, relevant government agencies and/or public policy in Canada.
10. Experience with international operations, economics, geo-politics.
11. Experience with mergers and acquisitions and/or business growth strategy.
12. Knowledge of, and experience with internal risk controls, risk assessments and reporting.
13. Experience or knowledge relating to the information technology and security needs of a major organization.
14. Knowledge of the safety and environmental issues facing the transportation industry.

## Board and Executive Officer Diversity

The Board adopted a diversity policy in February 2016. Chorus seeks to maintain a Board comprised of talented and dedicated directors whose skills and backgrounds reflect the diverse nature of the business environment in which Chorus operates.

The Board is committed to diversity and sees increasing diversity at the Board level as an essential element to improving governance and performance, and to creating a competitive advantage. The Board believes a truly diverse Board will include and make good use of a variety of skills, experience, industry knowledge, perspectives and backgrounds. Accordingly, the composition of the Board is intended to reflect this diversity, including gender diversity.

The Governance and Nominating Committee reviews and assesses the Board's composition on behalf of the Board and recommends the appointment of new directors. Pertaining to Board Diversity, the Governance and Nominating Committee will:

- annually review the Board's composition considering all aspects of diversity including, but not limited to, those described above;
- engage in a rigorous process to recruit new directors, including utilizing objective, merit-based and unbiased criteria;
- direct any search firm engaged to assist the Governance and Nominating Committee in identifying candidates for appointment to the Board to include female candidates; and
- as part of the performance evaluation of the Board, Board committees and individual directors, the Governance and Nominating Committee will consider the balance of skills, experience, perspectives, independence and the diversity representation of the Board, including gender, how the Board works together as a unit, and other factors relevant to its effectiveness.

Chorus is committed to equality of opportunity and is taking concrete steps to increase the representation of women in leadership positions. The Human Resources and Compensation Committee annually reviews the succession plans for executive management of Chorus and its subsidiaries so as to ensure that successors have been identified and that their career development is appropriate in the context of the challenges facing the organization. As part of this review, the Human Resources and Compensation monitors to ensure Chorus is identifying and developing an internal talent pipeline at both the management and executive levels to increase the number of women executive officers, aligned with a merit based system.

In addition, as a federally regulated entities, Jazz Aviation (Chorus' subsidiary with over 90% of Chorus' employees) complies with the *Employment Equity Act* which includes a requirement to implement an Employment Equity program. Jazz reports annually on steps taken to meet the obligations to identify and remove systemic barriers to the hiring and promotion of persons from the four designated groups who have traditionally been underrepresented in the Canadian workforce: women, visible minorities, Aboriginal persons and persons with disabilities.

Jazz's five year plan outlines qualitative goals, hiring and promotion goals and representation goals for each designated group. Jazz has voluntarily chosen to set goals in the areas of hiring and promotion to ensure that progress is achieved and/or maintained where possible. These goals are considered when making recommendations to the Human Resources and Compensation and the Board for appointments at the executive level and in the succession planning process.

In addition to Employment Equity, Jazz launched a Diversity and Inclusion Strategy which strengthens the commitment to the organization's core value of respecting diversity. The Commitment and Belief Statements are posted on the Jazz web-site at [www.flyjazz.ca](http://www.flyjazz.ca) and a three year Diversity Blueprint has been launched internally.

This culture of equal opportunity and inclusion has been recognized externally, as Jazz has been selected as one of Canada's Best Diversity Employers for six consecutive years in an award program conducted by Mediacorp Canada Inc. partnered with, among others, The Globe and Mail.

The current proportion of women on the Board stands at 22% (2 of 9). Mrs. Cramm and Ms. Morin will stand for re-election at the meeting. If the directors nominated by management for election at this meeting are elected, the proportion of women on the Board will be 25% (2 of 8).

The current proportion of women executive officers of Chorus, including its largest subsidiary (Jazz Aviation), stands at 16% (3 of 19).

### **Board Term and Renewal**

Chorus does not have a mandatory age for the retirement of directors and there are no term limits for the directors on the Board. Instead, the Governance and Nominating Committee reviews the composition of the Board on a regular basis in relation to skills, experience and diversity requirements and recommends changes, as appropriate, to renew and strengthen the Board. The Chair of the Governance and Nominating Committee leads the effort to identify and recruit candidates to join the Board having regard to the Board's requirements. The Board also has an established and thorough performance assessment process, as described in greater detail below.

Excluding the executive director (Mr. Randell), the average tenure of the directors nominated by management for election to the Board is six years. The Board of Chorus has determined that they can manage diversity, skills, renewal and succession planning adequately without imposing term limits and can also maintain an appropriate degree of continuity, both on the Board and on its committees. In the five year period ending May 12, 2017, three Board members have (or will have) retired and two new members have joined the Board.

### **Strategic Planning**

The Board works with management to develop Chorus' strategic direction. Management prepares materials related to the strategic direction and presents them to the Board for discussion and, where required, approval. The Board is actively involved in the strategy setting process. Management and the Board discuss the main risks facing Chorus' business, corporate opportunities, changes in the competitive landscape and other strategic issues at each regularly-scheduled Board meeting. No less than annually, the Board also conducts a special meeting dedicated to the review and discussion of the long-range plan and annual objectives.

### **Code of Ethics and Business Conduct**

Chorus has adopted a Code of Ethics and Business Conduct (the "**Code**") which was approved by the Board of Directors on August 10, 2016. The Code applies to all directors of Chorus as well as to all officers and employees of Chorus and its subsidiaries. A copy of the Code can be obtained on SEDAR at [www.sedar.com](http://www.sedar.com) or on Chorus' website at [www.chorusaviation.ca](http://www.chorusaviation.ca). The Code addresses, among other things, the following matters:

- roles and responsibilities of directors, management and employees;
- conflicts of interest;
- use and safeguarding of information and other assets;
- respecting privacy and confidentiality;
- fair dealing with suppliers, customers and competitors;
- compliance with laws, internal policies and controls;
- employment policies;
- computer, e-mail and Internet policies;
- reporting suspected non-compliance, including anonymous reporting; and
- protection against retaliation.

The Governance and Nominating Committee has the responsibility for monitoring compliance with and interpreting the Code. In addition, all management, administrative and technical services employees of Chorus and its subsidiaries are required to complete an acknowledgement annually under which they undertake to comply with the Code. The Code also includes provisions whereby employees can report violations. The Board has concluded that such measures are appropriate and sufficient to ensure compliance with the Code. Since the adoption of the Code, Chorus has not filed any material change report pertaining to any conduct of a director or executive officer of Chorus.

In addition to the relevant conflict of interest provisions of the Code and the *Canada Business Corporations Act* (“CBCA”) applicable to directors, the Board’s mandate provides that the directors shall disclose all actual or potential conflicts of interest and refrain from voting on matters in which the director has a conflict of interest. The mandate also provides that a director shall excuse himself or herself from any discussion or decision on any matter in which the director is precluded from voting as a result of a conflict of interest or which otherwise affects his or her personal, business or professional interests.

**Ethics Reporting Program**

Chorus has established an ethics reporting hotline and on-line reporting program (the “**Ethics Reporting Program**”), hosted by an external service provider. The Ethics Reporting Program is available to employees to report allegations of workplace financial mismanagement, fraud, theft and other types of unethical financial behaviour. In 2016, the Ethics Reporting Program was extended to all employees of Voyageur Aviation Corp. and its subsidiaries (collectively, “**Voyageur Aviation**” or “**Voyageur**”). The Chair of the Audit, Finance and Risk Committee monitors reports and ensures follow up, including investigation as required. There have been no instances of any waiver of the Code for any director or officer as a result of a report received through the Ethics Reporting Program or otherwise.

**Nomination of Directors**

The Governance and Nominating Committee is composed entirely of independent directors. It is responsible for considering and making recommendations on the desired size of the Board, the need for recruitment and the expected skill-set of new candidates. In consultation with the Chairman of the Board and the President and CEO, the Governance and Nominating Committee identifies the desired skills and experience sought in new candidates by taking into account the existing strengths of the Board and the needs of Chorus, including the desire for diversity. The Governance and Nominating Committee then reviews candidates for nomination as directors and recommends to the Board the approval of the final choice of candidates for nomination and election as directors by the shareholders. Directors must have an appropriate mix of skills, knowledge and experience in business and an understanding of the industry and the geographical areas in which Chorus operates. Directors selected should be able to commit the requisite time for all of the applicable Board business. Directors are expected to:

- demonstrate high ethical standards and integrity in their personal and professional dealings;
- act honestly and in good faith with a view to the best interests of Chorus;
- promptly disclose to their fellow directors any interest that they may have in a material contract or transaction with the Corporation, whether made or proposed;
- promptly disclose to their fellow directors any information that may be necessary or relevant for the conduct of the Corporation’s business;
- devote sufficient time to the affairs of Chorus and exercise care, diligence and skill in fulfilling their responsibilities both as Board members and as committee members;
- provide independent judgment on a broad range of issues concerning Chorus;
- understand Chorus’ strategic objectives and be capable of critically evaluating decisions and business plans against those objectives;
- make all reasonable efforts to attend all Board and committee meetings;
- review the materials provided by management in advance of Board and committee meetings;
- actively participate in meetings of the Board and each committee, encourage candid discussion of significant issues, and be willing to change their mind in appropriate circumstances; and
- welcome, and be prepared to offer, constructive feedback with a view to enhancing the Board’s effectiveness.

Please see the “Committees” section of this circular for a description of the duties and responsibilities of the Governance and Nominating Committee.

**Compensation**

Please see the “Remuneration of Directors” section of this circular for the criteria used to determine the remuneration of the directors. Please see the “Executive Compensation” section of this circular for the process and criteria used to determine the compensation of the officers of Chorus.

Please see the “Committees” section of this circular for a description of the duties and responsibilities of the Human Resources and Compensation Committee and the Governance and Nominating Committee as they relate to compensation issues.

## Assessments

A key element of Chorus' governance practices is an established and thorough process to assess and improve the performance of individual directors, Board committees and the Board as a whole.

The performance assessment process is the responsibility of the Chair of the Governance and Nominating Committee and conducted in conjunction with the Board Chair.

Objectives of the assessment include:

- evaluating the mechanisms in place for the Board and each committee to operate effectively and make decisions in the best interests of Chorus;
- improving the overall performance of the Board by assisting individual directors to build on their strengths;
- identifying gaps in skills and educational opportunities for the Board and individual directors in the coming year; and
- developing the Board's succession plan and recruitment efforts.

The director evaluation process consists of surveys, followed by individual interviews between the Chair of the Board or the Chair of the Governance and Nominating Committee and each director. The surveys reference the charters of the Committees and the responsibilities of the Board Chair, committee Chairs and directors as outlined in the position descriptions and Board mandate.

Each director is surveyed regarding:

- the effectiveness of the Board and each committee of the Board of which the director is a member, including suggestions for improvement; and
- a skills self-assessment, which is designed to help determine the strengths and gaps in Board skills as a whole and to identify skill requirements for recruiting future directors and for Board succession planning.

Each director also completes a confidential assessment of the Board Chair's performance which is compiled by the Corporate Secretary or a third party and shared with the Board Chair and the Chair of the Governance and Nominating Committee.

The Board Chair and the Chair of the Governance and Nominating Committee report the aggregated results and their findings to the Board, and propose actions where appropriate to respond to the reports.

Every five years, or more frequently as determined by the Chair of the Governance and Nominating Committee, the assessment process is completed by an independent third party who compiles the results, meets individually with each director and provides a report to the Board Chair and the Chair of the Governance and Nominating Committee, including recommendations, if any, on ways to improve the effectiveness of the Board.

On a quarterly basis, the Chair of each committee reports to the Board on the activities of the committee. If appropriate, the Board will then consider procedural or substantive changes to increase the effectiveness of the Board and its committees.

On an annual basis each committee, as outlined in its respective charter, reviews and reassesses the adequacy of its charter and recommends changes to the Board. As well, each committee regularly monitors the discharge of the duties and responsibility set forth in its charter to ensure they are fulfilled.

## Directorships of Other Reporting Issuers

The following directors of Chorus are presently directors of other public companies:

- Gary M. Collins is currently a director of Liquor Stores N. A. Ltd., D-Box Technologies Inc. and Rogers Sugar Inc.
- Richard D. Falconer is currently a director of Resolute Forest Products and Jaguar Mining Inc.
- Richard H. McCoy is currently a director of Aberdeen Asia-Pacific Income Investment Company Limited, Uranium Participation Corporation and Pizza Pizza Royalty Corp.
- Marie-Lucie Morin is currently a director of AGT Food & Ingredients Inc. and Stantec Inc.

There are no interlocking outside public company directorships among members of the Board. Please see "The Nominated Directors" section in this circular for additional information relating to each director nominated for election, including other boards on which they serve.

## Committees

The Board has three standing committees (collectively, the “Committees”):

- the Audit, Finance and Risk Committee;
- the Governance and Nominating Committee; and
- the Human Resources and Compensation Committee.

All Committees are composed of independent directors of Chorus. The roles and responsibilities of each Committee are set out in written charters. These charters are reviewed annually to ensure that they reflect best practices and conform with applicable regulatory requirements.

This section includes reports from each Committee, which provide details regarding their respective members, responsibilities and activities.

### Audit, Finance and Risk Committee

Chorus is required by law to have an audit committee. The Audit, Finance and Risk Committee is required to be composed of not less than three directors, all of whom must meet the independence, financial literacy and other membership requirements prescribed from time to time by applicable laws and stock exchange listing requirements to which Chorus is subject. The members of the Audit, Finance and Risk Committee must have no direct or indirect relationships with Chorus (including its management and related entities) that, in the opinion of the Board, could reasonably be expected to interfere with the exercise of their independent judgment. In order to be considered independent, a member of the Audit, Finance and Risk Committee must, among other restrictions, not receive, other than for service on the Board or the Audit, Finance and Risk Committee or other Committees of the Board, any consulting, advisory, or other compensatory fee from Chorus or any of its related parties or subsidiaries. The members of the Audit, Finance and Risk Committee must possess the mix of characteristics, experiences and skills to provide an appropriate balance for the performance of the duties of the Audit, Finance and Risk Committee.

The objectives of the Audit, Finance and Risk Committee include assisting the Board in its oversight of:

- the integrity of the Corporation’s financial statements and public disclosure documents;
- the qualifications, performance and independence of the Corporation’s external auditor;
- the performance of the Corporation’s internal audit and risk management function;
- the adequacy of the Corporation’s internal controls and enterprise risk management framework; and
- compliance with applicable laws.

The Audit, Finance and Risk Committee’s responsibilities include the following:

- reviewing and recommending to the Board the approval of the interim and annual consolidated financial statements of the Corporation having first reviewed and considered, among other things, the external auditor’s report, the accounting policies selected by management, the reasonableness of all significant estimates, accruals and reserves, any unadjusted differences, and any disagreements between the external auditor and management;
- reviewing and recommending to the Board the approval of management’s discussion and analysis and earnings news release relating to the Corporation’s consolidated financial statements;
- reviewing significant accounting policy developments and choices that may impact the Corporation’s financial reporting;
- recommending to the Board a firm of chartered accountants to be nominated by the Board for appointment by shareholders as the Corporation’s external auditor;
- recommending to the Board for approval the external auditor’s fees, approving the scope, focus areas and materiality thresholds for audit of the Corporation’s financial statements, overseeing the external auditor’s work and assessing the external auditor’s performance, monitoring the external auditor’s independence, resolving any disagreements between the external auditor and management, and discussing with the external auditor any matters that could reasonably be thought to bear on the reliability of the Corporation’s financial statements;
- pre-approving all fees for non-audit services provided by the external auditor to the Corporation and its subsidiaries;
- approving the Corporation’s hiring policies regarding current and former partners and employees of the Corporation’s current and former external auditor;
- reviewing the performance of and, as required, the appointment and removal of the internal auditor;

- approving the internal audit mandate and plan for each fiscal year and reviewing quarterly reports of all internal audit engagements and management’s response to all significant findings;
- reviewing management’s assessment of the principal financial and other risks to the Corporation and the procedures for continually identifying, monitoring and managing those risks;
- reviewing any material weaknesses identified by management in relation to the design or operation of the Corporation’s internal controls over financial reporting and disclosure controls and procedures as well as management’s actions to remediate any weaknesses identified and the process for assessing updates and changes thereto;
- approving the Corporation’s public disclosure policy, procedures for the receipt, retention and treatment of complaints regarding the Corporation’s accounting, internal accounting controls and auditing matters, and procedures for the confidential submission by employees of concerns regarding questionable accounting and auditing matters;
- reviewing information from management regarding the Corporation’s compliance with material tax withholding and remittance obligations and debt covenants, as well as any material litigation;
- reviewing the performance of the Corporation’s operating subsidiaries in relation to their environmental, health and safety obligations;
- reviewing reports from management concerning the overall operation of the retirement plans of the Corporation and its subsidiaries and, in this connection, approving statements of investment policies and procedures, approving the actuary and consultants for the plans, accepting actuarial assumptions and valuation reports, and recommending to the Board the funding policy and financial statements for the retirement plans; and
- recommending to the Board the Corporation’s delegation of authority policy as well as procedures for approving the reimbursement of expenses claimed by the Corporation’s officers.

The Audit, Finance and Risk Committee met four times during the period from January 1, 2016 to December 31, 2016.

The Audit, Finance and Risk Committee is currently composed of the following directors, each of whom is independent:

Members:        Karen Cramm, Chair  
                      Gary M. Collins  
                      Richard D. Falconer  
                      R. Stephen Hannahs

Additional information regarding the Audit, Finance and Risk Committee is set out in our 2016 Annual Information Form under “Directors and Officers – Audit, Finance and Risk Committee”.

***Risk Oversight***

The Audit, Finance and Risk Committee, among other responsibilities, identifies and monitors risks faced by the business, and seeks to put in place systems to effectively identify, monitor and manage them.

In its risk oversight role, the Audit, Finance and Risk Committee has overseen the development by management of Chorus’ Safety Management System (“SMS”), which has been implemented and is the framework for managing safety, quality and environmental risks. The committee also monitors Chorus’ technology and cyber-security risks and in 2016 received a detailed briefing from management regarding Chorus’ risks in this area and the actions taken by management to mitigate, manage and monitor these risks.

**Governance and Nominating Committee**

The Governance and Nominating Committee is required to be composed of not less than three directors of Chorus as determined by the Board of Directors, all of whom must meet the independent and other membership requirements prescribed from time to time by applicable laws and stock exchange listing requirements to which Chorus is subject.

The objectives of the Governance and Nominating Committee include assisting the Board in its oversight of:

- the process for nominating individuals for election or re-election as directors;
- the process for evaluating the effectiveness of the Board, its committees and directors;
- the Corporation’s approach to corporate governance; and
- the Corporation’s response to shareholder proposals.

The Governance and Nominating Committee's responsibilities include the following:

- recommending to the Board a code of ethics and business conduct for the Corporation and its subsidiaries, including a process for obtaining confirmations of compliance and identifying material violations;
- recommending to the Board guidelines respecting trading in the Corporation's securities by directors, officers and employees;
- developing and recommending to the Board a process for assessing the effectiveness of the Board and its directors and oversee the execution of that process;
- recommending to the Board a mandate for the Board, charters for each of the Board's standing committees and position descriptions for the Chairs of the Board and its committees and for the President and CEO;
- developing and recommending to the Board practices and policies that are reasonably expected to enhance the effectiveness of the Board and the Corporation's approach to corporate governance;
- assessing and providing recommendations to the Board in relation to any proposals submitted by shareholders;
- reviewing the Board's diversity, skills and experience and advising the Board in relation to any skills, experience or other characteristics that should be sought in new candidates for the Board;
- reviewing the Board's approach to renewing its membership and recommending to the Board any policies that may be advisable in this regard;
- recommending to the Board individuals to be nominated for election or appointment as directors; and
- recommending to the Board the form and amount of compensation paid to directors, the orientation offered to new directors, continuing education opportunities available to directors, and professional advice available to directors to enable them to fulfil their duties.

The Governance and Nominating Committee, in conjunction with the Board Chair, annually conducts an assessment of the Board's effectiveness as outlined in the "Assessments" provisions in the "Statement of Governance Practices" section of this circular.

The Governance and Nominating Committee met four times during the period from January 1, 2016 to December 31, 2016.

The Governance and Nominating Committee is currently composed of the following directors, all of whom are independent:

Members: Gary M. Collins, Chair  
Karen Cramm  
Sydney John Isaacs  
Marie-Lucie Morin

### **Human Resources and Compensation Committee**

The Human Resources and Compensation Committee is required to be composed of not less than three directors of Chorus, as determined by the Board of Directors, all of whom must meet the independent and other membership requirements prescribed from time to time by applicable laws and stock exchange listing requirements to which Chorus is subject.

The objectives of the Human Resources and Compensation Committee include assisting the Board in its oversight of:

- compensation policies and programs;
- compensation risk management;
- practices for the attraction, development and retention of key personnel; and
- succession plans for key personnel.

The responsibilities of the Human Resources and Compensation Committee include the following:

- developing and recommending to the Board a compensation philosophy for executives of the Corporation and its subsidiaries;
- reviewing and recommending to the Board the terms and conditions of all short and long-term incentive compensation programs for executives;
- reviewing and recommending to the Board the design of any retirement programs provided to executives;
- assessing the President and CEO's performance and recommending to the Board any adjustments to the President and CEO's salary and any awards to the President and CEO under short and long-term incentive plans;

- reviewing the President and CEO's evaluation of the other executives and recommending to the Board any adjustments to their salaries and any awards under short and long-term incentive plans;
- in formulating compensation recommendations to the Board, considering, among other factors, the Corporation's performance on an absolute and (where appropriate comparators can be ascertained) relative basis, and whether incentive programs are expected to create incentives for unethical behavior or the taking of inappropriate or excessive risks and the effectiveness of the Corporation's internal controls in preventing such conduct;
- recommending to the Board, as and when required, the appointment and removal of the Corporation's officers;
- reviewing with the President and CEO succession and development plans for executives; and
- approving share ownership guidelines for executives.

The Human Resources and Compensation Committee met four times during the period from January 1, 2016 to December 31, 2016.

The Human Resources and Compensation Committee is currently composed of the following directors, all of whom are independent:

Members:       Richard D. Falconer, Chair  
                  R. Stephen Hannahs  
                  Sydney John Isaacs  
                  G. Ross MacCormack (*not standing for re-election*)

The members of the Human Resources and Compensation Committee who will stand for re-election bring many years of relevant experience to their role and duties on the committee. The Chair of the Human Resources and Compensation Committee, Mr. Falconer, has extensive experience in executive leadership roles with CIBC World Markets and as a board member of public companies such as Resolute Forest Products and Jaguar Mining Inc. Mr. Isaacs has many years of experience as a senior executive of a public company, ACE Aviation Holdings Inc., and as a partner in a national law firm where he practiced in the areas of mergers and acquisitions, corporate finance and corporate and securities law. Mr. Hannahs also has extensive aviation senior executive experience in areas of finance and aircraft leasing.

### ***Officer Appointments***

In 2016, the Board approved, on the recommendation of the Human Resources and Compensation Committee, the appointment of (i) a new President for Voyageur Aviation and a President for Chorus' recently-established subsidiary, Chorus Aviation Capital Corp. ("**Chorus Aviation Capital**" or "**CAC**"), and (ii) two executives recruited from outside Chorus who bring skills and experience that are expected to contribute significantly to the execution of Chorus' diversification and growth initiatives.

### ***Succession Planning***

The Human Resources and Compensation Committee annually reviews the succession plan for executive management, including the President and CEO and for positions reporting to executives. Management identifies immediate and longer term successors, both internal and external, as appropriate. Management also outlines plans to address gaps identified in the succession plan, if any. Development plans for key successors at the senior level and key talent at other levels are also reviewed by the Human Resources and Compensation Committee to ensure leadership sustainability and continuity. Retention risks, if any are identified by management to the committee.

In 2016, the Human Resources and Compensation Committee met with the President and CEO to discuss his views on the executive leadership team and potential succession scenarios that included both planned transitions as well as emergency situations related to illness, disability or other unplanned absences. The Human Resources and Compensation also met in camera, without Mr. Randell, to discuss the candidates he had identified as his possible successors.

# Executive Compensation

## Compensation Discussion and Analysis

### Overview

To achieve its vision, Chorus needs a strong executive team capable of achieving profitability and growth. Chorus' executive compensation program is designed to attract, retain and motivate the key people Chorus needs to execute its strategic plans. In addition, by closely linking executives' and shareholders' interests through incentive compensation, the executive compensation program contributes to the achievement of profitable growth for shareholders. This is achieved through:

- compensation which is market competitive with companies of similar complexity and revenues;
- incentives which reward achievement of corporate objectives and long-term value creation; and
- share ownership guidelines which ensure a personal stake in Chorus and alignment with shareholder interest.

### Aligning Risk and Compensation

Chorus' executive compensation program reflects high standards of corporate governance through its policies and practices, which include strong oversight and risk mitigation. The Human Resources and Compensation Committee (hereinafter, the "HRCC") assesses, on a regular basis and periodically, in consultation with its external consultants as it determines appropriate, the risks associated with Chorus' executive compensation program. In order to minimize emphasis on short-term results, Chorus' compensation programs have evolved to place greater emphasis on longer-term share-based compensation. A progressively larger portion of compensation is delivered as variable/at risk compensation for more senior executives.

Chorus uses the following compensation practices to mitigate risk:

- a pay for performance philosophy embedded in the compensation design;
- share ownership guidelines for executives;
- a balanced mix of fixed to variable and short to long-term compensation that ensures executives are incented to consider both the immediate and long-term implications of decisions;
- performance thresholds in the Annual Incentive Plan ("AIP") and the LTIP that include both minimum and maximum payouts;
- a balance of financial and individual measures in the AIP;
- making two-thirds of Restricted Share Units ("RSUs") granted under the LTIP contingent on the achievement of performance targets for vesting (referred to in this circular as "Performance Share Units" or "PSUs");
- double trigger provisions for equity vesting;
- a Guidelines on Trading policy that prohibits the hedging of equity grants and includes specific guidance to safeguard against insider trading;
- a Compensation Recoupment Policy which provides Chorus the ability to recoup and/or cancel incentive compensation paid or payable to an executive officer or any other employee with material oversight responsibilities over the preparation of Chorus' financial statements in the event of a financial restatement and misconduct; and
- the ability to exercise discretion with regard to payments under the AIP and LTIP.

The HRCC is satisfied that:

- Chorus' compensation policies and practices do not encourage any Named Executive Officer ("NEO") or employee who works in a principal business unit or division to take inappropriate or excessive risks; and
- there were no identified risks arising from the compensation policies and practices that would be reasonably likely to have a material adverse effect on Chorus.

### External Consultants

The HRCC has direct access to consultants specializing in compensation and benefits. In July 2016, the HRCC engaged Meridian Compensation Partners ("Meridian") to conduct a review of Chorus' executive compensation program. This review included a review of Chorus' compensation philosophy, the compensation benchmark group, incentive plans, governance elements and the annual disclosure. In conjunction with this review, Meridian was engaged to complete an analysis described below under the heading "Benchmark Group".

Chorus' management periodically receives advice from Mercer (Canada) Limited and others with respect to compensation and benefits matters, and shares relevant advice with the HRCC.

The decisions made by the HRCC are its responsibility and may reflect factors and considerations in addition to the information and recommendations provided by Meridian and other consultants.

The following table details the aggregate fees incurred on behalf of the HRCC in consideration of the services provided by Meridian. The fees of other consultants are not included below as those consultants were not engaged by the HRCC.

Type of Fee	Billed in 2016
Executive Compensation Related Fees	\$17,683
All Other Fees	Nil
Total Annual Fees	\$17,683

In addition to external consultants, the President and CEO and other members of management also provide informational presentations to the HRCC related to various human resources and compensation initiatives.

### NEOs

The NEOs as of December 31, 2016 were as follows:

- Joseph Randell, President and Chief Executive Officer of Chorus
- Jolene Mahody, Executive Vice President and Chief Financial Officer of Chorus ("**EVP and CFO**")
- Richard Flynn, Executive Vice President and Chief Corporate Development Officer of Chorus ("**EVP and CCDO**")
- Colin Copp, President of Jazz Aviation
- Steven Ridolfi, Senior Vice President, Strategic Investments, Mergers & Acquisitions of Chorus ("**SVP SIM&A**"). Mr. Ridolfi was appointed as the President of Chorus Aviation Capital on January 6, 2017.

### Share Ownership Guidelines

Share Ownership Guidelines for executives were approved effective January 1, 2011 to promote share ownership by executives and to better align executives' interests with those of shareholders. Following a market review, and further to a recommendation of the HRCC, the following guidelines were approved by the Board to be achieved within five years, commencing on the later of January 1, 2011 or the participant's date of hire or promotion to a higher executive level:

	Ownership Guideline
President and CEO	3 x base salary
Executive Vice Presidents, President of Jazz Aviation, President of Chorus Aviation Capital, and Senior Vice Presidents	2 x base salary
Vice Presidents, and President of Voyageur Aviation	1 x base salary

Shares and RSUs granted under the LTIP are included when determining whether an executive satisfies the applicable minimum ownership guideline. One hundred per cent of any time-based RSUs and 50% of any performance-based RSUs (also referred to in this circular as PSUs) are included for such purposes. The value of such equity holdings is calculated by reference to the greater of the share price on the date the securities were acquired and the date compliance is determined.

### 2016 NEO Share Ownership

Each NEO's status in achieving the ownership guidelines are set out below. The value shown is based on market value of shares of Chorus at December 31, 2016 of \$7.23 per share. With the exception of Mr. Ridolfi, all NEOs exceed their ownership targets. Mr. Ridolfi has until October 2020 to meet his ownership targets.

	RSUs held (#)	Shares held (#)	Value (\$)	Multiple of Base Salary	Ownership Guideline Multiple	Ownership Guideline Achieved
Joseph Randell	566,478	1,056,532	\$10,369,153	14.8x	3 x	Yes
Jolene Mahody	186,404	166,104	\$ 2,099,399	5.8x	2 x	Yes
Richard Flynn	156,266	356,133	\$ 3,328,046	9.2x	2 x	Yes
Colin Copp	154,439	43,533	\$ 1,059,142	2.9x	2 x	Yes
Steven Ridolfi	43,592	1,533	\$ 221,202	0.7x	2 x	No

## Anti-Hedging Policy

NEOs and directors are restricted under applicable corporate law from engaging in certain transactions that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the NEO or director. The Corporation's Guidelines on Trading, which apply to all Chorus insiders, prohibit hedging strategies, equity monetization transactions, transactions using short sales, puts, calls, exchange contracts, derivatives and other types of financial instruments (including, but not limited to, prepaid variable forward contracts, equity swaps, collars and exchange funds), and the pledging of or granting of any other security interest in any share or other equity security of Chorus as security for any loan where recourse is limited to the pledged security.

## Compensation Recoupment Policy

Chorus has a Compensation Recoupment Policy which provides the Board with the discretion to recover some or all of the after-tax amount of incentive compensation received or realized by an executive officer and any other Chorus employee with material oversight responsibility over those who prepare Chorus' financial statements (together, the "**Designated Individuals**"): (i) where there has been a material misrepresentation or material error resulting in the restatement of Chorus' financial statements; (ii) the Designated Individual(s) would have received less incentive compensation based upon the restated financial statements; and (iii) the Board determines that the Designated Individual(s) engaged in misconduct which contributed to the requirement for such restatement.

In such circumstances, the Board may seek recoupment if the restatement of any of Chorus' financial statements occurs within 36 months of the original date that such financial statements were first publicly disclosed.

## Benchmark Group

In determining compensation, the HRCC gives consideration to a benchmark group of Canadian businesses. This benchmark group guides executive compensation decisions.

The composition of the benchmark group is assessed annually by management and the HRCC and adjusted as appropriate. In the summer of 2016, Meridian reviewed the comparator group as part of its review of the Corporation's executive compensation program. Progressive Waste Solutions was removed because the post-merger entity exceeds the revenue parameters for the benchmark group. Companies chosen by the HRCC for the benchmark group are:

- headquartered in Canada;
- in the industrial sector;
- have revenues approximately one-third to three times that of Chorus; and
- of similar business complexity to Chorus.

## Chorus Compensation Practices

The HRCC ensures that our executive compensation program is based on sound decision-making processes and is competitive, pays for performance, motivates and attracts talent, and focuses on creating shareholder value.

### What We Do

- ✓ **Pay for performance** – we align pay with corporate, business unit and individual performance and use several performance measures to avoid undue focus on any particular measure.
- ✓ **Align pay to shareholder returns** – a significant portion of total compensation is received in annual equity awards, with the largest proportion based on RSUs and PSUs rather than options.
- ✓ **Pay at risk** – over 70% of the target direct compensation for the President and CEO is at-risk pay, contingent on performance and not guaranteed.
- ✓ **Share ownership** – we require all of our executives to own a minimum number of shares of Chorus.
- ✓ **Performance-based vesting** – two-thirds of RSUs granted under the LTIP are issued as PSUs which vest at the end of three years based on performance against financial performance targets.
- ✓ **Benchmarking** – we benchmark executive compensation against a size and industry appropriate comparator group and target compensation to the 50<sup>th</sup> percentile of the group (see "Benchmark Group" below).
- ✓ **Caps on incentive payouts** – our AIP caps pay-outs at a maximum of 200% of target. The maximum pay-out requires a combination of exceptional personal, corporate, and, where applicable, business unit performance. Our LTIP caps at 100% of target.
- ✓ **Clawbacks** – our Compensation Recoupment Policy applies to all incentive compensation awarded to executive officers and any other employees with material oversight responsibility over those who prepare Chorus' financial statements.
- ✓ **Board discretion** – we apply Board discretion, upward and downward, as appropriate to address exceptional circumstances not contemplated by performance measures.
- ✓ **Time periods** – we cover a range of time periods in our incentive plans to balance short-term objectives and longer-term performance measurement.
- ✓ **Independent advice** – the HRCC has access to independent advisors and received independent advice on Chorus' executive compensation program in 2016.
- ✓ **Realized and realizable pay** – the value ultimately realized from a long-term incentive award can be significantly different from the grant value, and share price is only one factor that affects the payout value.
- ✓ **Modest benefits and perquisites** – these are a small part of total compensation and are market competitive.
- ✓ **Double trigger change of control** – severance provisions in equity plans have double triggers in the event of a change of control.
- ✓ **Maximum severance multipliers** – we have provided a maximum severance multiplier of two times in all cases, except for a legacy agreement with our incumbent President and CEO (see "Termination and Change of Control Benefits") based on his extensive industry experience and contribution as the founding president, which would not be available in future to an incoming CEO.

### What We Don't Do

- ✗ No repricing of stock options.
- ✗ No tax gross-ups for executives.
- ✗ No loans to executives.
- ✗ Executives are not permitted to hedge or offset their exposure to economic risk under our compensation plans.
- ✗ No guaranteed bonuses.

<b>Company Name</b>	<b>Headquartered</b>	<b>1/3 to 3 x Revenue</b>	<b>Industrial Sector<sup>(1)</sup></b>
Aecon Group Inc.	Toronto, ON	✓	Construction and Engineering
ATS Automation Tooling Systems, Inc.	Cambridge, ON	✓	Industrial Machinery
CAE Inc.	Saint-Laurent, QC	✓	Aerospace & Defense
Emera Inc.	Halifax, NS	✓	Electric Utilities
Exchange Income Corporation	Winnipeg, MB	✓	Airlines
Stantec Inc.	Edmonton, AB	✓	Research and Consulting
Superior Plus Corp.	Calgary, AB	✓	Trading Companies and Distributors
Toromont Industries Ltd.	Concord, ON	✓	Construction, Farm Machinery, Heavy Trucks
Transat A.T. Inc.	Montreal, QC	✓	Hotels, Resorts, Cruise lines
Transcontinental Inc.	Montreal, QC	✓	Commercial Printing
TransForce Inc.	Saint-Laurent, QC	✓	Trucking
Wajax Corporation	Mississauga, ON	✓	Trading Companies and Distributors
WestJet Airlines Ltd.	Calgary, AB	✓	Airlines

1 S&P/JP Morgan Chase Global Industry Classification Code (GICS)

The HRCC also monitors and considers executive compensation levels at certain North American regional airlines.

The HRCC considers the development of a direct comparable benchmark group to be challenging both because of Chorus' unique business model in the Canadian landscape and because there are relatively few industrial and utilities-type publicly-traded businesses of similar size to Chorus (with many comparable businesses being much larger than Chorus). For these reasons, Meridian conducted a regression analysis of the current benchmark group, providing a size-adjusted median to support compensation recommendations for 2017.

In 2016, the HRCC also discussed the desirability of specific comparator groups for certain subsidiaries.

## Executive Compensation Program

Chorus' executive compensation program aligns executives' interests with those of shareholders by emphasizing incentive compensation that is linked to Chorus' annual and long-term financial performance.

Six principal elements of fixed, variable and indirect compensation are evaluated together to determine the appropriate compensation level for Chorus executives. Consideration is given to the balance between fixed and variable (at risk), short and long-term, and cash and equity components. Each element and the specific objectives it is designed to meet are shown and described further below.

Compensation Element	Objectives	Form	Performance Period	Pay at risk
<b>Direct Compensation</b>				
Base Salary	Attract and retain key leaders Compensate for day to day responsibilities, contribution and experience	Cash	Reviewed annually	Fixed/No risk
AIP	Motivate and reward achievement of corporate business unit and personal performance	Cash	Annual	At risk; personal, business unit and corporate performance thresholds
LTIP	Reward for creating sustained shareholder value; Encourage retention	RSUs and PSUs	Three-year performance cycle	At risk; 2/3 of each grant are performance-based PSUs and 1/3 are time-based RSUs
	Motivate leadership through extraordinary events or initiatives	Options	Up to 10 years	At risk
<b>Indirect Compensation</b>				
Pension	Attract and retain; Provide post-employment financial support	Defined contribution plan; Supplemental executive retirement plan ("SERP") for executives hired prior to March 2, 2011	Ongoing	No risk
Benefits	Attract and retain; Support health and well being	Group life, disability, dental and extended health	Ongoing	No risk
Perquisites	Attract and retain	Taxable car allowance, medical top up plan, optional health assessment and financial advisory services (applies to certain executive)	Ongoing	No risk

## Compensation Mix

### 2016

Level	Target Annual Incentive (% of base earnings)	Target Long-Term Incentive (% of base salary)	Percentage of Direct Compensation "at risk"
CEO	110%	130%	71%
EVP and CFO	70%	75%	59%
EVP and CCDO, President, Jazz Aviation	70%	65%	57%
SVP SIM&A	55%	60%	53%

In addition, the Board can make discretionary awards of options to executives under the LTIP, thereby providing increased at risk long-term incentive compensation.

## 1) Base Salary

Competitive base salaries for Chorus' executives, including the NEOs, are established by the HRCC based on the responsibilities, contribution, experience and skill set of each executive. When reviewing base salaries, the HRCC also considers equitable factors (such as the desire to maintain a similar level of compensation for a particular officer group, irrespective of function, as well as length of service) and salaries offered by other companies in Chorus' benchmark group for similar positions. Base salary forms a portion of total compensation and compensates individuals for fulfilling their responsibilities.

## 2) Variable Cash Compensation

In 2016, Chorus had two cash-based variable compensation plans: an AIP and an operational bonus plan called Ensemble Plus.

### *Annual Incentive Plan*

A revised AIP was introduced in 2016 to align with Chorus' new management structure and strategic vision. Consistent with general market practice, the AIP has three components which are additive and recognize: (i) corporate performance, (ii) business unit performance, and (iii) individual performance.

For those executives with primary responsibility for overall corporate performance, including Mr. Randell, Ms. Mahody and Mr. Flynn, weightings are distributed among the components as follows; 75% corporate performance and 25% individual performance. Executives with primary responsibility for a business unit, including Mr. Copp and Mr. Ridolfi, have weightings distributed among the three components as follows; 55% corporate performance, 20% business unit performance and 25% individual performance.

All eligible members of management participate in the AIP at target bonus percentages commensurate with their management level. With regard to performance against financial targets, participants in the AIP are eligible to receive payouts of between 0% and 200% of each weighted metric, based on the achievement of between an 80% threshold and 120% of the target for each metric. Participants receive no amount for a measure if performance is below threshold and receive 200% for a measure if performance is at or above 120% of target. The relationship is linear such that if 90% of the target is met, the percentage payout for that measure is 50%.

A personal performance factor ranging from 0% to 200% is applied to the personal component.

Corporate metrics for 2016 based on Chorus consolidated financials were: Adjusted Earnings Per Share ("**Adjusted EPS**") and Adjusted Cash Provided by Operating Activities. Adjusted EPS and Adjusted Cash Provided by Operating Activities are non-GAAP measures which do not have standardized meanings under GAAP and may not be comparable to similar measures presented by other issuers. Adjusted EPS measures overall profitability and is defined as earnings (net income) adjusted for any foreign exchange gain or loss on long-term debt and finance leases, divided by the weighted average number of shares outstanding. Adjusted Cash Provided by Operating Activities is defined as cash provided by operating activities before net changes in non-cash balances related to operations less capital expenditures, excluding finance leases, aircraft acquisitions and the extended service program. The Board and management believe that these metrics reflect an appropriate focus on strengthening Chorus' financial position for growth.

Business unit metrics for Jazz Aviation in 2016 were: Adjusted Cash Provided by Operating Activities and Operating Income ("**OI**"). These metrics align with Jazz's focus on generating cash and controlling costs. Adjusted Cash Provided by Operating Activities has the same meaning as that defined above for Chorus. OI is defined as operating revenue less operating expenses.

Business unit metrics for executives in Chorus' leasing business (prior to the establishment of Chorus Aviation Capital) consisted of the achievement of two principal objectives in 2016; completion of a market plan and financing strategy, and execution of a leasing transaction outside of the CPA.

The individual performance component measure is based on performance assessments, consistent with previous years.

### ***New for 2017***

In February 2017, the Board approved changes to the AIP to more closely align it with market practice and its continuing diversification plans. For business unit executives, weightings will be reallocated among components as follows; 35% corporate performance (down from 55%), 40% business unit performance (up from 20%) and 25% individual performance (unchanged). The corporate performance metric for business unit executives will be Adjusted EPS.

Executives of Chorus Aviation Capital will be incentivized on the corporate performance metrics (as applied to Chorus executives), migrating to a CAC business unit plan in 2018.

*Ensemble Plus*

Ensemble Plus is designed to provide quarterly payments to eligible employees if Jazz achieves pre-determined monthly operational and customer service goals. Participants are those who work for, or in support of, the Jazz operation. The categories include controllable on-time performance, controllable flight completion, incidences of mishandled luggage at airports where Jazz is responsible for luggage handling and other customer service measures related to inflight and check-in satisfaction. The Ensemble Plus plan is offered to all eligible employees (including eligible NEOs) on the same basis to allow them to share in Jazz’s success and to ensure they work together to achieve corporate goals. The maximum annual payout pursuant to Ensemble Plus for 2016 was \$2,550 per eligible employee. In 2016, the total payment under the Ensemble Plus was \$1,189 per eligible employee. Mr. Ridolfi does not participate in the Ensemble Plus program as his responsibilities do not extend to the Jazz operation.

**3) Equity Plans**

In 2016, Chorus had two equity-based compensation plans: the LTIP and the ESOP. The LTIP and the ESOP are designed to align the interests of executives and employees with the interests of Chorus’ shareholders. As Chorus’ equity compensation plans are largely formula-based, previous grants do not impact the allocation of new grants. The value of RSUs (including PSU variants) and options granted under the LTIP is tied to Chorus’ share value. If the Board prescribes performance vesting conditions when awarding RSUs or options, the value of those awards is also dependent on the achievement of the performance vesting conditions.

*Long-Term Incentive Plan*

The LTIP is Chorus’ share-based, long-term incentive plan. The purpose of the LTIP is to provide eligible participants with incentive compensation that enhances Chorus’ ability to attract, retain and motivate key personnel and to reward executives and other key employees (as approved by the Board from time to time) for performance that results in Chorus meeting specified performance targets. Under the LTIP, awards of RSUs (including PSU variants) and options may be granted to eligible employees.

**Key Terms**

The key terms of the LTIP are summarized below:

<b>Eligible participants</b>	The President and CEO and other officers of Chorus or named individuals, employees or officers of any other entity designated by the Board.
<b>Types of awards</b>	RSU – a right to receive upon vesting one share or cash equal to the then trading price of a share and includes a PSU (which is a variant of the RSU that, in addition to a time vesting condition, only vests upon the achievement of specified performance targets).  Option – a right to purchase a share at an exercise price per option at least equal to the trading price of a share on the date the option is granted.
<b>Total issuable</b>	11,000,915 shares
<b>Option exercise price</b>	Determined by the Board but may not be less than the fair market value of shares on the grant date.
<b>Insider limits</b>	Shares issued from treasury to insiders within any one year period pursuant to the LTIP, together with the shares of Chorus issued from treasury to insiders during such one-year period under all of Chorus’ other treasury share based compensation arrangements, will not exceed 10% of Chorus’ total issued and outstanding shares of Chorus. The total number of shares of Chorus issuable from treasury to insiders under the LTIP, at any time, together with the shares of Chorus issuable from treasury to insiders under all of Chorus’ other treasury share based compensation arrangements, will not exceed 10% of Chorus’ total issued and outstanding shares.

<b>Vesting</b>	<p>Vesting of RSUs may be time-based, or based on meeting individual or corporate performance targets (referred to in this circular as PSUs). Generally, RSUs (including PSU variants) vest at the end of three years. Vesting is variable based on whether target performance is between 80% and 100% of target.</p> <p>In 2015, the LTIP was amended to provide for the granting of RSUs with a performance cycle greater than three years up to a maximum of five years. Chorus granted a total of 99,668 RSUs on May 1, 2015 to four vice presidents of Voyageur Airways (a predecessor to Voyageur Aviation) as part of retention agreements, which grants coincided with Chorus acquiring the parent company of Voyageur Airways. These grants vest on December 31, 2019. As the cycle exceeds three years, the RSUs are exercisable for shares issued from treasury.</p> <p>Vesting of options may be time-based or based on meeting individual or corporate performance targets. The performance conditions, if any, for grants of options will be contained in an award agreement relating to the particular grant. Unless otherwise specified by the Board, each vested option may be exercised at any time or from time to time, in whole or in part, for up to the total number of shares with respect to which it is then exercisable and it remains exercisable until expiration or termination of the option. For options subject to a performance vesting condition if, as a result of a failure to meet the performance vesting condition, some or all of the options granted to the eligible participant have not vested and are not exercisable by the date of such determination, the unvested options expire and are cancelled.</p>
<b>Dividend equivalents</b>	<p>Additional RSUs (including PSU variants) are credited as dividend equivalents calculated by dividing: (i) the amount obtained by multiplying the amount of the dividend declared and paid by Chorus per share by the number of RSUs recorded in the participant's account on the record date for the payment of such dividend, by (ii) the five-day volume weighted average price of the shares for the period including and ending on the third trading day prior to the record date for the payment of such dividend.</p> <p>Options do not earn dividend equivalents.</p>
<b>Option term</b>	Maximum of 10 years
<b>Termination of employment for cause or resignation</b>	<p>All RSUs (including PSU variants) credited to the participant's account will be forfeited and cancelled.</p> <p>All options, whether vested or not, held by a participant terminated for cause will be forfeited and cancelled.</p> <p>In the case of resignation, any options that are not vested will be forfeited and cancelled and any vested options will continue to be exercisable until the earlier of 90 days and the date on which the exercise period of the particular options expire.</p>
<b>Termination of employment due to retirement, long-term disability, death or termination without cause</b>	<p>Any unvested RSUs would be pro-rated based on the completed months of service during the three-year performance cycle. RSUs subject to time vesting will vest within 45 days. The participant would be entitled to PSUs at the end of each applicable cycle, if targets are achieved (vesting is variable based on whether target performance is between 80% and 100% of target).</p> <p>In the case of a termination of employment without cause, vesting of a pro-rated number of the outstanding, unvested options will accelerate and such portion will become fully vested and exercisable on the date of termination and remain exercisable until the earlier of the date which is the later of (i) 90 days after the vesting date and (ii) 12 months after the applicable event, and the expiry date. Pro-ration would be based on the completed months of service during the three year vesting period.</p> <p>Vested options are exercisable by the participant until the earlier of 12 months and the date on which the exercise period of the particular options expire. Options that have not vested on or prior to the date of termination are forfeited.</p>
<b>Change of control</b>	<p>For RSUs granted prior to February 18, 2016, all unvested RSUs vest on the date of the change of control, whether or not the RSUs have met the vesting conditions. However, in the event that the change of control occurs in the circumstances of an internal reorganization involving Chorus or its subsidiaries, the Board may, in its sole discretion, determine that such RSUs will not vest as at the date of such change of control.</p>

Double trigger change of control vesting applies to all RSUs and options granted after February 18, 2016. In the event of the participant's termination without cause or termination for "good reason" (as defined in the LTIP) within 24 months following a Change of Control, any RSUs or options outstanding immediately prior to the change of control, but which have not vested as of the termination date, will become fully vested, and the options will become fully exercisable, on the termination date and the options remain exercisable until the earlier of (i) the date which is 90 days after the termination date, and (ii) the date on which the exercise period for the particular options expires. In addition, the definition of "Change of Control" has been modified to include a change in the composition of a majority of the Board.

Subject to the treatment accorded to RSUs granted prior to February 18, 2016 and except as provided in the award agreement, if any RSU or option is not assumed or replaced by an entity resulting from the change of control or a parent of such entity, in each case of which the voting equity is listed on a stock exchange in North America, with an award (i) for which appropriate adjustments have been made to the number and kind of securities of such entity or parent in order to preserve the compensation element of the award at the time of the change of control transaction, and (ii) which provides for subsequent vesting, exercise (if applicable) and settlement of the award on no less favourable terms and conditions, then such RSU or option becomes fully vested upon the change of control and the option becomes exercisable until the earlier of (a) 90 days after the date of the change of control, and (b) the date on which the exercise period of the particular options expire. In the event that the change of control occurs in the circumstances of an internal reorganization involving Chorus or its subsidiaries, the Board may, in its sole discretion, determine that RSUs won't vest and the options won't be exercisable upon the occurrence of the change of control, and/or shorten the option exercise period.

The vesting of options, granted on May 20, 2014 and October 1, 2015 and held by the NEOs, in the event of termination without cause will be in accordance with the award agreement. In the event of a change of control followed by termination for "good reason", all unvested options vest on the date of the change of control.

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**Assignability** Except as provided in the LTIP, the rights of participants under the LTIP cannot be assigned, charged, anticipated, given as security, transferred or surrendered, in whole or in part, either directly or by operation of law or otherwise in any manner.

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**Amendments** Shareholder approval is required for any amendment to the LTIP that results in (i) an increase in the number of shares reserved for issuance by Chorus from treasury pursuant to the LTIP; (ii) permission for RSUs (including PSU variants) or options to be transferred other than for normal estate settlement purposes; (iii) a reduction in the exercise price of an option, (iv) extending eligibility to participate in the LTIP to non-employee directors; (v) an extension to the term of an option beyond its original expiry date; or (vi) any changes to the amendment provisions other than to add items for which shareholder approval is required.

Subject to the above, the Board may amend, suspend or discontinue the LTIP in such manner as the Board, in its sole discretion, determines appropriate, including without limitation, by amending the LTIP (i) for the purpose of making formal minor or technical modifications to any provisions of the LTIP, (ii) to correct any ambiguity, defective provision, error or omission, (iii) to change the vesting provisions of awards or the LTIP, (iv) to change the termination provisions of awards or the LTIP, or (v) to change the incentive amounts to the extent they are expressed in in the LTIP, provided, however, that no such amendment: (a) results in the LTIP becoming a "salary deferral arrangement" under the Income Tax Act (Canada) or any applicable provincial legislation; (b) reduces the number of RSUs or options granted prior to such amendment or adversely modifies the vesting condition(s) of such RSUs or option, as applicable; and (c) modifies the amendment provision of the LTIP without the consent of all participants with respect to RSUs or options granted prior to the amendment.

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**Recent amendments** On February 18, 2016, the LTIP was amended to apply double trigger change of control vesting to future grants of RSUs and options and to restrict the repricing of options. Double trigger change of control vesting already applies to the options currently outstanding as outlined in the respective grant letters. Also on February 18, 2016, the LTIP was amended to require shareholder approval for amendments involving a repricing of options and to incorporate various minor changes to the text of the LTIP to improve clarity and consistency.

On August 10, 2016, the LTIP was amended to require shareholder approval for any amendment that results in the extension of the term of an option beyond its original expiry date.

No shareholder approval was required for any of these amendments.

## Performance Measures

Threshold and target performance goals for the 2016 PSU grants are based on Adjusted Cash Provided from Operating Activities, Adjusted EPS and Return on Invested Capital ("ROIC"). Weighting of these measures is intended to ensure a balanced focus on maintaining profitability, generating adequate returns on invested capital, and maintaining strong cash flows to support investment for future growth while providing a dividend to shareholders. In 2016, the Board approved replacing Adjusted Free Cash Flow with Adjusted Cash Provided from Operating Activities, reflecting a focus on strengthening Chorus' financial position for growth.

### 2016 PSU Targets

Objective	Weight	Threshold (aggregate 3 year)	Target (aggregate 3 year)
Adjusted Cash Provided from Operating Activities (\$000,000)	50%	510.2	637.8
Adjusted EPS (\$)	25%	2.28	2.85
ROIC (%)	25%	47.4	59.2

Adjusted EPS and Adjusted Cash Provided from Operating Activities are defined in this circular under the heading "Executive Compensation Program – 2) "Variable Cash Compensation".

ROIC is a non-GAAP measure that does not have a standardized meaning under GAAP and may not be comparable to similar measures presented by other issuers. ROIC is frequently used in the airline industry and is a metric reported in Chorus' MD&A. It is commonly used to assess the efficiency with which a company allocates its capital to generate returns. Return is calculated based on Chorus' earnings before tax, excluding special items, finance costs and implied interest on off-balance sheet aircraft leases for aircraft for which Chorus holds the head lease. Invested capital includes average long-term debt, average finance lease obligations, average shareholders' equity and off-balance sheet aircraft operating leases for aircraft for which Chorus holds the head lease.

### Employee Share Ownership Program

The ESOP enables eligible employees to buy shares of Chorus through payroll deductions. Through the ESOP, eligible employees may invest up to 6% of their salary for the purchase of shares on the secondary market, and Chorus annually matches a portion of the employee investment. The ESOP aligns the interests of participating employees more closely with the interests of Chorus' shareholders.

The Board may use its discretion to set the employer match at or above 33.33% of the investments made by the employees under the plan. The funds from the employer match are used to purchase common shares of Chorus on the secondary market on behalf of such participants. The percentage of matching contributions and the base threshold amounts are established and are subject to adjustment by the Board. In years 2011 to 2016 inclusive, the Board approved a 60% match for employee contributions made to the ESOP for the following year.

## 4) Pension

Under Chorus' registered defined contribution pension plan (the "Pension Plan"), NEOs receive a contribution equal to the maximum allowable amount under the *Income Tax Act* (Canada). The NEOs, with the exception of Mr. Ridolfi, also participate in the SERP (which is closed to new participants).

## 5) Benefits

Group benefits are intended to be at the median level for Chorus' benchmark group. Benefits include life insurance, accidental death and dismemberment (AD&D) insurance, extended health, dental and short and long-term disability insurance.

## 6) Perquisites

Perquisites offered to certain executive officers include a taxable car allowance, a medical top-up plan and optional health assessment and financial advisory services. Perquisites are intended to be at the median level for Chorus' benchmark group and represent a small portion of overall compensation.

## Compensation of NEOs

### 2016 AIP – Corporate and Business Unit Performance

Details of the performance targets for the 2016 AIP are as follows:

Metric	Threshold	Target <sup>(1)</sup>	Stretch	Actual	Percentage Payout
Chorus Adjusted EPS	0.80528	1.0066	1.2079	1.0358	114.5%
Chorus Adjusted Cash from Operating Activities (\$000,000)	160,436	200,545	240,654	198,639	95.0%
Jazz Operating Income	87,143	108,929	130,715	116,691	135.5%
Jazz Adjusted Cash from Operating Activities (\$000,000)	97,274	121,592	145,910	120,393	95.0%

<sup>1</sup> AIP and LTIP expense was excluded from the actual and target results. The HRCC also excluded from actual results select expense items that it determined were unusual and should not be included in assessing Chorus' operating performance.

Based on the AIP formula, Mr. Randell, Ms. Mahody and Mr. Flynn achieved 104.1% performance for the corporate component of their incentive. Mr. Copp and Mr. Ridolfi achieved 106.9% and 102.8%, respectively, of the combined corporate and business unit targets applicable to their incentive.

### 2016 AIP – Personal Performance

All NEOs, other than the President and CEO, receive performance reviews based on a common set of evaluation criteria. These criteria are grouped into the following categories: job responsibilities, leadership, and progress on department plans. The results of these performance reviews form the basis for determining the personal performance factor for AIP purposes. For 2016, a personal performance factor of 200% or 150% (out of a maximum of 200% and a minimum of 50%) was applied in respect of the NEOs based on the results of their performance review.

The HRCC and the Board assess the performance of the President and CEO annually based on financial performance and non-financial measurements to determine an appropriate level of compensation. However, the formulas used and program parameters for variable compensation and the LTIP are those approved by the Board for all executives. The annual performance review of the President and CEO takes into account a number of factors. Overall leadership performance is evaluated with consideration given to the achievement of the annual business plan, which includes short-term initiatives to meet annual targets and execution against long-term strategic initiatives aimed at growing shareholder value.

In 2016, Mr. Randell (President and CEO) focused on strengthening Chorus' principal business with Jazz, creating additional long-term value by growing and diversifying aircraft leasing revenues, and pursuing growth opportunities at Voyageur Aviation. Factors considered by the HRCC and the Board in reviewing the performance of the CEO included: (i) executing on the second year of strong operational and financial performance under the CPA; (ii) implementing the fleet modernization strategy and improving cost efficiency at Jazz; (iii) growing the aircraft leasing revenue under the CPA to \$99.0 million or by 44.0%; (iv) establishing Jazz Technical Services and securing two third-party maintenance contracts; (v) establishing Chorus Aviation Capital as a regional aircraft leasing company; (vi) securing \$200 million in financing for Chorus' aircraft leasing business by way of a private placement of convertible debt units to Fairfax Financial Holdings Limited and its subsidiaries; (vii) executing on a third-party aircraft leasing agreement with Air Nostrum, and (viii) strengthening Voyageur Aviation through a new corporate structure and a re-branding that included the establishment of Voyageur Avparts and Voyageur Aerotech.

Based on the review of Mr. Randell's performance, the Board approved the maximum personal performance factor.

### 2014 LTIP Grant – Pay-out of RSU Awards

Objective	Weight	Threshold	Target	Actual	Percentage Payout
Aggregate Adjusted FCF (\$000,000)	50%	345.2	431.5	477.6	110.7%
Aggregate Adjusted EPS (\$)	25%	1.73	2.16	2.28	105.6%
Aggregate Adjusted ROIC (%)	25%	49.3	61.6	59.3	96.3%
Total Payout Percentage (actual of 105.8% capped at 100%)					100.0%

## *Compensation Decisions*

The following recommendations on compensation for the NEOs were made by the HRCC and were approved by the Board in relation to the 2016 financial year: (i) a payout under the AIP for each NEO based on the formula previously described; (ii) the vesting of all time-based and performance-based RSUs granted in 2014 under the LTIP plus their associated additional RSUs in relation to dividends on shares of Chorus; (iii) a grant of RSUs (1/3 time-based and 2/3s PSUs) in respect of 2017 under the LTIP at the regular formula amount applicable to the particular NEO; and (iv) base salary and AIP target market adjustment increases effective January 1, 2016 based on a review of the comparator group and updates to the market executive compensation review referred to previously.

In November 2016, the Board approved further base salary adjustments for the NEOs based on a market review. As a result of these adjustments which took effect on January 1, 2017, the annual base salaries for the NEOs except Mr. Ridolfi were set as follows: \$750,000 for Mr. Randell; \$400,000 for each of Ms. Mahody and Messrs. Copp and Flynn. In December 2016, an interim adjustment to Mr. Ridolfi's compensation was approved in connection with his transition to the role of President of Chorus Aviation Capital: a base salary of \$375,000, an AIP target equal to 70% of base salary, and an LTIP award target equal to 65% of base salary were made effective January 6, 2017.

In March 2017, the Board approved a compensation structure for executives of CAC. The structure was developed to be market competitive within the aircraft leasing sector, while aligning with Chorus' compensation programs. As a result of this new structure, further adjustments to Mr. Ridolfi's compensation may be made.

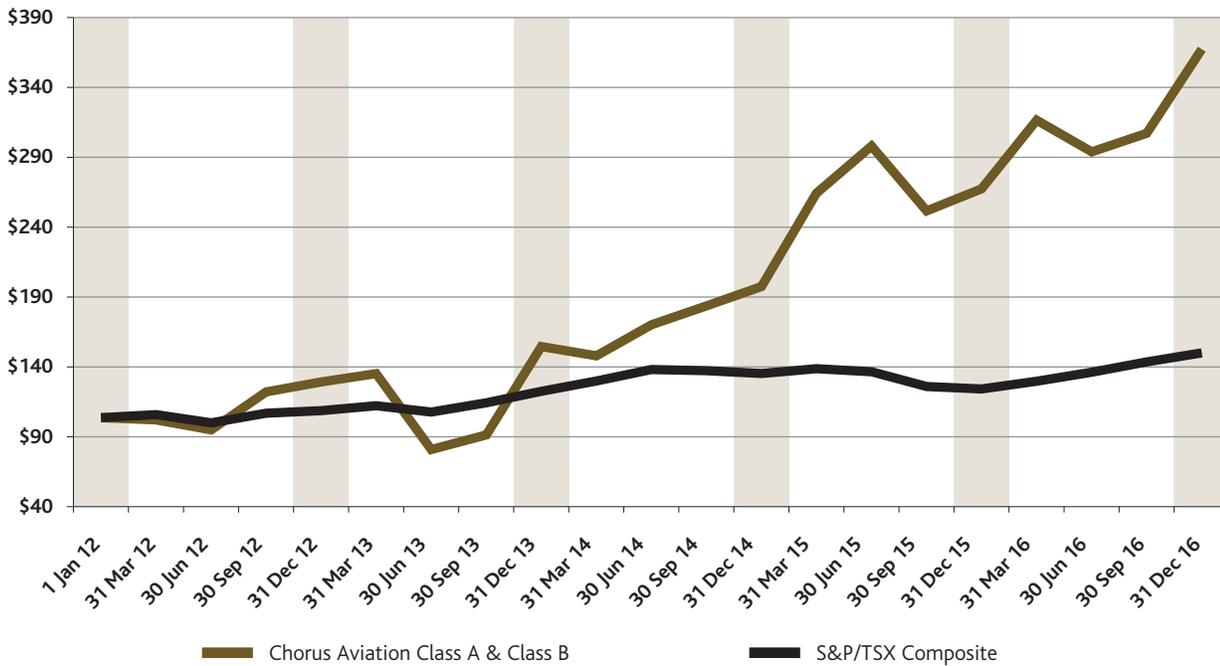
Executives of CAC will participate in the Chorus LTIP, however one-half of PSUs granted to them will vest based on meeting CAC-specific performance targets (the other half will vest based on meeting Chorus-specific performance targets applicable to all LTIP participants).

**Performance Graph**

The following graph compares the total cumulative return of a \$100 investment in the shares of Chorus made on January 1, 2012, with the cumulative return of the S&P/TSX Composite Index for the period beginning on January 1, 2012 and ended December 31, 2016. Effective May 24, 2016, the Class B Voting Shares and Class A Variable Voting Shares started trading on the TSX under the single ticker "CHR". Prior to that date, the Class B Voting Shares and the Class A Variable Voting Shares traded on the TSX under their respective symbols, CHR.B and CHR.A.

The trend shown in the graph generally corresponds to the trend in the compensation of the NEOs, excluding the impact of individual performance factors and increases in compensation due to promotion. The dollar value of variable compensation in the form of payouts under Chorus' cash-based variable compensation plan has varied as the financial performance of Chorus has varied over the period.

**Comparison of Total Return of Chorus Aviation Inc. Shares with S&P/TSX Composite Index  
January 1, 2012 to December 31, 2016**



Summary Compensation Table

Name and principal position	Year	Salary (\$)	Share-Based awards (\$)		Non-equity incentive plan compensation (\$)		Pension value <sup>(5)</sup> (\$)	All other compensation (\$)	Total compensation (\$)
			Value of RSUs Granted <sup>(1)</sup>	Option Based Awards <sup>(2)</sup>	Annual Incentive Plan <sup>(3)</sup>	Other employee programs <sup>(4)</sup>			
Joseph Randell CEO	2016	700,000	910,000	–	986,370	1,189	280,552	133,273 <sup>(6)</sup>	3,011,384
	2015	649,216	780,000	–	925,133	1,415	590,675	14,400	2,960,839
	2014	600,000	720,000	429,000	1,200,000	1,400	224,691	11,348	3,186,439
Jolene Mahody EVP and CFO	2016	360,000	270,000	–	322,812	1,189	380,967	– <sup>(7)</sup>	1,334,968
	2015	345,085	258,750	–	295,048	1,415	184,981	–	1,085,279
	2014	334,725	251,250	247,500	401,670	1,400	126,997	884	1,364,426
Richard Flynn EVP and CCDO	2016	360,000	234,000	–	291,312	1,189	180,246	11,961 <sup>(8)</sup>	1,078,708
	2015	333,789	214,500	–	237,825	1,415	245,549	11,509	1,044,587
	2014	319,698	208,000	247,500	383,637	1,400	266,026	11,117	1,437,378
Colin Copp President, Jazz Aviation	2016	360,000	234,000	–	328,104	1,189	371,548	11,814 <sup>(9)</sup>	1,306,655
	2015	329,664	210,925	–	281,863	1,415	348,956	11,330	1,184,153
	2014	314,725	204,750	247,500	377,670	1,400	114,188	10,973	1,271,206
Steven Ridolfi President, CAC <sup>(11)</sup>	2016	315,000	189,000	–	220,201	–	26,010	– <sup>(10)</sup>	750,211
	2015	78,167	47,250	245,529	46,411	–	5,855	–	423,212

1 Represents value of RSUs granted in the financial year shown. Value of RSUs granted as shown in the table is based on fair market value per share as of the date of grant of \$5.91 for 2016, \$5.78 for 2015 and \$3.79 for 2014. The value of the RSUs for accounting purposes at the date of grant is also based on the fair market value per share as of the date of grant.

Subsequent to grant date, for accounting purposes, the RSU obligation is recognized in the appropriate short and long-term liability accounts in the statement of financial position. The RSU liability is adjusted quarterly to reflect the number of RSUs expected to vest and the fair market value of the RSUs at the end of the reporting period. Changes to the outstanding RSU liability are accounted for in salaries, wages and benefits expense in the statement of income.

2 Represents value of the options granted in the financial year shown. There were no options granted to NEOs in 2016. The fair value for the options granted on May 20, 2014 and Oct 1, 2015 by Chorus as reported in this table, and for accounting purposes, was determined at the time of grant using a Black-Scholes option pricing model. The estimated fair value on the date of grant of the options granted on May 20, 2014 was \$0.33 and on October 1, 2015 was \$0.49.

The fair value of the options is recognized as expense over the vesting period, based on the number of options expected to vest, with a corresponding entry to equity. The number of options expected to vest is reviewed at least once annually with any impact on previously recognized expense being adjusted immediately.

3. Payments under the AIP for a particular financial year are actually made in the following financial year when corporate and personal performance factors are available. Amounts shown represent payments for performance relating to the particular financial year.

4 Represents payments for Ensemble Plus. Mr. Ridolfi's responsibilities do not extend to Jazz and as such he does not participate in the Ensemble Plus program.

5 This column includes the compensatory changes reflected in the pension plan and, where applicable the SERP tables.

6 Amount for 2016 represents 60% employer matching of employee contributions made in 2015 through the ESOP paid to Mr. Randell in April 2016 and the value of a one-time medical benefit. Perquisites for Mr. Randell did not exceed the lesser of 10% of base salary and \$50,000.

7 Perquisites for Ms. Mahody did not exceed the lesser of 10% of base salary and \$50,000.

8 Amount for 2016 represents 60% employer matching of employee contributions made in 2015 through the ESOP paid to Mr. Flynn in April 2016. Perquisites for Mr. Flynn did not exceed the lesser of 10% of base salary and \$50,000.

9 Amount for 2016 represents 60% employer matching of employee contributions made in 2015 through the ESOP paid to Mr. Copp in April 2016. Perquisites for Mr. Copp did not exceed the lesser of 10% of base salary and \$50,000.

10 Perquisites for Mr. Ridolfi did not exceed the lesser of 10% of base salary and \$50,000.

11 Mr. Ridolfi was SVP SIM&A throughout 2016 and was appointed President of Chorus Aviation Capital on January 6, 2017. Mr. Ridolfi was hired on October 1, 2015, therefore, his compensation for 2015 reflects earnings only from October 1 to December 31, 2015.

## Incentive Plan Awards

### 2016 Outstanding Option-Based Awards and Share-Based Awards at fiscal year end

The table below shows the awards of options granted in 2014 and 2015 and the market value of those options on December 31, 2016. The table also shows the RSUs granted to the NEOs and the market value of those RSUs on December 31, 2016. Pursuant to the LTIP, participants could have between 80% and 100% of their performance RSUs vest or none at all. Performance vesting conditions apply to two-thirds of the RSUs. In February 2017, the HRCC approved the vesting of 100% of the time-based and performance-based RSUs granted in 2014 under the LTIP. See "Compensation of NEOs" above. Those RSUs vested in 2017, and therefore are not treated as having vested in 2016 for the purposes of the table below.

Name	Option-Based Awards				Share-Based Awards (LTIP)		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$) <sup>(1)</sup>	Number of shares that have not vested Grant Year	Market Value of share based awards that have not vested (\$) <sup>(3)</sup>	
Joseph Randell	1,300,000	4.50	May 20, 2019	3,549,000	2016 Grant	164,223	395,776
					2015 Grant	156,260	376,586
					2014 Grant	245,996	1,778,551
					Aggregate	566,479	2,550,913
Jolene Mahody	750,000	4.50	May 20, 2019	2,047,500	2016 Grant	48,725	117,428
					2015 Grant	51,836	124,925
					2014 Grant	85,842	620,640
					Aggregate	186,403	862,993
Richard Flynn	750,000	4.50	May 20, 2019	2,047,500	2016 Grant	42,229	101,771
					2015 Grant	42,971	103,561
					2014 Grant	71,065	513,800
					Aggregate	156,265	719,132
Colin Copp	750,000	4.50	May 20, 2019	2,047,500	2016 Grant	42,229	101,771
					2015 Grant	42,255	101,835
					2014 Grant	69,955	505,775
					Aggregate	154,439	709,381
Steven Ridolfi	300,000	7.25	October 1, 2020	—	2016 Grant	34,108	82,200
					2015 Grant	9,485	22,858
					2014 Grant	n/a	n/a
					Aggregate	43,593	105,058

1 The value of unexercised option-based awards was calculated based on market value of shares of Chorus at December 31, 2016 of \$7.23 per share.

2 Amounts represent number of RSUs awarded under the LTIP, in each case on the date of grant and the additional RSUs that have been credited to the NEOs on account of dividends on shares of Chorus in accordance with the terms of the LTIP.

3 Based on market value of shares of Chorus at December 31, 2016 of \$7.23 per share. The amounts for the 2016 and 2015 LTIPs are shown as the minimum payouts reflecting the 1/3 of RSUs granted that will vest on a time basis and do not include a value for RSUs which are subject to performance measures. The market value for the 2014 LTIP grant reflects the fact that vesting was determined on February 15, 2017 to be 100% for the performance-based RSUs.

## Incentive plan awards – value vested or earned during 2016

Name	Option-Based Awards Value vested during the year (\$)	Share- Based Awards Value vested during the year (\$) <sup>(1)</sup>	Non-Equity Incentive Plan Compensation Value earned during the year (\$)
Joseph Randell	–	1,523,308	987,559
Jolene Mahody	–	515,704	324,001
Richard Flynn	–	424,940	292,501
Colin Copp	–	419,436	329,293
Steven Ridolfi <sup>(2)</sup>	–	–	220,201

1 Represents value of all restricted shares vested in 2016 determined on the date of delivery of shares or cash in lieu of shares. The HRCC typically approves the vesting of time-based RSUs and performance-based RSUs (aka PSUs) in February of each year, in respect of performance cycles ending at the end of the previous calendar year. On February 18, 2016, the Board approved the vesting of 100% of all performance RSUs granted in 2013 under the LTIP reflecting actual performance achieved against performance targets over the three-year performance cycle ending December 31, 2015. The vesting of these RSUs is reflected in this table.

On February 15, 2017, the HRCC approved the vesting of 100% of all performance RSUs (aka PSUs) granted in 2014 under the LTIP. Since these RSUs did not vest in 2016, they are not reflected in this table.

2 Mr. Ridolfi was hired on October 1, 2015 so was not a participant in the LTIP in 2013.

### Pension Benefits

NEOs of Chorus currently participate in the Pension Plan under which Chorus contributes the maximum allowable amount under the *Income Tax Act* (Canada). The NEOs, with the exception of Mr. Ridolfi, also participate in the SERP.

Effective February 19, 2014, the Board approved an amendment to close the SERP to new participants. Prior to this, the Board had applied its discretion under the SERP to approve new participants. There have been no new participants added since 2011. Based on his date of hire, Mr. Ridolfi does not participate in the SERP.

In aggregate, for each year of credited service as an executive, the Pension Plan and the SERP are intended to provide a target pension benefit of 1.5% of final average earnings up to, and 2.0% of final average earnings in excess of, the final average Year's Maximum Pensionable Earnings (the "YMPE"). For this purpose, "final average earnings" is defined as the average salary in the best three consecutive years and the final average YMPE is the average of the YMPE (as defined under the Canada Pension Plan) in the year of termination and the preceding two years. The SERP benefit is reduced by a deemed benefit from the Pension Plan.

The normal retirement date under the SERP is the first day of the month coincident with or next following attainment of age 65. Members who attain age 55 can retire prior to their normal retirement date provided that, if they retire prior to age 57, their pension is reduced by the ratio of the executive's service at the date of pension commencement to what the executive's service would have been at age 57 if the executive had continued in employment.

If a member's employment is terminated prior to age 55, the member is entitled to receive a pension commencing at age 55. Such pension is calculated in the same manner as the normal retirement date pension, but with their pension reduced by the ratio of what the executive's service would have been at age 55 if the executive had continued in employment to what the executive's service would have been at age 57 if the executive had continued in employment.

The normal form of pension for members with a spouse at the date of pension commencement is payable for the lifetime of the member with 60% of the member's pension continuing to a surviving spouse. The normal form of pension for members without a spouse at the date of pension commencement is payable for the lifetime of the member, with a guarantee that a minimum of 120 monthly payments would be made.

## Pension Plan

The table below summarizes the accumulated balances in each NEO's defined contribution account at December 31, 2015 and December 31, 2016 as well as the factors that have caused the balance to change during 2016. The SERP benefit is reduced by a deemed benefit from the Pension Plan.

Name	Accumulated value at start of year (\$)	Compensatory change (\$)	Accumulated value at end of year (\$) <sup>(1)</sup>
Joseph Randell	403,369	26,010	468,653
Jolene Mahody	359,293	26,010	417,114
Richard Flynn	365,818	26,010	416,653
Colin Copp	579,820	26,010	664,339
Steven Ridolfi	5,960	26,010	34,631

1 The accumulated balances in Mr. Copp's defined contribution account in the table above reflects his participation over a number of years in the defined contribution pension plan that was the predecessor to the Chorus Executive Defined Contribution Pension Plan.

## SERP

The table below shows the following information for each NEO participating in the SERP:

<ul style="list-style-type: none"> <li>• years of credited service as at December 31, 2016;</li> <li>• estimated annual benefit accrued, or earned, for service up to December 31, 2016 and up to the age of 65; and</li> <li>• a reconciliation of the accrued obligation from December 31, 2015 to December 31, 2016.</li> </ul>
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In accordance with GAAP, the amounts below make no allowance for the different tax treatment of the portion of pension not paid from the registered or qualified pension plans. All amounts shown below are estimated based on assumptions and represent contractual entitlements that may change over time. The method and assumptions used to determine estimated amounts will not be identical to the method and assumptions used by other issuers and, as a result, the figures may not be directly comparable across issuers.

Name	Number of years credited service	Annual benefits payable (\$)		Accrued obligation at start of year <sup>(1)</sup> (\$)	Compensatory change <sup>(2)</sup> (\$)	Non-compensatory change <sup>(3)</sup> (\$)	Accrued obligation at year end <sup>(4)</sup> (\$)
		At year end <sup>(5)</sup>	At age 65 <sup>(6)</sup>				
Joseph Randell	33.00	384,379	410,159	6,336,316	254,542	527,707	7,118,565
Jolene Mahody	24.25	131,170	252,680	2,594,368	354,957	270,197	3,219,522
Richard Flynn	32.67	177,323	186,392	2,629,147	154,236	177,963	2,961,346
Colin Copp	24.67	128,631	243,354	2,548,866	345,538	261,140	3,155,545

1 The accrued obligation is the value of the projected pension earned for service to December 31, 2015. The values have been determined, based on the 2015 actual earnings adjusted to reflect expected increases in pensionable earnings, using the same actuarial assumptions used for determining the pension plan obligations at December 31, 2015 as disclosed in the notes to the 2015 consolidated financial statements as presented by Chorus.

2 The values shown under the column headed "Compensatory change" include the value of the projected pension earned for service in the year plus the differences between actual and assumed compensation for the year.

3 The values shown under the column headed "Non-Compensatory Change" include the impact of amounts attributable to interest accruing on the beginning of year obligation, changes in the actuarial assumptions, and any other experience gains and losses, including the impact of exchange rate changes and demographic changes.

4 The accrued obligation is the value of the projected pension earned for service to December 31, 2016. The values have been determined, based on the 2016 actual earnings adjusted to reflect expected increases in pensionable earnings, using the same actuarial assumptions used for determining the pension plan obligations at December 31, 2016 as disclosed in the notes to the 2016 consolidated financial statements as presented by Chorus.

5 The annual lifetime pension payable at age 65 based on the NEO's earnings and credited service as at December 31, 2016.

6 The annual lifetime pension payable at 65 based on the NEO's earnings as at December 31, 2016 but with credited service projected to age 65. For Mr. Randell, Mr. Flynn, Ms. Mahody and Mr. Copp the amount reflects the additional credited service granted by the Board and assumes 100% vesting.

In recognition of the key roles of Mr. Randell, Ms. Mahody, Mr. Flynn and Mr. Copp in the achievement of the future long-term strategy and to encourage long-term retention, in 2013 the Board approved service credits for additional years of pensionable service under the SERP for these four NEOs.

- Mr. Randell and Mr. Flynn each received an additional two years of pensionable service for the period from January 1, 2014 to December 31, 2015, vesting on December 31, 2015.
- Ms. Mahody and Mr. Copp will each receive an additional 2.5 years of pensionable service for the period from January 1, 2014 to December 31, 2018, vesting on December 31, 2018 and an additional 2.5 years of pensionable service for the period from January 1, 2019 to the date when each of them reaches age 55, vesting upon reaching age 55 (occurs for both in 2022).

## Equity Compensation Plan Information

The table below sets out information about the equity plans as at December 31, 2016.

Plan Category	(a) Number of securities to be issued upon the exercise of outstanding options and vesting of restricted share units <sup>(1)</sup>		(b) Weighted-average exercise price of outstanding options, warrants and rights <sup>(2)</sup>	(c) Number of securities remaining available for future issuances under equity compensation plans, excluding securities reflected in column (a)	
	% of common shares outstanding	Number	\$	% of common shares outstanding	Number
Equity compensation plans approved by security holders	5.1%	6,271,501 <sup>(3)</sup>	4.90	3.1%	3,808,795
Equity compensation plans not approved by security holders	Nil	Nil	Nil	Nil	Nil
Total	5.1%		4.90	3.1%	3,808,795

Note: The restricted share units awarded pursuant to the LTIP are not subject to an exercise price.

- 1 Does not include shares underlying the RSUs granted on February 24, 2014, February 24, 2015 or February 23, 2016 as these RSUs will either be redeemed for shares purchased on the secondary market (and not issued from treasury) and/or equivalent cash at the option of the participant.
- 2 The RSUs do not have an exercise price so they are not factored into the weighted average price calculation.
- 3 Includes 5,258,333 options with an exercise price of \$4.50, 900,000 options with an exercise price of \$7.25, and 99,668 RSUs plus 13,500 RSU dividend equivalents.

The approved maximum number of shares of Chorus which may be issued from treasury under the LTIP is 11,000,915 shares (the “**Reserved LTIP Shares**”). The Reserved LTIP Shares represent approximately 9% of Chorus’ issued and outstanding shares as at March 15, 2017.

Chorus has made the following issuances and grants under the LTIP: (i) Chorus issued 398,355 Class B Voting Shares on February 25, 2013 to satisfy the vesting of RSU grants made in 2010 under the Jazz Air Income Fund long-term incentive plan; (ii) Chorus granted 5,350,000 options to certain Chorus and Jazz executives on May 20, 2014 that are exercisable for Class B Voting shares issued from treasury with a three year vesting period; (iii) Chorus issued 522,264 Class B Voting Shares on February 24, 2015 to satisfy the vesting of RSUs granted in 2012 for participants who elected settlement in shares; (iv) Chorus granted a total of 99,668 RSUs on May 1, 2015 to four vice presidents of Voyageur Airways as part of retention agreements, which grants coincided with Chorus acquiring the parent company of Voyageur Airways. As the cycle exceeds three years, the RSUs are exercisable for shares issued from treasury; (v) Chorus granted 400,000 options on August 18, 2015 that are exercisable for shares issued from treasury; and (vi) Chorus granted 500,000 options on October 1, 2015 that are exercisable for shares issued from treasury. On July 8, 2016, Chorus cancelled 91,667 options from the May 20, 2014 grant upon the retirement of an LTIP participant.

The Board approved a resolution on February 18, 2015 requiring the RSU grants made in each of 2013, 2014 and 2015, together with the additional RSUs credited on account of dividends paid on shares, to be settled solely in market purchase shares or cash (at the election of the participant in accordance with the LTIP). Grant letters related to the February 23, 2016 LTIP grant specified that the grant would be settled solely in market purchase shares or cash (at the election of the participant in accordance with the LTIP).

As of March 15, 2017, (i) the number of shares remaining available for future issuances from the Reserved LTIP Shares under the LTIP is 3,807,524 (representing approximately 3.1% of Chorus' issued and outstanding shares as at March 15, 2017), and (ii) the number of outstanding RSUs under the LTIP, which are to be settled solely in cash or through secondary market purchases (and not issued from treasury) is 1,812,225.

### Termination and Change of Control Benefits

In January 2012, Chorus entered into termination and change of control agreements with the current President and CEO, EVP and CFO, President of Jazz Aviation, and EVP CCDO. The fifth named officer does not have a termination and change of control agreement. Pursuant to these agreements, these executives become entitled to certain benefits in the event of (i) a termination without cause, or (ii) a change of control and "good reason" (as defined in the agreement) within 24 months. Upon the occurrence of a triggering event:

- the CEO would be entitled to: 24 months of annual compensation (salary, short term incentive, and basic benefits) plus one additional month of compensation per year of service to a maximum combined severance of 36 months. As of December 31, 2016, Mr. Randell would be entitled to a cash severance payment of \$2,100,000 and a short-term incentive plan payment of \$3,187,700. The short-term incentive plan payment represents the number that is the product of (A) the number of months of the severance period divided by 12 and (B) the greater of the average bonus payment for the previous two calendar years and 75% of the target bonus under the AIP. Continuation of basic benefits for the severance period is valued at \$27,006.  
The combined severance of 36 months was based on Mr. Randell's extensive industry experience and contribution as the founding president.
- the EVP and CFO, EVP and CCDO and President of Jazz Aviation would each be entitled to: 12 months of annual compensation (salary, short term incentive, and basic benefits) plus one additional month of compensation per year of service to a maximum combined severance of 24 months. As of December 31, 2016, Ms. Mahody would be entitled to a cash severance payment of \$720,000 and a short-term incentive plan payment of \$696,718. Mr. Flynn would be entitled to a cash severance payment of \$720,000 and a short-term incentive plan payment of \$621,462. Mr. Copp would be entitled to a cash severance payment of \$720,000 and a short-term incentive plan payment of \$659,533. The short-term incentive plan payments represent the number that is the product of (A) the number of months of the severance period divided by 12, and (B) the greater of the average bonus payment for the previous two calendar years and 75% of the target bonus under the AIP. Continuation of basic benefits for the severance period is valued at \$18,004 for each.

For purposes of the termination and change of control agreements with the NEOs and the LTIP, a change of control is defined to mean a transaction or series of transactions whereby any individual or corporation, or group or individuals or corporations acting jointly or in concert, obtains a sufficient number of securities of the Corporation to affect materially the control of the Corporation. For the purposes of the termination and change of control agreements, an individual or corporation, or group of individuals or corporations acting jointly or in concert, holding shares or other securities in excess of the number which, directly or following conversion thereof, would entitle such individual(s) and/or corporation(s) to cast 50% or more of the votes attaching to all shares of the Corporation which may be cast to elect directors of Chorus, shall be deemed to be in a position to affect materially the control of Chorus.

The treatment of RSUs and options on termination of employment, a change of control, and retirement are set out under "Executive Compensation Program – 3) Equity Plans – LTIP" above and apply to all participants, including Mr. Ridolfi. As of December 31, 2016, the range of values for each of the NEOs of the total number of incremental RSUs awarded under the LTIP on a termination without cause or retirement (based on the closing market price of Chorus' shares on December 31, 2016) is as follows: Mr. Randell (\$975,834 – \$2,927,502), Ms. Mahody (\$329,305 – \$987,914), Mr. Flynn (\$274,231 – \$822,692), Mr. Copp (\$270,405 – \$811,216) and Mr. Ridolfi (\$42,639 – 127,918). As of December 31, 2016, the value for each of the NEOs of the total number of incremental RSUs awarded under the LTIP in the event of a change of control (based on the closing market price of Chorus' shares on December 31, 2016) is as follows: Mr. Randell (\$4,095,643), Ms. Mahody (\$1,347,694), Mr. Flynn (\$1,129,796), Mr. Copp (\$1,116,594) and Mr. Ridolfi (\$315,177).

The vesting of options, granted on May 20, 2014 and held by the NEOs, in the event of termination without cause will be in accordance with the award agreement. A pro-rated number of the outstanding, unvested options will become fully vested and exercisable and will remain exercisable until the earlier of the date which is the later of (i) 90 days after the vesting date and (ii) 12 months after the applicable event, and the expiry date. Pro-ration would be based on the completed months of service during the three year vesting period. In the event of retirement, a pro-rated number of outstanding, unvested options will

become fully vested and exercisable until the expiry date. As of December 31, 2016, the value for each of the NEOs of the total number of options available to be exercised in the event of a termination without cause or retirement (based on the margin of the closing market price of Chorus' shares on December 31, 2016 over the strike price and the percentage of the vesting period completed) is as follows: Mr. Randell (\$3,056,083), Ms. Mahody (\$1,763,125), Mr. Flynn (\$1,763,125), and Mr. Copp (\$1,763,125). On December 31, 2016, the exercise price for Mr. Ridolfi's options exceeded the closing market price of Chorus shares.

As of December 31, 2016, the value for each of the NEOs of the total number of options available to be exercised in the event of a change of control (based on the margin of the closing market price of Chorus' shares on December 31, 2016 over the strike price) is as follows: Mr. Randell (\$3,549,000), Ms. Mahody (\$2,047,500), Mr. Flynn (\$2,047,500) and Mr. Copp (\$2,047,500). On December 31, 2016 the exercise price for Mr. Ridolfi's options exceeded the closing market price of Chorus shares.

As of December 31, 2016, the value of the incremental annual pension benefit payable to the NEOs under their agreements, determined by assuming that each executive would receive, in the case of Mr. Randell, 36 months, and, in the case of Ms. Mahody, Mr. Flynn and Mr. Copp, 24 months, of additional pension service credits under the SERP as at the date of termination, is as follows: Mr. Randell (\$73,900), Ms. Mahody (\$18,900), Mr. Flynn (\$28,200) and Mr. Copp (\$24,800). The incremental annual pension benefit represents the additional SERP pension payable immediately for those executives currently eligible for retirement, and at age 55 for those executives not currently eligible for retirement.

In addition, the foregoing executives are subject to certain confidentiality, non-solicitation and non-disparagement obligations under these agreements. Breach by the executive of such provisions may result in the executive becoming liable to pay to Chorus all amounts received pursuant to their respective agreement.

Mr. Ridolfi is not subject to any contract or other agreement that specifies, or limits, the payment of salary or variable cash compensation at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement or a change in control of Chorus. In the event of a future termination of his employment, Mr. Ridolfi's entitlements (if any) would be determined by reference to any agreement or applicable laws then in effect.

In the event of termination with cause or voluntary resignation, the NEOs would not be entitled to any incremental payments, payables or benefits.

## Other Important Information

### Interest of Informed Persons in material transactions

To the best of Chorus' knowledge, no director, senior officer or other insider, as applicable, of Chorus, or any associate or affiliate of such persons, has or has had any material interest, direct or indirect, in any transaction or proposed transaction since the commencement of Chorus' last financial year that has materially affected or is reasonably expected to materially affect Chorus or any of its subsidiaries.

### Directors' and Officers' Liability Insurance

Chorus maintains directors' and officers' liability insurance for the benefit of the directors and officers of Chorus and its subsidiaries. The coverage limit of such insurance is \$70,000,000 per claim and \$70,000,000 in the annual aggregate. The current policy is effective from October 1, 2016 to October 1, 2017 and protects the directors and officers for allegations of alleged "wrongful acts" in the conduct of their activities as directors and officers. The directors and officers are indemnified by Chorus from and against any losses or damages they may suffer in such capacities, to the fullest extent permitted by, but subject to the limitation of, applicable law.

### Indebtedness of directors and officers

Chorus does not have outstanding any loans made to any of its officers, directors, employees or former officers, directors or employees or to any associate of such persons, other than routine indebtedness.

### Receipt of Proposals for our 2018 Annual Meeting

Any shareholder who intends to present a proposal at our 2018 Annual Meeting of Shareholders must send the proposal to Chorus, Attention: Corporate Secretary at 3 Spectacle Lake Drive, Dartmouth, Nova Scotia, B3B 1W8. In order for the proposal to be included in the proxy materials sent to shareholders for that meeting, the proposal must be received by Chorus no later than December 20, 2017, and must comply with the requirements of Section 137 of the CBCA.

## How to request more information

### Documents you can request

You can ask us for a copy of the following documents at no charge:

- the Annual Audited Consolidated Financial Statements of Chorus for the year ended December 31, 2016, together with the accompanying auditors' report and the MD&A related to such consolidated financial statements;
- any Unaudited Interim Condensed Consolidated Financial Statements of Chorus that were filed after its financial statements for the year ended December 31, 2016, together with the MD&A related to such interim financial statements; and
- the Annual Information Form of Chorus for the year ended December 31, 2016.

Please write to Chorus Investor Relations, 3 Spectacle Lake Drive, Dartmouth, Nova Scotia B3B 1W8.

These documents are also available on our website at [www.chorusaviation.ca](http://www.chorusaviation.ca) and on SEDAR at [www.sedar.com](http://www.sedar.com). All of our news releases are also available on our website.

### Receiving information electronically

You can choose to receive copies of our corporate documents electronically. We will send you an email informing you when they are available on our website.

### How to sign up – shareholders generally

To sign up for electronic delivery of corporate documents, go to the website [www.canstockta.com/electronicdelivery](http://www.canstockta.com/electronicdelivery) and follow the instructions.

***How to sign up – employees holding shares under the Employee Share Ownership Plan of Chorus***

If you are not sure whether you are an employee holding your shares under the Employee Share Ownership Plan, please contact Computershare at 1-866-982-0314.

To sign up for electronic delivery of corporate documents, go to the website [www.computershare.com/employee/ca](http://www.computershare.com/employee/ca) and follow the instructions.



**SECOND AMENDED AND RESTATED  
BY-LAW NO. 1**

a by-law relating generally to the transaction of the business and affairs of  
**CHORUS AVIATION INC.**  
(the "**Corporation**")

**ARTICLE 1  
DEFINITIONS AND PRINCIPLES OF INTERPRETATION**

**1.1 Definitions**

In this by-law and all other by-laws of the Corporation:

- (a) "**Act**" means the *Canada Business Corporations Act* or any statute which may be substituted therefor, including the regulations thereunder, as amended from time to time;
- (b) "**articles**" means the articles of the Corporation, as defined in the Act, and includes any amendments thereto;
- (c) "**board**" means the board of directors of the Corporation;
- (d) "**by-laws**" means the by-laws of the Corporation in force as amended or restated from time to time;
- (e) "**Canadian**" has the meaning ascribed thereto in the *Canada Transportation Act*;
- (f) "**CDS**" means The Canadian Depository for Securities Limited and its successors;
- (g) "**CTA Limitation**" has the meaning provided in Section 9.2;
- (h) "**director**" means a director of the Corporation as defined in the Act;
- (i) "**meeting of shareholders**" means an annual meeting of shareholders or a special meeting of shareholders;
- (j) "**Nominating Shareholder**" has the meaning provided in Section 8.6(a)(iii);
- (k) "**non-business day**" means Saturday, Sunday and any other day that is a holiday as defined in the *Interpretation Act* (Canada);
- (l) "**Non-Canadian**" means a person who is not a Canadian;
- (m) "**Notice Date**" has the meaning provided in Section 8.6(c)(i);
- (n) "**officer**" means an officer of the Corporation as defined in the Act; and
- (o) "**person**" includes an individual, partnership, association, body corporate, trustee, executor, administrator or legal representative.

**1.2 Interpretation**

In this by-law and all other by-laws of the Corporation:

- (a) words importing the singular include the plural and vice-versa; and words importing gender include all genders;
- (b) all words used in this by-law and defined in the Act shall have the meanings given to such words in the Act or in the related Parts thereof; and
- (c) a reference to a statute includes all regulations made pursuant to such statute and, unless otherwise specified, a reference to a statute or regulation includes any statute or regulation that amends, supplements or supersedes any such statute or any such regulation.

## ARTICLE 2 GENERAL BUSINESS

### 2.1 Registered Office

The registered office of the Corporation shall be in the province within Canada specified in the articles and at such place and address therein as the board may from time to time determine.

### 2.2 Corporate Seal

The Corporation may have a corporate seal which shall be adopted and may be changed by the board.

### 2.3 Financial Year

Until changed by the board, the financial year of the Corporation shall end on the 31<sup>st</sup> day of December in each year.

### 2.4 Execution of Instruments

- (a) The board may from time to time establish procedures relative to commitment and transaction authorizations and determine the officers or other persons by whom any instruments or documents, including, without limitation, deeds, transfers, assignments, contracts, obligations, proxies, share certificates and other instruments of the Corporation shall be executed and the manner of execution thereof, including the use of facsimile reproduction of any or all signatures and the use of the corporate seal, if any, or facsimile reproduction thereof.
- (b) Notwithstanding the foregoing, any officer or director may sign certificates and similar instruments (other than share certificates) on the Corporation's behalf with respect to any factual matters relating to the Corporation's business and affairs, including certificates verifying copies of the articles, by-laws, resolutions and minutes of meetings of the Corporation.

### 2.5 Execution in Counterpart, by Facsimile, and by Electronic Signature

- (a) Subject to the Act, any instrument or document required or permitted to be executed by one or more persons on behalf of the Corporation may be signed by means of secure electronic signature (as defined in the Act) or facsimile;
- (b) Any instrument or document required or permitted to be executed by one or more persons may be executed in separate counterparts, each of which when duly executed by one or more of such persons shall be an original and all such counterparts together shall constitute one and the same such instrument or document;
- (c) Subject to the Act, wherever a notice, document or other information is required under the Act or the by-laws to be created or provided in writing, that requirement may be satisfied by the creation and/or provision of an electronic document.
- (d) Notwithstanding the foregoing, the board may from time to time direct the manner in which and the person or persons by whom any particular instrument or class of instruments may or shall be signed.

### 2.6 Voting Rights in Other Bodies Corporate

Any officer or director may execute and deliver proxies and take any other steps as in the officer's or director's opinion may be necessary or desirable to permit the exercise on behalf of the Corporation of voting rights attaching to any securities held by the Corporation. In addition, the board may from time to time direct the manner in which and the persons by whom any particular voting rights or class of voting rights may or shall be exercised.

### 2.7 Banking Arrangements

- (a) The banking business of the Corporation including, without limitation, the borrowing of money and the giving of security therefor, shall be transacted with such banks, trust companies or other bodies corporate or organizations as may from time to time be designated by or under the authority of the board. Such banking business or any part thereof shall be transacted under such agreements, instructions and delegations of powers as the board may from time to time prescribe or authorize.
- (b) All cheques, [authorizations for electronic direct deposit](#), drafts or orders for the payment of money and all notes, acceptances and bills of exchange shall be signed by such officer or officers or other person or persons, whether or not officers of the Corporation, and in such manner as the board of directors may from time to time designate by resolution.

## **ARTICLE 3 BORROWING**

### **3.1 Borrowing**

Without limit to the powers of the board as provided in the Act, the board may from time to time on behalf of the Corporation:

- (a) borrow money upon the credit of the Corporation;
- (b) issue, reissue, sell or pledge debt obligations of the Corporation;
- (c) to the extent permitted by the Act, give, directly or indirectly, financial assistance to any person by means of a loan, a guarantee to secure the performance of an obligation or otherwise; and
- (d) mortgage, hypothecate, pledge or otherwise create a security interest in all or any property of the Corporation, owned or subsequently acquired, to secure any obligation of the Corporation.

### **3.2 Delegation**

Subject to the Act, the board may from time to time delegate to a director, a committee of directors, an officer or such other person or persons so designated by the board all or any of the powers conferred on the board by section 3.1 or by the Act to such extent and in such manner as the board shall determine at the time of each such delegation.

## **ARTICLE 4 DIRECTORS**

### **4.1 Duties of Directors**

The board shall manage or supervise the management of the business and affairs of the Corporation.

### **4.2 Qualification**

A majority of the directors of the Corporation must be Canadians.

### **4.3 Eligibility Requirements at Meetings**

The board shall not transact business at a meeting, other than filling a vacancy in the board, unless at least twenty-five percent of the directors present are resident Canadians, or, if the Corporation has less than four directors, at least one of the directors present is a resident Canadian, except where

- (a) a resident Canadian director who is unable to be present approves in writing or by telephone or other communications facilities the business transacted at the meeting; and
- (b) the required number of resident Canadian directors would have been present had that director been present at the meeting.

### **4.4 Quorum**

The directors may establish the quorum of directors for the transaction of business. Until fixed as aforesaid, a majority of the number of directors in office shall constitute a quorum for the transaction of business. If the Corporation has fewer than three directors, all directors must be present at any meeting to constitute a quorum for the transaction of business. Notwithstanding vacancies, a quorum of directors may exercise all of the powers of the board, provided that a majority of the directors comprising such quorum shall be Canadians.

### **4.5 Calling of Meetings**

Meetings of the board shall be held from time to time at any place within or outside Canada (and, subject to the Act, if all of the directors of the Corporation consent the meeting need not be held at any place but may instead be held entirely by means of a telephonic, electronic or other communication facility pursuant to section 4.10), on such day and at such time as the board, the chairperson of the board, if any, the president, if any, or any two directors may determine.

### **4.6 Notice of Meetings**

Notice of the time and place of each meeting of the board shall be given to each director not less than 48 hours before the time when the meeting is to be held and need not be in writing. A notice of meeting need not specify the purpose of or the

business to be transacted at the meeting except where the Act requires such purpose or business to be specified, including, if required by the Act, any proposal to:

- (a) submit to the shareholders any question or matter requiring the approval of the shareholders;
- (b) fill a vacancy among the directors or in the office of auditor, or appoint additional directors;
- (c) issue securities;
- (d) issue shares of a series under section 27 of the Act;
- (e) declare dividends;
- (f) purchase, redeem or otherwise acquire shares issued by the Corporation;
- (g) pay a commission referred to in section 41 of the Act;
- (h) approve a management proxy circular referred to in Part XIII of the Act;
- (i) approve a take-over bid circular or directors' circular referred to in Part XVII of the Act;
- (j) approve any financial statements referred to in section 155 of the Act; or
- (k) adopt, amend or repeal by-laws.

#### **4.7 First Meeting of New Board**

Provided a quorum of directors is present, each newly elected board may without notice hold its first meeting following the meeting of shareholders at which such board is elected.

#### **4.8 Chairperson and Secretary**

The chairperson of the board or, if he/she declines or is unable to act, the president or, if he/she declines or is unable to act, a director designated by the directors present, shall be the chairperson of any meeting of the board. The secretary of the Corporation shall act as secretary at any meeting of the board and, if the secretary of the Corporation is absent, the chairperson of the meeting shall appoint a person who need not be a director to act as secretary of the meeting.

#### **4.9 Votes to Govern**

At all meetings of the board any question shall be decided by a majority of the votes cast on the question and in the case of an equality of votes the chairperson of the meeting shall not be entitled to a second or casting vote. Any question at a meeting of the board shall be decided by a show of hands unless a ballot is required or demanded.

#### **4.10 Participation by Telephonic, Electronic or other Communication Facility**

Subject to the Act, if all of the directors of the Corporation consent, a director may participate in a meeting of directors or of a committee of directors by means of a telephonic, electronic or other communication facility and, for the avoidance of doubt, such meeting may be held entirely by means of a telephonic, electronic or other communication facility. A director's consent shall be effective whether given before or after the meeting to which it relates and may be given with respect to all meetings of the board held while the director holds office. A director participating in a meeting by such means shall be deemed to be present at that meeting.

#### **4.11 Electronic Voting**

Subject to the Act, a director participating in a meeting by telephonic, electronic or other communication facility in accordance with section 4.10 may vote by means of such facility.

#### **4.12 Conflict of Interest**

A director or officer of the Corporation who is a party to a material transaction or material contract, or proposed material transaction or material contract with the Corporation, is a director or an officer of, or acts in a capacity similar to a director or officer of, or has a material interest in any person who is a party to a material transaction or material contract or proposed material transaction or material contract with the Corporation shall disclose the nature and extent of his interest at the time and in the manner provided in the Act. Except as provided in the Act, no such director of the Corporation shall vote on any resolution to approve any transaction. If a material transaction or material contract is made between the Corporation and one or more of its directors or officers, or between the Corporation and another person of which a director or officer of the Corporation is a director or officer or in which he has a material interest, the transaction is neither void nor voidable by reason

only of that relationship, or by reason only that a director with an interest in the transaction or contract is present at or is counted to determine the presence of a quorum at a meeting of directors or committee of directors that authorized the transaction, if the director or officer disclosed his interest in accordance with the provisions of the Act and the transaction or contract was approved by the directors or the shareholders and it was reasonable and fair to the Corporation at the time it was approved.

## **ARTICLE 5 COMMITTEES**

### **5.1 Audit Committee**

The directors shall appoint from among their number an audit committee whose composition and function will conform with applicable law. The audit committee shall have the functions provided in the Act.

### **5.2 Other Committees**

The board may designate and appoint additional committees of directors and, subject to the limitations prescribed by the Act, may delegate to such committees any of the powers of the board.

### **5.3 Procedure**

Subject to the Act and unless otherwise determined by the board, each committee shall have the power to fix its quorum at not less than a majority of its members, to elect its chairperson and to regulate its procedure.

## **ARTICLE 6 OFFICERS**

### **6.1 Appointment of Officers**

The board may from time to time designate the offices of the Corporation, appoint persons to such offices, specify their duties and, subject to any limitations prescribed in the Act, may delegate to them powers to manage the business and affairs of the Corporation. A majority of the officers of the Corporation must be Canadians.

## **ARTICLE 7 PROTECTION OF DIRECTORS AND OFFICERS**

### **7.1 Limitation of Liability**

No director or officer shall be liable for:

- (a) the acts, receipts, neglects or defaults of any other director, officer, employee or agent of the Corporation or any other person;
- (b) any loss, damage or expense happening to the Corporation through the insufficiency or deficiency of title to any property acquired by, for, or on behalf of the Corporation, or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Corporation shall be loaned out or invested;
- (c) any loss or damage arising from the bankruptcy, insolvency or tortious act of any person, firm or corporation, including any person, firm or corporation with whom any moneys, securities or other assets belonging to the Corporation shall be lodged or deposited;
- (d) any loss, conversion, misapplication or misappropriation of or any damage resulting from any dealings with any moneys, securities or other assets belonging to the Corporation;
- (e) any other loss, damage or misfortune whatever which may happen in the execution of the duties of the director's or officer's respective office or in relation thereto,

unless the same shall happen by or through the director's or officer's failure to exercise the powers and to discharge the duties of the director's or officer's office honestly and in good faith with a view to the best interests of the Corporation, and in connection therewith, to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances, provided that nothing herein contained shall relieve a director or officer from the duty to act in accordance with the Act or relieve such director or officer from liability for a breach of the Act.

## 7.2 Indemnity of Directors and Officers

- (a) The Corporation shall indemnify a director or officer of the Corporation, a former director or officer of the Corporation or another individual who acts or acted at the Corporation's request as a director or officer, or an individual acting in a similar capacity, of another entity against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by such individual in respect of any civil, criminal or administrative, investigative or other proceeding in which the individual is involved because of that association with the Corporation or other entity.
- (b) The Corporation may not indemnify an individual under paragraph (a) unless the individual:
  - (i) acted honestly and in good faith with a view to the best interests of the Corporation or other entity for which the individual acted as a director or officer or in a similar capacity at the Corporation's request, as the case may be; and
  - (ii) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, had reasonable grounds for believing that his conduct was lawful.
- (c) The Corporation shall advance moneys to such individual for the costs, charges and expenses of a proceeding referred to in paragraph (a) provided such individual agrees in advance, in writing, to repay the moneys if the individual does not fulfill the condition of paragraph (b).
- (d) If required by an individual referred to in paragraph (a), the Corporation shall seek the approval of a court to indemnify such individual or advance moneys under paragraph (c) in respect of an action by or on behalf of the Corporation or other entity to procure a judgment in its favour, to which such individual is made a party because of the individual's association with the Corporation or other entity as described in paragraph (a), against all costs, charges and expenses reasonably incurred by the individual in connection with such action, if the individual fulfills the conditions set out in paragraph (b).

## 7.3 Indemnification of Others

Subject to the Act, the Corporation shall indemnify its employees and agents as the directors may determine.

## 7.4 Insurance

The Corporation shall purchase and maintain insurance for the benefit of an individual referred to in section 7.2 against any liability incurred by such individual:

- (a) in the individual's capacity as a director or officer of the Corporation; or
- (b) in the individual's capacity as a director or officer, or similar capacity, of another entity, if the individual acts or acted in that capacity at the Corporation's request.

## 7.5 Indemnities Not Exclusive

Each of the provisions of this Article 7 shall be in addition to and not in substitution for or derogation from any rights to which any person referred to herein may otherwise be entitled.

## ARTICLE 8 MEETINGS OF SHAREHOLDERS

### 8.1 Annual Meetings

Subject to the Act, the annual meeting of shareholders shall be held on such day and at such time in each year as the board, or the chairperson of the board, or the president in the absence of the chairperson of the board, may from time to time determine, for the purpose of considering the financial statements and reports required by the Act to be placed before the annual meeting, electing directors, appointing auditors and for the transaction of such other business as may properly be brought before the meeting.

### 8.2 Special Meeting

From time to time the board may call a special meeting of the shareholders to be held on such day and at such time as the board may determine. Any special meeting of shareholders may be combined with an annual meeting.

### 8.3 Place of Meetings

Subject to the Act, meetings of shareholders shall be held at such place within Canada as the directors shall determine or at such place outside Canada as may be specified in the articles, or if the board so determines, need not be held at any place but may instead be held entirely by means of a telephonic, electronic or other communication facility pursuant to section 8.8.

### 8.4 Notice of Meetings

Subject to the Act, notice of the time, place and, if any, purpose of each meeting of shareholders, and, if a meeting of shareholders is to take place through a communication facility by which shareholders and proxyholders may be deemed to be present in person, the means to access such communication facility and vote at such meeting, shall be sent not less than 21 days nor more than 60 days before the meeting to each shareholder entitled to vote at the meeting, to each director and to the auditor of the Corporation. Any previously scheduled annual meeting of shareholders may be postponed, and any meeting of shareholders other than an annual meeting of shareholders may be postponed or cancelled, by the Corporation by public notice given to the shareholders prior to the time previously scheduled for such meeting of shareholders.

### 8.5 Advance Notice for Proposals

- (a) No business may be transacted at an annual meeting of shareholders, other than business that is either:
  - (i) specified in the Corporation's notice of meeting (or any supplement thereto) given by or at the direction of the board;
  - (ii) otherwise properly brought before the annual meeting by or at the direction of the board; or
  - (iii) otherwise properly brought before the annual meeting by any shareholder of the Corporation who complies with the proposal procedures set forth in this section 8.5. For business to be properly brought before an annual meeting by a shareholder of the Corporation, such shareholder must submit a proposal to the Corporation for inclusion in the Corporation's management proxy circular in accordance with the requirements of the Act; provided that any proposal that includes nominations for the election of directors shall be submitted to the Corporation in accordance with the requirements set forth in section 8.6. The Corporation shall set out the proposal in the management proxy circular or attach the proposal thereto, subject to the exemptions and bases for refusal set forth in the Act.
- (b) At a special meeting of shareholders, only such business shall be conducted as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Nominations of persons for election to the board may be made at a special meeting of shareholders at which directors are to be elected pursuant to the Corporation's notice of meeting only pursuant to and in compliance with section 8.6.

### 8.6 Advance Notice for Nomination of Directors

- (a) Only individuals who are nominated in accordance with the procedures set out in this section 8.6 and who, at the discretion of the board, satisfy the qualifications of a director as set out in the Act and the by-laws of the Corporation shall be eligible for election as directors of the Corporation at any meeting of shareholders of the Corporation. Nominations of individuals for election to the board may be made at any annual meeting of shareholders, or at any special meeting of shareholders if one of the purposes for which the special meeting was called was the election of directors:
  - (i) by or at the direction of the board, including pursuant to a notice of meeting;
  - (ii) by or at the direction or request of one or more shareholders pursuant to a proposal made in accordance with the Act or a requisition of the shareholders made in accordance with the Act; or
  - (iii) by any person (a "Nominating Shareholder"):
    - (A) who, at the close of business on the date of the giving of the notice provided for below in this section 8.6 and on the record date for notice of such meeting, is a registered holder of shares carrying the right to vote at such meeting on the election of directors; and
    - (B) who complies with the notice procedures set forth in this section 8.6.
- (b) In addition to any other applicable requirements, for a nomination to be made by a Nominating Shareholder, the Nominating Shareholder must have given timely notice thereof and in proper written form to the Corporate Secretary of the Corporation at the principal executive offices of the Corporation as set forth below.
- (c) To be timely, a Nominating Shareholder's notice to the Corporate Secretary must be made:
  - (i) in the case of an annual meeting of shareholders, not less than 30 days prior to the date of the annual

- meeting of shareholders; provided, however, that if the annual meeting of shareholders is to be held on a date that is less than 50 days after the date (the "**Notice Date**") on which the first public announcement of the date of the annual meeting was made, notice by the Nominating Shareholder may be made not later than the 10<sup>th</sup> day following the Notice Date; and
- (ii) in the case of a special meeting (which is not also an annual meeting) of shareholders called for the purpose of electing directors (whether or not called for other purposes), not later than the 15<sup>th</sup> day following the day on which the first public announcement of the date of the special meeting of shareholders was made.
- (d) To be in proper written form, a Nominating Shareholder's notice to the Corporate Secretary must set forth:
- (i) if the Nominating Shareholder is not the beneficial owner of the shares, the identity of the beneficial owner and the number of shares held by that beneficial owner;
  - (ii) as to each individual whom the Nominating Shareholder proposes to nominate for election as a director:
    - (A) the name, age, business address and residential address of the individual;
    - (B) the principal occupation or employment of the individual;
    - (C) the class or series and number of securities in the capital of the Corporation which are beneficially owned, or over which control or direction is exercised, directly or indirectly, by such individual as of the record date for the meeting of shareholders (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice; and
    - (D) any other information relating to the individual that would be required to be disclosed in a dissident's proxy circular or other filings to be made in connection with solicitations of proxies for election of directors pursuant to the Act and applicable securities laws; and
  - (iii) as to the Nominating Shareholder and any beneficial owner respecting which the notice was given, the names of such person(s) and:
    - (A) the class or series and number of securities in the capital of the Corporation which are controlled, or over which control or direction is exercised, directly or indirectly, by such person(s) and each person acting jointly or in concert with any of them (and for each such person any options or other rights to acquire shares in the capital of the Corporation, derivatives or other securities, instruments or arrangements for which the price or value or delivery, payment or settlement obligations are derived from, referenced to, or based on any such shares, hedging transactions, short positions and borrowing or lending arrangements relating to such shares) as of the record date for the meeting of shareholders (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice;
    - (B) any proxy, contract, agreement, arrangement, understanding or relationship pursuant to which such Nominating Shareholder or beneficial owner has a right to vote any shares in the capital of the Corporation on the election of directors;
    - (C) in the case of a special meeting of shareholders called for the purpose of electing directors, a statement as to whether the Nominating Shareholder intends to send an information circular and form of proxy to any shareholders of the Corporation in connection with the individual's nomination; and
    - (D) any other information relating to such Nominating Shareholder or beneficial owner that would be required to be made in a dissident's proxy circular or other filings to be made in connection with solicitations of proxies for election of directors pursuant to the Act and applicable securities laws.
- (e) A Nominating Shareholder's notice to the Corporate Secretary must also state:
- (i) whether, in the opinion of the Nominating Shareholder and the proposed nominee, the proposed nominee would qualify to be an independent director of the Corporation under Sections 1.4 and 1.5 of National Instrument 52-110 *Audit Committees* of the Canadian Securities Administrators, Section 303A.02 of the New York Stock Exchange Company Manual and the commentary relating thereto and Rule 10A-3(b) under the Securities Exchange Act of 1934; and
  - (ii) whether with respect to the Corporation the proposed nominee has one or more of the relationships described in Sections 1.4(3), 1.4(8) and 1.5 of National Instrument 52-110 *Audit Committees* of the Canadian Securities Administrators, Section 303A.02(b) of the New York Stock Exchange Company Manual and the commentary relating thereto and Rule 10A-3(b) under the Securities Exchange Act of 1934 and, if so, which ones.

- (f) Except as otherwise provided by the special rights or restrictions attached to the shares of any class or series of the Corporation, no individual shall be eligible for election as a director of the Corporation unless nominated in accordance with the provisions of the by-laws of the Corporation; provided, however, that nothing in this section 8.6 shall preclude discussion by a shareholder or proxy holder (as distinct from the nomination of directors) at a meeting of shareholders of any matter in respect of which it would have been entitled to submit a proposal pursuant to the provisions of the Act. The chairperson of the meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the foregoing provisions and, if any proposed nomination is not in compliance with such foregoing provisions, to declare that such defective nomination shall be disregarded. A duly appointed proxy holder of a Nominating Shareholder shall be entitled to nominate at a meeting of shareholders the directors nominated by the Nominating Shareholder, provided that all of the requirements of this section 8.6 have been satisfied. If the Nominating Shareholder or its duly appointed proxy holder does not attend at the meeting of shareholders to present the nomination, the nomination shall be disregarded notwithstanding that proxies in respect of such nomination may have been received by the Corporation.
- (g) In addition to the provisions of this section 8.6, a Nominating Shareholder and any individual nominated by the Nominating Shareholder shall also comply with all of the applicable requirements of the Act, applicable securities legislation and applicable stock exchange rules regarding the matters set forth herein.
- (h) For purposes of this section 8.6, "public announcement" shall mean disclosure in a news release reported by a national news service in Canada, or in a document publicly filed by the Corporation under its issuer profile on the System for Electronic Document Analysis and Retrieval at [www.sedar.com](http://www.sedar.com).
- (i) Notwithstanding any other provision of the Corporation's by-laws, notice given to the Corporate Secretary of the Corporation pursuant to this section 8.6 may only be given by personal delivery (at the principal executive offices of the Corporation) or by e-mail (at the e-mail address set out in the Corporation's issuer profile on the System for Electronic Document Analysis and Retrieval at [www.sedar.com](http://www.sedar.com)), and shall be deemed to have been given and made only at the time it is so served by personal delivery to the Corporate Secretary of the Corporation or sent by e-mail to such e-mail address (provided that receipt of confirmation of such transmission has been received); provided that if such delivery or electronic communication is made on a day which is a not a business day or later than 5:00 p.m. (Halifax time) on a day which is a business day, then such delivery or electronic communication shall be deemed to have been made on the next following day that is a business day.
- (j) Notwithstanding the foregoing, the board may, in its sole discretion, waive any requirement in this section 8.6.

### **8.7 Participation in Meeting by Electronic Means**

Subject to the Act and such guidelines and procedures as the board may adopt, any person entitled to attend a meeting of shareholders may participate in the meeting by means of a telephonic, electronic or other communication facility that permits all participants to communicate adequately with each other during the meeting, if the Corporation makes available such a communication facility. A person participating in a meeting by such means shall be deemed to be present at the meeting.

### **8.8 Electronic Meetings**

Subject to the Act and such guidelines and procedures as the board may adopt, if the directors or the shareholders of the Corporation call a meeting of shareholders pursuant to the Act, those directors or shareholders, as the case may be, may determine that the meeting shall be held entirely by means of a telephonic, electronic or other communication facility that permits all participants to communicate adequately with each other during the meeting. A shareholder or proxyholder participating in a meeting by such means is deemed for the purposes of the Act to be present at the meeting.

### **8.9 Chairperson and Secretary**

Unless otherwise determined by the board, the chairperson of the board or, if he/she declines or is unable to act, the chief executive officer and/or president or, if he/she declines or is unable to act, a vice-president shall be chairperson of any meeting of shareholders. If none of these officers are present within 15 minutes after the time appointed for holding the meeting, the persons present and entitled to vote shall choose a chairperson from amongst themselves. The secretary of the Corporation shall act as secretary at any meeting of shareholders or, if the secretary of the Corporation be absent, the chairperson of the meeting shall appoint some person, who need not be a shareholder, to act as secretary of the meeting. If desired, one or more scrutineers, who need not be shareholders, may be appointed by resolution or by the chairperson with the consent of the meeting.

### **8.10 Persons Entitled to be Present**

The only persons entitled to be present at a meeting of shareholders shall be those persons entitled to vote thereat, the

directors and auditors of the Corporation and others who, although not entitled to vote, are entitled or required under any provision of the Act or the articles or by-laws to be present at the meeting. Any other person may be admitted only on the invitation of the chairperson of the meeting or with the consent of the meeting.

### **8.11 Quorum**

A quorum of shareholders is present at a meeting of shareholders irrespective of the number of persons actually present at the meeting, if the holders of 25% of the shares entitled to vote at the meeting are present in person or represented by proxy, provided that a quorum shall not be less than two persons. A quorum need not be present throughout the meeting provided a quorum is present at the opening of the meeting.

### **8.12 Shareholder Representatives**

A body corporate or association which is a shareholder of the Corporation may be represented at a meeting of shareholders by any individual authorized by a resolution of its directors or governing body and such individual may exercise on behalf of the body corporate or association which such individual represents all the powers it could exercise if it were an individual shareholder.

### **8.13 Time for Deposit of Proxies**

The board may specify in a notice calling a meeting of shareholders a time, preceding the time of such meeting by not more than 48 hours, exclusive of non-business days, before which time proxies to be used at such meeting must be deposited. A proxy shall be acted upon only if, prior to the time so specified, it shall have been deposited with the Corporation or an agent thereof specified in such notice or, if no such time is specified in such notice, it shall have been received by the secretary of the Corporation or by the chairperson of the meeting or any adjournment thereof prior to the time of voting. Notwithstanding any specified time limits for the deposit of proxies by shareholders, the chairperson of any meeting or the chairperson of the board may, but need not, at his, her or their sole discretion, waive the time limits for the deposit of proxies by shareholders, including any deadline set out in the notice calling the meeting of shareholders or in any proxy circular and any such waiver made in good faith shall be final and conclusive. A proxy ceases to be valid one year from its date.

### **8.14 Access to Proxies**

Unless otherwise determined by the board in its sole discretion, no shareholder will be provided with access to any proxy materials relating to a meeting of shareholders prior to such meeting taking place. Upon the request of a shareholder not earlier than one day following a meeting of shareholders, the Corporation shall provide such shareholder with access to the proxies deposited with the Corporation in connection with such meeting.

### **8.15 Voting**

Any question at a meeting of shareholders shall be decided by a show of hands unless a ballot is required or demanded. Upon a show of hands every person who is present and entitled to vote shall have one vote. Whenever a vote by show of hands has been taken upon a question, unless a ballot is so required or demanded, a declaration by the chairperson of the meeting that the vote upon the question has been carried or carried by a particular majority or not carried and an entry to that effect in the minutes of the meeting shall be, in the absence of evidence to the contrary, proof of the fact without proof of the number or proportion of the votes recorded in favour of or against any resolution.

### **8.16 Ballots**

On any question proposed for consideration at a meeting of shareholders, and whether or not a show of hands has been taken thereon, the chairperson may require, or any shareholder or proxyholder entitled to vote at the meeting may demand, a ballot. A ballot so required or demanded shall be taken in such manner as the chairperson shall direct. A requirement or demand for a ballot may be withdrawn at any time prior to the taking of the ballot. If a ballot is taken each person present shall be entitled, in respect of the shares which each person is entitled to vote at the meeting upon the question, to that number of votes provided by the Act or the articles, and the result of the ballot so taken shall be the decision of the shareholders upon that question.

### **8.17 Electronic Voting**

- (a) Notwithstanding section 8.15, any person participating in a meeting of shareholders by telephonic, electronic, or other communication facility in accordance with section 8.7 and entitled to vote at the meeting may vote by

means of the telephonic, electronic or other communication facility that the Corporation has made available for that purpose.

- (b) Any vote referred to in section 8.15 or 8.16 may be held entirely by means of a telephonic, electronic or other communication facility if the Corporation makes available such a communication facility, provided, in each case, that the facility:
  - (i) enables the votes to be gathered in a manner that permits their subsequent verification; and
  - (ii) permits the tallied votes to be presented to the Corporation without it being possible for the Corporation to identify how each shareholder or group of shareholders voted.

### 8.18 Casting Vote

In case of an equality of votes at any meeting of shareholders either upon a show of hands or upon a ballot, the chairperson of the meeting shall not be entitled to a second or casting vote.

### 8.19 Adjournment

The chairperson at the meeting of shareholders may adjourn the meeting from time to time and from place to place. If a meeting of shareholders is adjourned for less than 30 days, it shall not be necessary to give notice of the adjourned meeting, other than by announcement at the earliest meeting that is adjourned. If a meeting of shareholders is adjourned by one or more adjournments for an aggregate of 30 days or more, notice of the adjourned meeting shall be given as for an original meeting.

## ARTICLE 9 SHARES/SECURITIES

### 9.1 Issuance

Subject to the Act and the articles, the board may from time to time issue or grant options to purchase, or authorize the issue or grant of options to purchase, any part of the authorized and unissued shares of the Corporation at such times and to such persons and for such consideration as the board shall determine or authorize, provided that no share shall be issued until it is fully paid.

### 9.2 Non-Canadian Ownership

The rights of Non-Canadians with respect to the shares are limited by the *Canada Transportation Act* and directions by the federal cabinet to the Canadian Transportation Agency (the "**CTA Limitation**"). At no time may Non-Canadians (i) control the Corporation in fact or (ii) hold or beneficially own or control, directly or indirectly, such number of shares entitling them to more than 25% (or any higher percentage that the Governor in Council may by regulation specify) of the votes attached to all outstanding shares. Prior to any subscription for shares being accepted and every registration or transfer of shares effected or recorded on the register of shareholders, the directors may require the proposed shareholder to submit to the Corporation a declaration, substantially in the form set out in Schedule "A" hereto, indicating whether the proposed shareholder is a Canadian. The directors may take such actions as are required to ensure that such restrictions are not contravened, including, without limitation, one or more of the following actions: (i) perform searches of shareholder mailing address lists and take such other steps specified by the directors, at the cost of the Corporation, to determine or estimate to the extent practicable, the Canadian or Non-Canadian status of the shareholders; (ii) require declarations from shareholders as to whether such shares are held by or for the benefit of Non-Canadians or declarations from shareholders or others as to the Canadian or Non-Canadian status of beneficial owners of the shares and for that purpose enter into an appropriate ownership monitoring agreement with CDS; (iii) place such other limits on share ownership by Non-Canadians as the directors may deem necessary in their sole discretion. Each share that is owned and controlled by a Canadian will entitle the holder thereof to one vote. Each share that is not owned and controlled by a Canadian will entitle the holder thereof to one vote, except in the following circumstances:

- (a) If more than 25% (or any higher percentage that the Governor in Council may by regulation specify) of the aggregate number of outstanding shares (determined on a fully diluted basis) are not owned and controlled by Canadians, the vote attaching to each share 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 shares 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 shares; and

- (b) If the aggregate number of votes that could be cast at any meeting in respect of shares 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 share 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 shares 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 shareholders.

Unless and until the directors shall have been required to do so under the terms hereof, the directors shall not be bound to do or take any proceeding or action with respect to this section 9.2 by virtue of the powers conferred on them hereby. The directors shall have the sole right and authority to make any determination required or contemplated under this section 9.2 including considering shareholders who do not complete a nationality declaration to be Non-Canadians. The directors shall make all determinations necessary for the administration of the provisions of this section 9.2 and, without limiting the generality of the foregoing, if the directors consider that there are reasonable grounds for believing that a contravention of the CTA Limitation has occurred or will occur, the directors shall make a determination with respect to the matter. Any such determination shall be conclusive, final and binding except to the extent modified by any subsequent determination by the directors. In any situation where it is unclear whether shares are held for the benefit of Non-Canadians, the directors may exercise their discretion in determining whether such shares are or are not so held, and any such exercise by them of their discretion shall be binding for the purposes of this section 9.2. Notwithstanding the foregoing, the directors may delegate, in whole or in part, their power to make a determination in this respect to any officer of the Corporation or such other person or persons to whom the directors may generally delegate their powers and authority. The directors shall not be liable for any violation whatsoever of the CTA Limitation.

### **9.3 Securities Records**

The Corporation shall maintain a register of shares and other securities in which it records the shares and other securities issued by it in registered form, showing with respect to each class or series of shares and other securities:

- (a) the names, alphabetically arranged, and the latest known address of each person who is or has been a holder;
- (b) the number of shares or other securities held by each holder; and
- (c) the date and particulars of the issue and transfer of each share or other security.

### **9.4 Transfer Agents and Registrars**

The directors may from time to time appoint a registrar to maintain the securities register and a transfer agent to maintain the register of transfers and may also appoint one or more branch registrars to maintain branch securities registers and one or more branch transfer agents to maintain branch registers of transfers. One person may be appointed both registrar and transfer agent and the board may at any time terminate any such appointment.

### **9.5 Non-recognition of Trusts**

Subject to the Act, the Corporation may treat the registered owner of a share as the person exclusively entitled to vote, to receive notices, to receive any dividend or other payments in respect thereof and otherwise to exercise all the rights and powers of an owner of a share.

### **9.6 Security Certificates**

Security certificates shall be signed by at least one of the following persons:

- (a) any director or officer of the Corporation;
- (b) a registrar, transfer agent or branch transfer agent of the Corporation or an individual on their behalf; or
- (c) a trustee who certifies it in accordance with a trust indenture.

Signatures may be printed or otherwise mechanically reproduced on the security certificates and every such signature shall for all purposes be deemed to be the signature of the person whose signature it reproduces and shall be binding upon the Corporation. If a security certificate contains a printed or mechanically reproduced signature of a person, the Corporation may issue the security certificate, notwithstanding that the person has ceased to be a director or an officer of the Corporation, and the security certificate is as valid as if the person were a director or an officer at the date of its issue.

**ARTICLE 10  
DIVIDENDS AND RIGHTS**

**10.1 Dividends**

Subject to the Act, the board may from time to time declare dividends payable to the shareholders according to their respective rights and interests in the Corporation. Dividends may be paid in money or property or by issuing fully paid shares of the Corporation.

**10.2 Dividend Cheques**

A dividend payable in cash shall be paid either electronically by direct deposit or by cheque drawn on the Corporation's bankers or one of them to the order of each registered holder of shares of the class or series in respect of which it has been declared and, if paid by cheque, mailed by prepaid ordinary mail to such registered holder at such holder's address recorded in the Corporation's securities register, unless in each case such holder otherwise directs. In the case of joint holders ~~the~~ any cheque shall, unless such joint holders otherwise direct, be made payable to the order of all of such joint holders and mailed to them at their address recorded in the securities register of the Corporation. The mailing of such cheque, in such manner, unless the cheque is not paid on due presentation, shall satisfy and discharge the liability for the dividend to the extent of the sum represented thereby plus the amount of any tax which the Corporation is required to and does withhold.

**10.3 Non-receipt of Cheques**

In the event of non-receipt or loss of any dividend cheque by the person to whom it is sent, the Corporation shall issue to such person a replacement cheque for a like amount on such terms as to indemnity, reimbursement of expenses and evidence of non-receipt or loss and of title as the board may from time to time prescribe, whether generally or in any particular case.

**10.4 Unclaimed Dividends**

Any dividend unclaimed after a period of two years from the date on which the dividend has been declared to be payable shall be forfeited and shall revert to the Corporation.

**ARTICLE 11  
MISCELLANEOUS**

**11.1 Notice to Directors, Officers and Auditors**

Whenever under the Act, the regulations, the articles or these by-laws any notice, document or other information is required to be sent to a director, officer, auditor or member of a committee of the board, such notice may be sent either:

- (a) by hand delivery, through the mail, or by a nationally recognized overnight delivery service for next day delivery; or
- (b) by means of fax, e-mail or other form of electronic transmission.

A notice to a director, officer, auditor or member of a committee of the board will be deemed to be received as follows:

- (c) if given by hand delivery, when actually received by the director, officer, auditor or member of a committee of the board;
- (d) if sent through the mail addressed to the director, officer, auditor or member of a committee of the board at such individual's address appearing on the records of the Corporation, at the time it would be delivered in the ordinary course of mail;
- (e) if sent for next day delivery by a nationally recognized overnight delivery service addressed to the director, officer, auditor or member of a committee of the board at such individual's address appearing on the records of the Corporation, when delivered to such service;
- (f) if sent by fax, when sent to the fax number for such director, officer, auditor or member of a committee of the board appearing on the records of the Corporation and evidence of delivery confirmation is received by sender's fax device;
- (g) if sent by e-mail, when sent to the e-mail address for such director, officer, auditor or member of a committee of the board appearing on the records of the Corporation; or

- (h) if sent by any other form of electronic transmission, when sent to the address, location or number (as applicable) for such director, officer, auditor or member of a committee of the board appearing on the records of the Corporation.

## 11.2 Notice to Shareholders

Unless the Act or these by-laws provide otherwise, any notice, document or other information required or permitted by the Act, the regulations, the articles or these by-laws to be sent to a shareholder, may be sent by any one of the following methods:

- (a) by hand delivery, through the mail, or by a nationally recognized overnight delivery service for next day delivery;
- (b) by means of fax, e-mail, or other form of electronic transmission;
- (c) by providing or posting the notice, document or other information on or making it available through a generally accessible electronic source and providing notice of the availability and location of the notice, document or other information to the shareholder via any of the methods specified in (a) and (b) above, including by mail, delivery, fax, e-mail or other form of electronic transmission; or
- (d) by any other method permitted by applicable law.

A notice to a shareholder shall be deemed to be received as follows:

- (e) if given by hand delivery, when actually received by the shareholder;
- (f) if sent through the mail addressed to the shareholder at the shareholder's address appearing on the share register of the Corporation, at the time it would be delivered in the ordinary course of mail;
- (g) if sent for next day delivery by a nationally recognized overnight delivery service addressed to the shareholder at the shareholder's address appearing on the share register of the Corporation, when delivered to such service;
- (h) if faxed, when sent to a number at which the shareholder has consented to receive notice and evidence of delivery confirmation is received by sender's facsimile device;
- (i) if by e-mail, when sent to an e-mail address at which the shareholder has consented to receive notice;
- (j) if sent by any other form of electronic transmission, when sent to the shareholder;
- (k) if sent by posting it on or making it available through a generally accessible electronic source referred to in subsection 11.2(c), on the day such person is sent notice of the availability and location of such notice, document or other information is deemed to have been sent in accordance with (e) through (j) above; or
- (l) if sent by any other method permitted by applicable law, at the time that such person is deemed to have received such notice pursuant to applicable law. If a shareholder has consented to a method for delivery of a notice, document or other information, the shareholder may revoke such shareholder's consent to receiving any notice, document or information by fax or e-mail by giving written notice of such revocation to the Corporation.

## 11.3 Notices to Others

Any notice or document required or permitted to be sent by the Corporation to any other person may be:

- (a) delivered personally to such person;
- (b) addressed to such person and delivered to his/her/its recorded address;
- (c) mailed by prepaid Canadian mail in a sealed envelope addressed to such person at his/her/its recorded address; or
- (d) addressed to such person and sent to his/her/its recorded address by telegram, telex or any other means of legible communication then in business use in Canada.

A notice or document so mailed or sent shall be deemed to have been received by the addressee when deposited in a post office or public letter box (if mailed) or when transmitted by the Corporation on its equipment or delivered to the appropriate communication agency or its representative for dispatch, as the case may be (if sent by telegram, telex or other means of legible communication).

## 11.4 Waiver of Notice

Any shareholder (or such shareholder's duly appointed proxyholder), director, officer, auditor or member of a committee of the board may at any time waive the provision of any notice or document, or waive or abridge the time for any notice or

document, required to be provided to such person under any provision of the Act, the articles, the by-laws or otherwise and such waiver or abridgement shall cure any default in the provision or in the timing of such notice or document, as the case may be. Any such waiver or abridgement shall be in writing except a waiver of notice of a meeting of shareholders or of the board, which may be given in any manner. Attendance of a director at a meeting of directors or of a shareholder or any other person entitled to attend a meeting of shareholders is a waiver of notice of the meeting except where such director, shareholder or other person, as the case may be, attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

### 11.5 Omissions and Errors

The accidental omission to give any notice to any shareholder, director, officer, auditor or member of a committee of the board or the non-receipt of any notice by any such person or any error in any notice not affecting the substance thereof shall not invalidate any action taken at any meeting held pursuant to such notice or otherwise based thereon.

### 11.6 Invalidity

The invalidity or unenforceability of any provision of this by-law shall not affect the validity or enforceability of the remaining provisions of this by-law.

**ENACTED** by the directors ~~and confirmed by the shareholders~~ of the Corporation in accordance with the provisions of the *Canada Business Corporations Act* on ~~May 13, 2016~~ • March 20, 2017.

~~DATED May 13, 2016~~ •

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~~Barbara Snowden~~ • Dennis Lopes  
Corporate Secretary

CONFIRMED by the shareholders of the Corporation in accordance with the provisions of the *Canada Business Corporations Act* on •

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•  
Corporate Secretary

**SCHEDULE "A"**

**CHORUS AVIATION INC.**

**Declaration for Registration of Shares**

**INSTRUCTIONS**

A separate declaration is to be completed by the proposed shareholder or his agent for each transfer of shares.

If the declarant is not also the proposed shareholder of the shares, the declarant must make reasonable inquiries of the proposed shareholder, as the case may be, to confirm that the statements made in the declaration as they pertain to the shareholder are true.

If the declarant, is a corporation, partnership, association, trust or other organization, this declaration must be signed by a responsible officer or partner thereof or other duly authorized representative.

All statements set out in this Declaration must be completed.

PLEASE REFER TO THE DEFINITIONS ATTACHED TO THIS DECLARATION TO DETERMINE STATUS AS CANADIAN OR NON-CANADIAN.

IF YOU DO NOT COMPLETE THIS DECLARATION FOR REGISTRATION OF SHARES OR IF IT IS DETERMINED BY THE DIRECTORS OR THE TRANSFER AGENT OF THE CORPORATION THAT YOU INCORRECTLY INDICATED (THROUGH INADVERTENCE OR OTHERWISE) THAT THE SHARES REPRESENTED HEREIN ARE OWNED AND CONTROLLED BY A CANADIAN, THE SHARES REPRESENTED BY THIS DECLARATION FOR REGISTRATION OF SHARES WILL BE DEEMED TO BE OWNED AND CONTROLLED BY A PERSON THAT IS NON-CANADIAN.

**TO: CHORUS AVIATION INC. (the "Corporation")**

In response to a request made by the Corporation to facilitate compliance with the restrictions on issue, transfer and ownership of, and exercise of voting rights attaching to, the shares of the Corporation pursuant to the *Canada Transportation Act* and directions by the federal cabinet to the Canadian Transportation Agency (the "**CTA Limitation**"), and the Certificate of Incorporation of the Corporation and in connection with the registration of \_\_\_\_\_ shares,

I *[Insert Name]* \_\_\_\_\_

of *[Insert Full Address]* \_\_\_\_\_

HEREBY DECLARE THAT, within the meaning of the definitions contained in the *Canada Transportation Act* and the Certificate of Incorporation of the Corporation, as summarized on the reverse side hereof, as at the date hereof:

The proposed registered holder of the shares is:

\_\_\_\_\_ a Canadian \_\_\_\_\_ a Non-Canadian

The proposed beneficial owner of the shares is:

\_\_\_\_\_ a Canadian \_\_\_\_\_ a Non-Canadian

The proposed person controlling such shares is:

\_\_\_\_\_ a Canadian \_\_\_\_\_ a Non-Canadian

If I am not the proposed registered holder of the shares, I have asked for and received the proposed registered holder's authority and advice to execute this Declaration on his or her behalf.

**DECLARED THIS**                      DAY OF \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_  
Signature of Declarant

\_\_\_\_\_  
If the declarant is a corporation, partnership,  
association, trust or other organization, provide the  
name and title of signatory

\_\_\_\_\_  
Address of Declarant (please print)

## Summary of Definitions

The following definitions are qualified in their entirety by the definitions contained in the Certificate of Incorporation of the Corporation and the *Canada Transportation Act*.

**"Canadian"** means:

- (a) a Canadian citizen or a Permanent Resident;
- (b) a government in Canada or an agent of such a government; or
- (c) a corporation or other entity that is incorporated or formed under the laws of Canada or a province, that is controlled in fact by Canadians and of which at least seventy-five per cent, or such lesser percentage as the Governor in Council may by regulation specify, of the voting interests are owned and controlled by Canadians.

**"Canada Transportation Act"** means the *Canada Transportation Act* (Canada), R.S.C. 1996, c. 10 and the regulations thereunder, in each case as may be amended from time to time.

**"CTA Limitation"** means limitations on the rights of Non-Canadians with respect to the shares pursuant to the *Canada Transportation Act* and directions by the federal cabinet to the Canadian Transportation Agency.

**"Non-Canadian"** means a person who is not a Canadian.

**"Permanent Resident"** means a person who has acquired permanent resident status and has not subsequently lost that status under section 46 of the *Immigration and Refugee Protection Act*.

**"person"** means and includes individuals, corporations, limited partnerships, general partnerships, joint stock companies, limited liability corporations, joint ventures, associations, companies, trusts, banks, trust companies, pension funds, business trusts or other organizations, whether or not legal entities, and government and agencies and political subdivisions thereof.



## MANDATE OF THE BOARD OF DIRECTORS

### CHORUS AVIATION INC.

#### (the "Corporation")

#### 1. PURPOSE

This mandate describes the role of the Board of Directors (the "**Board**") of Chorus Aviation Inc. (the "**Corporation**"). The Corporation is a reporting issuer with two classes of shares listed (Class A Variable Voting Shares and Class B Voting Shares) listed on the Toronto Stock Exchange under the symbol 'CHR'. This mandate is subject to the provisions of the Corporation's Articles of Incorporation, by-laws and applicable laws. This mandate is not intended to limit, enlarge or change in any way the responsibilities of the Board as determined by such articles, by-laws and applicable laws. Directors are elected annually and, together with those appointed to fill vacancies or appointed as additional directors throughout the year, collectively constitute the Board.

#### 2. ROLE

The Board is responsible for the stewardship of the Corporation and its business, and is accountable to its shareholders (the "**Shareholders**") for the performance of the Corporation.

The Board establishes the overall policies for the Corporation, monitors and evaluates the Corporation's strategic direction, and retains all authorities and powers for those functions not specifically delegated by it to its committees or to the Corporation's management ("**Management**"). Accordingly, in addition to the duties of directors of a Canadian corporation as prescribed by applicable laws, the mandate of the Board is to supervise the management of the business and affairs of the Corporation with a view to evaluate, on an ongoing basis, whether the Corporation's resources are being managed prudently and ethically, having appropriate regard for the interests of the Corporation's stakeholders, in order to enhance value for its Shareholders. In discharging their duties, directors shall act honestly and in good faith, with a view to the best interests of the Corporation. Directors shall also exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances

The Board may, at the Board's option, delegate to Board committees matters it is responsible for to the extent permitted by law; however, the Board retains its oversight function and ultimate responsibility for all delegated responsibilities.

#### 3. COMPOSITION

##### *Directors*

The Board is elected by the Shareholders and shall be comprised of that number of directors as shall be determined from time to time by the Board.

The Governance and Nominating Committee of the Board assists the Board with assessing its overall effectiveness, the optimal size of the Board, and the desired skills and characteristics of new candidates. The Governance and Nominating Committee reviews and recommends to the Board candidates for nomination as directors. The Board approves the final choice of the candidates that are to be nominated for election by the Shareholders.

The Board should have an appropriate mix of skills, knowledge and experience, should enhance the diversity of perspectives on the Board, and possess an understanding of the industry and the geographical areas in which the Corporation operates. Directors selected should be able to commit the requisite time for all of the Board's business. The Board ensures, through the Governance and Nominating Committee, that new directors are provided with an appropriate orientation and that all directors are provided with relevant education opportunities.

##### *Chair*

A Chair of the Board shall be appointed by the Board. If the President and Chief Executive Officer of the Corporation (the "**CEO**") is also the Chair of the Board, a Lead Director shall be appointed by the Board's independent directors.

### *Independence*

A majority of the Board shall be composed of directors who do not have any direct or indirect relationship with the Corporation which, in the view of the Board, could reasonably be expected to interfere with the exercise of their independent judgment and who are otherwise considered to be independent under the laws and stock exchange listing requirements to which the Corporation is subject.

### *Nationality*

A majority of the Board shall be composed of directors who are Canadian citizens or permanent resident within the meaning of subsection 2(1) of the *Immigration and Refugee Protection Act* (Canada).

### *Criteria for Board Membership*

Board members are expected to demonstrate the following conduct:

- (a) demonstrate high ethical standards and integrity in their professional and personal dealings;
- (b) act honestly and in good faith with a view to the best interests of the Corporation;
- (c) promptly disclose to their fellow directors any interest that they may have in a material contract or transaction with the Corporation, whether made or proposed;
- (d) promptly disclose to their fellow directors any information that may be necessary or relevant for the conduct of the Corporation's business;
- (e) devote sufficient time to the affairs of the Corporation and exercise care, diligence and skill in fulfilling their responsibilities both as Board members and as committee members;
- (f) provide independent judgment on a broad range of issues concerning the Corporation;
- (g) understand the Corporation's strategic objectives and be capable of critically evaluating decisions and business plans against those objectives;
- (h) make all reasonable efforts to attend all Board and committee meetings;
- (i) review the materials provided by Management in advance of Board and committee meetings;
- (j) actively participate in meetings of the Board and each committee, encourage candid discussion of significant issues, and be willing to change their mind in appropriate circumstances; and
- (k) welcome, and be prepared to offer, constructive feedback with a view to enhancing the Board's effectiveness.

## 4. COMPENSATION

The Board has determined that the directors should be compensated in a form and amount which is appropriate and which is customary for comparable corporations, having regard for such matters as time commitment, responsibility and trends in director compensation.

## 5. RESPONSIBILITIES

Without limiting the Board's legal obligations, general Board responsibilities shall include the following:

- (a) developing the Corporation's approach to corporate governance;
- (b) approving a code of ethics and business conduct (the "**Code**"), and, to the extent feasible, satisfying itself as to (i) the integrity of the CEO and the other officers of the Corporation, and (ii) the existence of a culture of integrity throughout the Corporation and its subsidiaries;
- (c) approving significant policies governing the business and affairs of the Corporation and its subsidiaries;
- (d) evaluating and approving the Corporation's strategic objectives, having regard to, among other factors, the opportunities and risks of the Corporation's business;
- (e) reviewing and approving the Corporation's annual business plan, and in connection therewith, evaluating whether the plan will, if executed, advance the Corporation's progress against its strategic objectives;

- (f) approving, prior to their public disclosure, the Corporation's financial statements, management's discussion and analysis, earnings new release, annual information form, proxy circular and all other disclosure documents which the Board is required to approve under applicable law;
- (g) considering the principal risks of the Corporation's businesses and satisfying itself, to the extent feasible, as to the existence of appropriate systems to identify, manage and monitor those risks;
- (h) appointing the CEO and the Corporation's officers, and ensuring that appropriate development and succession plans are in place for these positions;
- (i) satisfying itself, to the extent feasible, as to the effectiveness of the Corporation's internal controls over financial reporting and management information systems;
- (j) approving a disclosure policy for the Corporation and satisfying itself, to the extent feasible, as to the effectiveness of the Corporation's disclosure controls and procedures;
- (k) ensuring effective measures exist for receiving feedback from the Corporation's stakeholders;
- (l) reviewing and approving material transactions outside the ordinary course of the Corporation's business as well as all matters that the Board is required to approve under the CBCA;
- (m) subject to paragraph (l) above, approving a delegation of authority policy pursuant to which authority to execute commitments on behalf of the Corporation is delegated to the Chair of the Board, the CEO and/or other directors or officers of the Corporation;
- (n) approving the compensation paid to the CEO and other designated officers of the Corporation;
- (o) providing advice and counsel to the CEO and Management;
- (p) implementing structures, practices and procedures designed to enable the Board and its committees to function effectively and independently of Management, including periodic assessments of the effectiveness of the Board, its committees and individual members;
- (q) nominating individuals for election by the Shareholders as the Corporation's directors and, subject to the CBCA, filling vacancies on the Board and appointing additional directors as required;
- (r) nominating a firm of chartered accountants for appointment by the Shareholders as the Corporation's auditors, and approving the external auditor's remuneration;
- (s) selecting a Chair of the Board and, if required, a Lead Director;
- (t) establishing and constituting committees of the Board, and delegating to those committees such duties and responsibilities as the Board deems appropriate to assist the Board in discharging its duties and responsibilities.

## 6. MEETINGS

The Board will meet at least quarterly, with additional meetings scheduled as required. Each director has a responsibility to attend and participate in meetings of the Board. The Chair of the Board will ensure that meeting agendas and minutes are distributed to the Board.

Information and materials that are important to the Board's understanding of the agenda items and related topics will be distributed in advance of a meeting. Management will deliver information on the business, operations and finances of the Corporation to the Board, as required. Each member of the Board is expected to have reviewed all materials provided in connection with a meeting in advance of such meeting and be prepared to discuss such materials at the meeting.

On the occasion of each Board meeting, the independent directors will endeavor to hold an *in camera* session chaired by an independent director. The director chairing such *in camera* sessions will forward to the Chair of the Board (if the Chair did not participate in such *in camera* session) and to the CEO any questions, comments or suggestions of the directors.

## 7. DECISIONS REQUIRING PRIOR BOARD APPROVAL

In addition to those matters requiring prior Board approval pursuant to the Corporation's by-laws or delegation of authority policy, the Board will be responsible for the following:

- (a) submitting to Shareholders any question or matter requiring their approval;
- (b) filling a vacancy among the directors or in the office of auditor, or appointing additional directors;
- (c) issuing securities of the Corporation;
- (d) declaring dividends or establishing a dividend policy;
- (e) purchasing, redeeming or otherwise acquiring shares issued by the Corporation;
- (f) paying a commission in consideration of any purchase or agreement to purchase shares of the Corporation;
- (g) approving a management proxy circular;
- (h) approving a take-over bid circular or directors' circular;
- (i) approving financial statements; and
- (j) adopting, amending or repealing by-laws.

## 8. BOARD COMMITTEES

There are three standing committees of the Board: the Audit, Finance and Risk Committee, the Governance and Nominating Committee, and the Human Resources and Compensation Committee. The roles and responsibilities of each committee are described in the respective charters.

All members of the Audit, Finance and Risk Committee, Governance and Nominating Committee, and the Human Resources and Compensation Committee shall be independent as required under the charter of each Committee and the laws and listing requirements to which the Corporation is subject. A majority of the members of each committee shall also be composed of Canadian citizens or permanent resident within the meaning of subsection 2(1) of the *Immigration and Refugee Protection Act* (Canada).

## 9. ADVISERS

Any director may, upon obtaining the authorization of the Governance and Nominating Committee, engage a non-Management advisor to assist him or her on matters pertaining to his or her responsibilities as a director at the expense of the Corporation.

## 10. OTHER MATTERS

The Board expects directors as well as officers and employees of the Corporation to act ethically at all times and to acknowledge their adherence to the Code. The Board, with the assistance of the Governance and Nominating Committee, is responsible for monitoring compliance with the Code.

Every director shall disclose all actual or potential conflicts of interest and refrain from voting on matters in which the director has a conflict of interest. In addition, a director shall excuse himself or herself from any discussion or decision on any matter in which the director is precluded from voting as a result of a conflict of interest or which otherwise affects his or her personal, business or professional interests.

The Board shall review this mandate periodically and make any amendments thereto as it deems appropriate.

Effective January 1, 2017

Any questions and requests for assistance may be directed to Chorus Aviation Inc.'s  
Proxy Solicitation Agent:

# D.F. KING

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aviation inc.