



CARGOJET INCOME FUND

ANNUAL AND SPECIAL MEETING OF UNITHOLDERS

TO BE HELD ON JUNE 18, 2008

**CARGOJET INCOME FUND
NOTICE OF ANNUAL AND SPECIAL MEETING OF UNITHOLDERS**

NOTICE IS HEREBY GIVEN that an annual and special meeting (the "**Meeting**") of unitholders (the "**Unitholders**") of Cargojet Income Fund (the "**Fund**") will be held at the TSX Gallery, The Exchange Tower, 130 King Street West, Toronto, Ontario, on Wednesday, June 18, 2008 at 2:30 p.m. (Toronto time), for the following purposes:

- (a) to receive and consider the audited consolidated financial statements of the Fund for the fiscal period ended December 31, 2007 and the report of the auditors thereon;
- (b) to elect trustees of the Fund (the "**Trustees**");
- (c) to direct and instruct the Trustees in respect of the election of trustees of Cargojet Operating Trust;
- (d) to direct and instruct the Trustees in respect of the election of directors of Cargojet GP Inc.;
- (e) to appoint auditors of the Fund and to authorize the Trustees to fix their remuneration;
- (f) to consider and, if thought fit, to approve a special resolution authorizing an internal reorganization of the Fund, and certain amendments to the Fund's Amended and Restated Declaration of Trust (the "**Declaration of Trust**") and other documents to which the Fund or any of its subsidiaries is a party, as more particularly set forth in the management information circular of the Fund dated May 20, 2008; and
- (g) to transact such other business as may properly come before the Meeting or any adjournments thereof.

This notice is accompanied by a form of proxy, a management information circular and an annual report which includes the audited consolidated financial statements of the Fund for the fiscal period ended December 31, 2007.

The Trustees have by resolution fixed the close of business on May 14, 2008 as the record date for the determination of Unitholders entitled to receive notice of and vote at the Meeting or any adjournments thereof.

Unitholders who are unable to attend the Meeting are requested to complete, date, sign and return the enclosed form of proxy and Declaration so that as large a representation as possible may be had at the Meeting.

The Trustees have by resolution fixed the close of business on the second business day preceding the day of the Meeting (excluding Saturdays, Sundays and holidays) or any adjournments thereof as the time before which proxies to be used or acted upon at the Meeting or any adjournments thereof shall be deposited with the Fund's transfer agent.

DATED at Mississauga, Ontario this 20th day of May, 2008.

BY ORDER OF THE BOARD OF TRUSTEES

"John Webster"
Trustee

CARGOJET INCOME FUND
INFORMATION CIRCULAR

Solicitation of Proxies

This information circular is furnished in connection with the solicitation of proxies by the trustees (the "Trustees") of Cargojet Income Fund (the "Fund") for use at the annual and special meeting (the "Meeting") of holders of units and special voting units (the "Unitholders") of the Fund to be held at the time and place and for the purposes set forth in the accompanying notice of meeting. References in this information circular to the Meeting include any adjournments thereof.

It is expected that the solicitation of proxies will be primarily by mail, however proxies may also be solicited personally by agents of the Fund. Proxies may also be solicited personally or by telephone by Trustees of the Fund or by directors, officers or regular employees of the Fund and its subsidiaries without special compensation. No solicitation will be made by specifically engaged employees or soliciting agents. The cost of solicitation will be borne by the Fund.

The Trustees of the Fund have by resolution fixed the close of business on May 14, 2008 as the record date, being the date for the determination of the registered holders of securities entitled to receive notice of and vote at the Meeting. Duly completed and executed proxies must be received by the Fund's transfer agent at the address indicated on the enclosed envelope no later than 48 hours (excluding Saturdays, Sundays and holidays) before the time of the Meeting or any adjournment of the Meeting.

Unless otherwise stated, the information contained in this management information circular is as of May 20, 2008.

Appointment and Revocation of Proxies

The persons named in the enclosed form of proxy are Trustees of the Fund. **A Unitholder desiring to appoint some other person, who need not be a Unitholder, to represent the Unitholder at the Meeting may do so by striking out the names of the persons designated therein and by inserting in the blank space provided for that purpose the name of the desired person, or by completing another proper form of proxy and, in either case, delivering the completed and executed proxy to the registered office of the Fund's transfer agent indicated on the enclosed envelope not later than the close of business on the second business day preceding the day of the Meeting (excluding Saturdays, Sundays and holidays).**

A Unitholder delivering the enclosed proxy may indicate the manner in which the appointee is to vote with respect to any specific item by checking the appropriate space. If the Unitholder giving the proxy wishes to confer a discretionary authority with respect to any item of business then the space opposite the item is to be left blank. The units represented by the proxy submitted by a Unitholder will be voted in accordance with the directions, if any, given in the proxy.

A proxy given pursuant to this solicitation may be revoked by instrument in writing, including another proxy bearing a later date, executed by the Unitholder or by his or her attorney authorized in writing, and deposited at the registered office of the Fund's transfer agent at any time up to and including the last business day preceding the day of the Meeting or with the Chairman of the Meeting on the day of the Meeting or in any other manner permitted by law.

Exercise of Discretion by Proxies

The persons named in the enclosed form of proxy will vote the units in respect of which they are appointed in accordance with the direction of the Unitholders appointing them. **In the absence of such direction, such units will be voted in favour of the election of the Trustees and directors and the appointment of auditors referred to below and the passing of all of the resolutions described below. The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of meeting and with respect to other matters which may properly come before the Meeting.** At the time of printing of this information circular, neither the Trustees of the Fund nor the directors or officers of the subsidiaries of the Fund are aware of any such amendments, variations or other matters to come before the Meeting.

However, if any other matters which are not now known to the Trustees of the Fund or the directors or officers of the subsidiaries of the Fund should properly come before the Meeting, the proxy will be voted on such matters in accordance with the best judgment of the named proxies.

Interest of Certain Persons or Companies in Matters to be Acted Upon

To the knowledge of the Trustees of the Fund, the trustees of Cargojet Operating Trust (the “**Operating Trust**”) and the directors and officers of the subsidiaries of the Fund, except as set out herein and except insofar as they may be Unitholders of the Fund, no Trustee of the Fund, trustee of the Operating Trust, director or officer of the subsidiaries of the Fund, or any proposed nominee for election as a Trustee of the Fund, trustee of the Operating Trust or director of Cargojet GP Inc. (the “**GP**”), or any associate or affiliate of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership or otherwise, in matters to be acted upon at the Meeting.

Voting Securities and Principal Holders of Voting Securities

The beneficial interests in the Fund are divided into two classes, designated as units (the “**Units**”) and special voting units (the “**Special Voting Units**”). Each Unit represents an equal undivided beneficial interest in any distribution from the Fund and in any assets of the Fund remaining in the event of termination or winding up of the Fund. The Special Voting Units were issued to the holders of class B limited partnership units (“**Exchangeable LP Units**”) of Cargojet Holdings Limited Partnership (the “**Partnership**”) at a rate of one Special Voting Unit for each unit of the Fund into which the Exchangeable LP Units are exchangeable. Each Unit and Special Voting Unit entitles the holder thereof to one vote on all matters to be acted upon at the Meeting. Units and Special Voting Units are collectively referred to herein as the “Voting Units”.

As at May 20, 2008, the following voting securities in the capital of the Fund were issued and outstanding:

| | |
|----------------------|-----------|
| Units | 6,698,863 |
| Special Voting Units | 2,232,955 |

The Trustees have fixed the record date of May 14, 2008 for the purpose of determining Unitholders entitled to receive notice of and vote at the Meeting. Only persons registered as Unitholders on the books of the Fund as of the close of business on the record date are entitled to receive notice of and vote at the Meeting. The failure of any Unitholder to receive notice of the Meeting does not deprive the Unitholder of the right to vote at the Meeting.

To the knowledge of the Trustees, no person or company beneficially owns, directly or indirectly, or exercises control or direction over, voting securities of the Fund carrying more than 10% of the voting rights attached to any class of voting securities of the Fund other than:

| Name | Units Owned on a Non-Diluted Basis #/%(¹) | Units Owned on a Fully Diluted Basis #/%(¹) |
|---|--|--|
| The Virmani Family Trust ⁽²⁾ | 1,808,693 / 27.0% | 1,808,693 / 20.25% |
| MFC Global Management (Canada), a division of Elliott & Page Limited | 1,017,500 / 15.2% | 1,017,500 / 11.39% |
| Fairholme Capital Management, LLC | 859,300 / 12.8% | 859,300 / 9.6% |
| BreakPoint Capital Group LLC | 875,700 / 13.1% | 875,700 / 9.8% |

Note:

⁽¹⁾ The information as to Voting Units beneficially owned or over which control or direction is exercised, not being within the knowledge of the Fund, has been furnished by the Unitholders listed above.

⁽²⁾ Ajay Virmani is a trustee of the Virmani Family Trust and is President and Chief Executive Officer. Ajay Virmani also holds 220,703 Voting Units personally which represent approximately 3.3% of the issued and outstanding Voting Units on a non-diluted basis (2.5% on a fully diluted basis).

Executive Compensation

Summary Compensation Table

Under applicable securities legislation, the Fund is required to disclose certain financial and other information relating to the compensation of its Chief Executive Officer, Chief Financial Officer, and the Fund's three most highly compensated executive officers (other than the Chief Executive Officer and Chief Financial Officer) whose total salary and bonus exceeds \$150,000. The Fund, however, does not carry on an active business. Rather, the operations of the Fund are conducted through the Operating Partnership (as defined herein). As described in more detail below, the executive officers are compensated through the Operating Partnership for acting in such capacities.

The following table provides information for the financial period ended December 31, 2007 regarding compensation paid to or earned by the Chief Executive Officer, the Chief Financial Officer and the three most highly compensated executive officers of the Operating Partnership other than the Chief Executive Officer and Chief Financial Officer whose total salary and bonus exceeds \$150,000 as at December 31, 2007 (the "Named Executive Officers").

| Name and Principal Position | Year | Annual Compensation | | | Long Term Compensation | | | All Other Compensation (\$) |
|--|------|----------------------------|---------------------------|---|--|--|--------------------|-----------------------------|
| | | Salary ⁽¹⁾ (\$) | Bonus ⁽²⁾ (\$) | Other Annual Compensation ⁽¹⁾ (\$) | Awards | | Payouts | |
| | | | | | Securities Under Option/SARs Granted (#) | Restricted Shares or Restricted Share Units (\$) | LTIP Pay-outs (\$) | |
| Ajay Virmani President and Chief Executive Officer | 2007 | 400,000 | 300,000 | 79,200 | nil | nil | nil | nil |
| | 2006 | 325,000 | 243,750 | 79,200 | nil | nil | nil | nil |
| | 2005 | 325,000 | nil | 83,904 | nil | nil | nil | nil |
| Dan Mills Executive Vice President and Chief Financial Officer ⁽³⁾ | 2007 | 200,000 | 150,000 | 64,800 | nil | nil | nil | nil |
| | 2006 | 250,000 | 187,500 | 64,800 | nil | nil | nil | nil |
| | 2005 | 250,000 | nil | 76,800 | nil | nil | nil | nil |
| Wade Morrell Former Chief Financial Officer ⁽³⁾ | 2007 | 160,000 | 60,000 | nil | nil | nil | nil | nil |
| Jamie Porteous Executive Vice-President, Sales and Service | 2007 | 289,589 | 225,000 | 64,8000 | nil | nil | nil | nil |
| | 2006 | 250,000 | 187,500 | 64,800 | nil | nil | nil | nil |
| | 2005 | 250,000 | nil | 75,410 | nil | nil | nil | nil |
| Alan Pidgeon Senior Vice President Airways | 2007 | 159,135 | 52,500 | 22,068 | nil | nil | nil | nil |
| | 2006 | 159,135 | 40,000 | 22,068 | nil | nil | nil | nil |
| | 2005 | 154,500 | nil | 22,073 | nil | nil | nil | nil |
| George Sugar Vice President, Flight Operations | 2007 | 150,000 | 52,500 | 12,000 | nil | nil | nil | nil |
| | 2006 | 150,000 | 40,000 | 12,000 | nil | nil | nil | nil |
| | 2005 | 130,000 | nil | 9,000 | nil | nil | nil | nil |

Note:

- (1) The amounts set out in the table above for 2005 have been annualized to reflect the compensation of the Named Executive Officers that would have been paid to such Named Executive Officers for the period of January 1, 2005 to December 31, 2005 had the Fund been a reporting issuer for the entire year. The amounts set out above for 2005 are derived from the compensation paid to or earned by each Named Executive Officer from June 9, 2005 to December 31, 2005. See also "Employment Agreements" below.
- (2) The amounts set out in the table above for 2006 and 2007 for Ajay Virmani, Dan Mills and Jamie Porteous reflect amounts accrued under the Short Term Incentive Plan (the "STIP") further described under the heading "Employment Agreements" below.
- (3) Effective June 11, 2007, Wade Morrell replaced Mr. Mills as Chief Financial Officer. Effective March 14, 2008, Mr. Mills was reappointed as Chief Financial Officer following the resignation of Mr. Morrell as Chief Financial Officer.

Long Term Incentive Plan

The officers and key employees of the Fund and its subsidiaries are eligible to participate in the Partnership's Long Term Incentive Plan (the "LTIP"). The purpose of the LTIP is to provide eligible participants with compensation opportunities that will enhance the Partnership's ability to attract, retain and motivate key personnel and reward officers and key employees for significant performance that results in the Partnership exceeding its per unit distributable cash targets. Pursuant to the LTIP, the Partnership will set aside a pool of funds based upon the amount, if any, by which the Fund's distributable cash per unit (as measured on a fully diluted basis, assuming the exchange of all of the Exchangeable LP Units), exceed certain defined distributable cash targets. The Partnership or a trustee will purchase Units in the market with this pool of funds and will hold the Units until such time as ownership vests to each participant.

The Compensation and Nominating Committee of the board of directors of the GP is responsible for administering and making recommendations concerning the operation of the LTIP and any employee bonus plans. The board of directors of the GP have the power to, among other things: (i) determine those individuals who will participate in the LTIP; (ii) determine the level of participation of each participant; and (iii) determine the time or times when LTIP awards will vest or be paid to each participant.

Initially, the LTIP will provide for awards that may be earned based on the amount by which distributable cash per annum per unit (as measured on a fully diluted basis, assuming the exchange of all of the Exchangeable LP Units) exceeds a base threshold per unit per annum. The percentage amount of that excess which forms the LTIP incentive pool will be determined in accordance with the table below:

| <u>Percentage by which distributable cash per unit exceeds the base threshold⁽¹⁾</u> | <u>Maximum proportion of distributable cash available for LTIP payments</u> |
|---|---|
| 5% or less..... | 10% of any excess over the base threshold |
| over 5% to 10%..... | 15% of any excess over 5% to 10% |
| greater than 10% | 20% of any excess over 10% |

Note:

- (1) Annualized for fiscal periods of less than 12 months.

The base threshold will be subject to adjustment by the board of Trustees of the Fund.

LTIP Awards in Most Recently Completed Year and Other Compensation Matters

No LTIP awards were paid to Named Executive Officers in the financial period ended December 31, 2007.

There are no pension plan benefits in place for the Named Executive Officers.

Employment Agreements

Each of Ajay Virmani, Dan Mills and Jamie Porteous entered into an employment agreement on June 9, 2005 for an indefinite term; to reflect employment terms that became effective in June 2004. Initially, Mr. Virmani was paid an annual salary of \$325,000 and Mr. Mills and Mr. Porteous were each paid an annual salary of \$250,000, pursuant to their respective employment agreements. Effective March 1, 2008, the base

salaries for each of Mr. Virmani, Mr. Mills and Mr. Porteous were increased to \$450,000, \$350,000 and \$350,000, respectively. These compensation increases were recommended and approved by the Compensation and Nominating Committee to bring Mr. Virmani's, Mr. Mill's and Mr. Porteous' respective salaries more in line with executive salaries paid by comparable businesses and in recognition of the Fund's overall performance. Each of these employment agreements provides for various perquisites, including a car allowance and home office allowance, health and other benefits, which in aggregate amount to approximately \$79,000 annually for Mr. Virmani, and approximately \$65,000 annually for Mr. Mills and Mr. Porteous. In addition, participation in the STIP allows the Named Executive Officer to earn a bonus from 25% to 75% of his salary upon the Fund meeting certain distributable cash targets ranging from \$10.9 million to \$13.4 million. The Named Executive Officer is also entitled to participate in the LTIP. The Named Executive Officer may resign by providing not less than six months written notice, which notice may be given no earlier than 18 months following the effective date of the employment agreements, with certain exceptions. Each employment agreement provides that if the Named Executive Officer is terminated without cause, he is entitled to a lump sum severance payment equal to his employment income for income tax purposes in the previous calendar year (less any required deductions), with monthly increases to the calendar year period, up to a maximum amount, after the completion of twelve years of continuous employment. The Named Executive Officer will continue to receive benefits, with certain exceptions, for one year following such termination without cause. The Named Executive Officer will receive a similar lump sum severance payment and benefits if within one year after a "Change of Control" (as defined therein) he is terminated without cause or resigns for "Good Reason" (as defined therein). In the event that the Named Executive Officer is terminated for cause, he is entitled to receive his compensation (including unused vacation pay) to the date of notice of termination.

Additionally, pursuant to each of these employment agreements, the Named Executive Officer is bound by a non-competition provision during the period of his employment and for a period of two years after the termination of his employment for cause or voluntarily by the Named Executive Officer, or for a period of one year after the termination of his employment without cause, with certain exceptions. Additionally, each employment agreement includes a non-solicitation provision during the term of employment of the Named Executive Officer and for a period of two years following the termination of his employment, with or without cause.

Compensation of Trustees of the Fund and Directors of the GP

For the year ended December 31, 2007, compensation for directors of the GP was \$30,000 per director per year, \$1,200 per director per meeting for attending board meetings of the board of directors of the GP (the "**GP Board**") and \$1,000 per director per meeting for attending committee meetings of the GP. In addition, Mr. Francis and Mr. Webster each received \$25,000 as a bonus for the fiscal year 2007 and Mr. Carroll received \$10,000 as a bonus for the fiscal year 2007. The lead director of the GP Board and the chairman of each of the Audit Committee, Compensation and Nominating Committee and Corporate Governance Committee received additional remuneration of \$5,000, respectively, per year. The Fund or the Partnership also reimbursed trustees and directors for out-of-pocket expenses for attending meetings. No director compensation is paid to directors who are members of management of the Fund or its subsidiaries and no director receives compensation for acting as a trustee (other than for fees for attending board or committee meetings of the Fund that do not run concurrently with meetings of the GP Board).

None of the directors or Trustees were compensated in their capacity as director or Trustee by the Fund or any of its subsidiaries, as applicable during the financial year ended December 31, 2007 pursuant to any other arrangement or in lieu of any standard compensation arrangement.

Indebtedness of Trustees, Directors, Executive Officers and Employees

As at May 20, 2008, no current or former Trustee, director or executive officer or employee of the Fund or any of its subsidiaries, as applicable, is indebted to the Fund or any of its subsidiaries, nor has the indebtedness of any of them to another entity been the subject of a guarantee, support agreement, letter of credit or similar arrangement or undertaking provided by the Fund or any of its subsidiaries.

Liability Insurance

The Fund provides insurance for the benefit of the Trustees and directors and officers of the Fund's subsidiaries against liability incurred by them in such capacities. The current annual policy limit is \$15.0 million and contains a deductible of \$250,000. For the policy year of May 17, 2007 to May 17, 2008, the Fund paid an annual premium of \$60,000 for this insurance. Under the policy, each entity has reimbursement coverage to the extent that it has indemnified the Trustees or the directors and officers of such entity.

Interests of Informed Persons in Material Transactions

No informed person of the Fund, nor any proposed nominee for election as a Trustee of the Fund, trustee of the Operating Trust or director of the GP, nor any associate or affiliate of such persons, has had any material interest, direct or indirect, in any transaction or any proposed transaction since the commencement of the Fund's last financial year or in any proposed transaction, which has materially affected or would materially affect the Fund or any of its subsidiaries.

Composition of the Compensation and Nominating Committee

The Compensation and Nominating Committee of the GP assists the GP Board by making recommendations to the GP Board concerning the appointment, hiring, compensation, benefits and termination of senior officers and all other significant employees of the Fund and its subsidiaries. The Compensation and Nominating Committee reviews on an annual basis the Chief Executive Officer's goals and objectives for the upcoming year and provides an appraisal of the Chief Executive Officer's performance. The committee also administers and makes recommendations regarding the operation of the LTIP and advises the GP Board in filling vacancies on the GP Board and periodically reviewing the composition and effectiveness of the GP Board and the contributions of individual directors.

The Compensation and Nominating Committee of the GP is comprised of Jonathan Carroll, Terence Francis and John Webster, all of whom are "unrelated" within the meaning of National Instrument 58-101 – Disclosure of Corporate Governance Practices (the "**Governance Disclosure Rule**").

Report on Executive Compensation

The Fund's executive compensation program is composed of base salaries, short-term incentives in the form of cash bonus opportunities and perquisites and long-term incentives in the form of participation in the LTIP. The various components of the Fund's executive compensation program are designed to play a role in:

1. Providing a fair and competitive level of compensation;
2. Retaining and motivating its executives who are critical to the Fund's long-term success;
3. Rewarding performance, both on an individual basis and with respect to the business in general; and
4. Reinforcing the link between the Unitholders' interest and the compensation of the Fund's executives.

In order to achieve these objectives, the compensation paid to executive officers consists of the following three components; (a) base salary; (b) short-term incentive in the form of STIP participation; and (c) long-term incentive in the form of LTIP participation.

Base Salary

Individual executive salaries are normally set with a view towards similar companies and with the intention of attracting and retaining individuals with the appropriate skill sets.

Short-Term Incentive Plan

Pay for performance is an important underlying principle of the Fund's executive compensation philosophy, with the result that variable compensation can represent a substantial proportion of total compensation. The Fund administers the STIP, which is based on the Fund meeting certain distributable cash targets. Such short-term incentives, if applicable, are paid shortly following the year in which they are earned.

Long-Term Incentive Plan

The Partnership has adopted an LTIP. Awards are granted at the discretion of the GP Board upon recommendation by the Compensation and Nominating Committee based on the amount by which distributable cash per annum per unit exceeds a base threshold per unit per annum. See "Long Term Incentive Plan" above.

Compensation of the Chief Executive Officer

The three main components of the compensation of the Chief Executive Officer are base salary, STIP and a long-term incentive based on participation in the LTIP. Competitive benefits and perquisites are also provided.

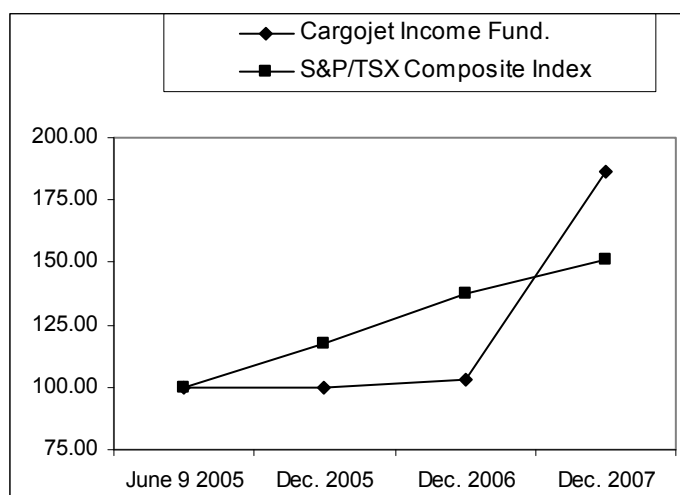
The components of the Chief Executive Officer's compensation are the same as those which apply to the other senior executive officers of the Fund and its subsidiaries, namely base salary, bonus and long-term incentives. These components are set forth in the employment agreement of Mr. Virmani and provide for a minimum base salary of Cdn\$450,000 per year (see "Employment Agreements" above for further details). The Chairman of the Compensation and Nominating Committee presents recommendations to the GP Board with respect to the Chief Executive Officer's compensation. In setting the Chief Executive Officer's salary and bonus, the Compensation and Nominating Committee reviews salaries and bonuses paid to other senior officers of the Fund, salaries and bonuses paid to other chief executive officers in the industry and the Chief Executive Officer's impact on the achievement of the Fund's objectives for the previous financial year, including the amount of distributions paid throughout the year.

Submitted on behalf of the Compensation and Nominating Committee:

Jonathan Carroll - Chairman
John Webster
Terence Francis

Performance Graph

The following graph compares the yearly percentage change in the cumulative total unitholder return for \$100 invested in Units on June 9, 2005 against the cumulative total unitholder return of the S&P/TSX Composite Index for the three most recently completed financial years of the Fund, assuming the reinvestment of all distributions.



| | June 9 2005 | Dec. 2005 | Dec. 2006 | Dec. 2007 |
|-------------------------|-------------|-----------|-----------|-----------|
| Cargojet Income Fund. | 100.00 | 99.81 | 103.38 | 186.13 |
| S&P/TSX Composite Index | 100.00 | 117.37 | 137.63 | 151.16 |

Statement of Corporate Governance Practices

Corporate Governance

In June 2005, National Policy 58-201 *Corporate Governance Guidelines* (the “**Governance Guidelines**”) and the Governance Disclosure Rule were adopted by the securities regulatory authorities in Canada. The Governance Guidelines deal with matters such as the constitution and independence of corporate boards, their functions, the effectiveness and education of board members and other items dealing with sound corporate governance practices. The Governance Disclosure Rule requires that, if management of an issuer solicits proxies from its security holders for the purpose of electing directors, specified disclosure of its corporate governance practices must be included in its management information circular.

The Fund and the Board recognize the importance of corporate governance to the effective management of the Fund and to the protection of its employees and Unitholders. The Fund’s approach to significant issues of corporate governance is designed with a view to ensuring that the business and affairs of the Fund are effectively managed so as to enhance Unitholder value. The Board fulfills its mandate directly and through its committees and the committees of the GP Board at regularly scheduled meetings or as required. Frequency of meetings may be increased and the nature of the agenda items may be changed depending upon the state of the Fund’s affairs and in light of opportunities or risks, which the Fund faces. The Trustees and directors of the GP are kept informed of the Fund’s operations at these meetings as well as through reports and discussions with management on matters within their particular areas of expertise.

The Fund’s corporate governance practices have been and continue to be in compliance with applicable Canadian requirements. The Fund continues to monitor developments in Canada with a view to further revising its governance policies and practices, as appropriate.

The following is a description of the Fund’s corporate governance practices, which has been prepared by the Corporate Governance Committee of the GP Board and has been approved by the Board.

The Board of Trustees and Board of Directors of the GP

Each of Jonathan Carroll, Terence Francis and John Webster being all of the Trustees that comprise the Board are independent within the meaning of the Governance Guidelines and hold regularly scheduled meetings to review the business operations, governance and financial results of the Fund without the presence of management.

The GP Board is comprised of each of the Trustees and two additional directors, Ajay Virmani, the President and Chief Executive Officer of the GP and Dan Mills. Ajay Virmani is the chairman of the GP Board and John Webster is its lead director.

To facilitate the functioning of the Board independently of management, the following structures and processes are in place:

- a non-executive lead director of the GP Board has been appointed;
- a majority of the GP Board members are non-management members;
- independent committees are appointed from time to time, when appropriate.

Position Descriptions

Written position descriptions have been developed by the Board for the Chairman of the Board, the Chairman of the Audit Committee, the Chairman of each committee of the GP Board and the Chief Executive Officer of the GP.

The roles and responsibilities of the Chief Executive Officer are set out in the position description and employment agreement of Ajay Virmani, which is reviewed and approved by the Board with the assistance of the Compensation and Nominating Committee. See "Employment Agreements".

Meetings of the Board and GP Board

From January 1, 2007 to December 31, 2007, the Board held four meetings at which all Trustees were in attendance. The GP Board held four meetings at which all directors were in attendance.

Other Public Company Directorships/Committee Appointments

The following table provides details regarding directorships held by the Trustees and the directors of the GP in other reporting issuers.

| Trustee | Other Reporting Issuer Directorships | Other Reporting Issuer Committee Appointments |
|------------------|--|--|
| Jonathan Carroll | Zoosland Corporation (TSX-V) Travelzest plc (AIM) | None |
| Terence Francis | None | None |
| John Webster | None | None |
| Ajay Virmani | None | None |
| Dan Mills | None | None |

Board Mandate

The Board is responsible for fostering the short and long-term success of the Fund and is accountable to the Unitholders. The Board discharges its responsibilities directly and through the Audit Committee of the Fund and the committees of the GP Board currently consisting of the Compensation and Nominating Committee and the Corporate Governance Committee.

A copy of the Charter of the Board setting out the Board's mandate, responsibilities and the duties of its

members is attached as Schedule "A" to this management information circular.

Orientation and Continuing Education

The Board is responsible for ensuring that new Trustees are provided with an orientation and education program which will include written information about the duties and obligations of the Trustee, the business and operations of the Fund, documents from recent Board meetings, and opportunities for meetings and discussion with senior management and other Trustees.

The Compensation and Nominating Committee, in conjunction with the Chairman of the Board, is responsible for ensuring that new directors of the GP Board are provided with an orientation and education program which will include written information about the duties and obligations of directors, the business and operations of the Fund, documents from recent GP Board meetings, and opportunities for meetings and discussion with senior management and other directors.

The Board recognizes the importance of ongoing trustee and director education and the need for each trustee and director to take personal responsibility for this process. To facilitate ongoing education of the Trustees and directors, the Board and the GP Board, through consultation with their committees will: (a) periodically canvas the Trustees and directors to determine their training and education needs and interests; (b) arrange ongoing visitation by the Trustees and directors to the Fund's facilities and operations; (c) arrange the funding for the attendance of the Trustees and directors at seminars or conferences of interest and relevance to their position as a Trustee and/or director; and (d) encourage and facilitate presentations by outside experts to the Board or its committees on matters of particular importance or emerging significance.

Code of Ethics

The Board has adopted a Code of Ethics (the "**Code**") for the Trustees, directors, officers and employees of the Fund and its subsidiaries and affiliates. Cargojet's Director, Human Resources has responsibility for monitoring compliance with the Code by ensuring all Trustees, directors, officers and employees receive and become thoroughly familiar with the Code and acknowledge their support and understanding of the Code. Any non-compliance with the Code is to be reported to Cargojet's Director, Human Resources. The Trustees monitor compliance of the Code by obtaining reports from Cargojet's Director, Human Resources as to any matters reported under the Code. A copy of the Code is available on SEDAR at www.sedar.com.

The Board takes steps to ensure that Trustees, directors, officers and employees exercise independent judgment in considering transactions and agreements in respect of which a Trustee, director, officer or employee of the Fund has a material interest, which include ensuring that Trustees, directors, officers and employees are thoroughly familiar with the Code and, in particular, the rules concerning reporting conflicts of interest and obtaining direction from their supervisor or the Chief Executive Officer of the GP regarding any potential conflicts of interest.

The Board encourages and promotes an overall culture of ethical business conduct by promoting compliance with applicable laws, rules and regulations; providing guidance to Trustees, directors, officers and employees to help them recognize and deal with ethical issues; promoting a culture of open communication, honesty and accountability; and ensuring awareness of disciplinary action for violations of ethical business conduct.

Nomination of Trustees

The Board, with the assistance of the Compensation and Nominating Committee, is responsible for identifying and recruiting new candidates for nomination to the Board. The process by which the Board identifies new candidates is through recommendations of the Compensation and Nominating Committee taking into account the following considerations: (a) the competencies and skills the Board, as a whole, should possess; (b) the competencies and skills that each existing Trustee possesses; (c) the competencies and skills each new nominee will bring to the Board; and (d) whether or not each new nominee can devote sufficient time and resources to his or her duties as a Board member.

The Board's responsibilities, in consultation with the committees of the GP Board, include periodically reviewing the charters of the Board and Audit Committee and the Compensation and Nominating Committee and Corporate Governance Committee of the GP Board; assisting the chairman of the Board in carrying out his responsibilities; considering and, if thought fit, approving requests from Trustees for the engagement of independent counsel in appropriate circumstances; preparing a set of corporate governance guidelines, the Code and annually a "Statement of Corporate Governance Practices" to be included in the Fund's management information circular; and annually reviewing the Board's relationship with management to ensure the Board is able to, and in fact does, function independently of management.

Compensation

The Board, with the assistance of the Compensation and Nominating Committee, which is composed entirely of independent directors, determines appropriate compensation for the Trustees and directors. The process by which appropriate compensation is determined is through periodic and annual reports from the Compensation and Nominating Committee on the Fund's overall compensation and benefits philosophies with such compensation realistically reflecting the responsibilities and risks of such positions.

The Compensation and Nominating Committee's responsibilities also include reviewing and making recommendations to the GP Board regarding any equity or other compensation plan and regarding the total compensation package of the Chief Executive Officer and other executive officers of the Fund, considering and approving the recommendations of the Chief Executive Officer regarding the total compensation and benefits philosophies and programs for senior management and employees and preparing and recommending to the Board annually a "Report on Executive Compensation" to be included in the Fund's management information circular.

Audit Committee

Information regarding the Company's Audit Committee is contained in the Company's annual information form (the "AIF") dated March 14, 2008 under the heading "Audit Committee". The AIF is available on SEDAR at www.sedar.com.

Board Assessments

The current practice of the Board is for the Board to make ongoing, formal assessments of the performance of the Board, its committees, the committees of the GP and individual Trustees and directors of the GP.

Particulars of Matters to be Acted Upon

Election of Trustees

The declaration of trust of the Fund, as amended, (the "**Declaration of Trust**") provides that there will be a minimum of three Trustees and a maximum of ten Trustees with the number of Trustees within that range being fixed by resolution of the Trustees. There are currently three Trustees.

Unless otherwise directed, the persons named in the enclosed form of proxy intend to vote in favour of the election, as Trustees, of the nominees whose names are set forth below. All of the nominees are currently Trustees of the Fund. Each Trustee will hold office for a term expiring at the close of the next annual meeting of Unitholders, unless his office is vacated earlier due to death, removal, and resignation or ceasing to be duly qualified. The Trustees do not contemplate that any of the nominees will be unable to serve as a Trustee, but should that circumstance arise for any reason prior to the Meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee at their discretion.

The following table and the notes thereto set forth the names of the persons proposed to be nominated for election as Trustees, their principal occupations or employments, the periods during which they have served as Trustees of the Fund and the approximate number of Voting Units beneficially owned, directly or indirectly, or over which control or direction is exercised, by each of them.

| Name and Province/Country of Residence ⁽⁷⁾ | Position with the Fund | Principal Occupation ⁽¹⁾ | No. of Voting Units Beneficially Owned, Controlled or Directed ⁽²⁾ | Trustee Since |
|---|------------------------|--|---|---------------|
| Jonathan Carroll ⁽³⁾⁽⁴⁾⁽⁵⁾ Ontario, Canada | Trustee | President of itravel2000.com | nil | 2007 |
| Terence M. Francis ⁽³⁾⁽⁴⁾⁽⁵⁾ British Columbia, Canada | Trustee | Principal of T. & T.G. Consulting (SA) Ltd. | 3,493 | 2005 |
| John P. Webster ⁽³⁾⁽⁵⁾⁽⁶⁾ Ontario, Canada | Trustee | President and Chief Executive Officer of Maple Trust Company | 4,000 | 2005 |

Notes:

- (1) Each of the foregoing individuals has been principally engaged in the occupation set out opposite his name for the preceding five years.
- (2) The information as to Voting Units beneficially owned or over which control or direction is exercised, not being within the knowledge of the Fund, has been furnished by the proposed nominees.
- (3) Member of the Audit Committee. Mr. Webster is Chairman of the Audit Committee.
- (4) Member of the Corporate Governance Committee. Mr. Francis is Chairman of the Corporate Governance Committee.
- (5) Member of the Compensation and Nominating Committee. Mr. Carroll is Chairman of the Compensation and Nominating Committee.
- (6) Mr. Webster is Lead Director of the GP.
- (7) No proposed Trustee is, or has been, within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company that, while that person was acting in that capacity (i) was the subject of a cease trade order or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; (ii) was subject to an event that resulted, after the director or executive officer ceased to be a director, chief executive officer or chief financial officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or (iii) 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 became subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Nomination for Election to the Board of Trustees of Cargojet Operating Trust

The declaration of trust (the “**Trust Declaration of Trust**”) of the Operating Trust provides that there will be a minimum of three and a maximum of ten trustees of the Operating Trust, with the number of trustees within that range being fixed by resolution of the trustees of the Operating Trust. There are currently three trustees of the Operating Trust. Pursuant to the Declaration of Trust and the Trust Declaration of Trust, Unitholders are indirectly entitled to elect the trustees of the Operating Trust by passing resolutions binding the Trustees with respect to the exercise of voting rights attaching to the securities of the Operating Trust. The nominees for election to the board of trustees of the Operating Trust will be the same individuals as the Trustees of the Fund set out in the chart above. Each trustee of the Operating Trust elected will hold office until the close of business of the first annual meeting of unitholders of the Operating Trust following his election unless his office is earlier vacated. Unless otherwise directed, the persons named in the enclosed form of proxy intend to vote for directing the Trustees of the Fund to vote the securities of the Operating Trust so as to elect such nominees as trustees of the Operating Trust.

Nomination for Election to the Board of Directors of the GP

The constating documents of the GP provide that there will be a minimum of one and a maximum of ten directors of the GP. There are currently five directors of the GP. As the GP is to be comprised of five directors, pursuant to a securityholders’ agreement the Virmani Family Trust, the Mills Family Trust and the Porteous Family Trust are collectively entitled to nominate two directors and the Operating Trust is required to vote its shares in the GP in favour of such individuals.

Pursuant to the Declaration of Trust and the Trust Declaration of Trust, Unitholders are indirectly entitled to elect the GP Board by passing resolutions binding the Trustees (in their capacities as Trustees of the

Fund and the trustees of the Operating Trust) with respect to the exercise of voting rights attaching to the securities of the GP. Unless otherwise directed, the persons named in the enclosed form of proxy intend to vote in favour of directing the Trustees of the Fund to elect the nominees whose names are set forth below as directors of the GP. Each director will hold office for a term expiring at the close of the next annual meeting of shareholders of the GP, unless his office is vacated earlier due to death, removal, resignation or ceasing to be duly qualified. The Trustees do not contemplate that any of the nominees will be unable to serve as a director, but should that circumstance arise for any reason prior to the Meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee at their discretion.

The following table and the notes thereto set forth the names of the persons proposed to be nominated for election as directors of the GP, their principal occupations or employments, the periods during which they have served as directors of the GP and the approximate number of Voting Units beneficially owned, directly or indirectly, or over which control or direction is exercised, by each of them.

| Name and Province/Country of Residence ⁽⁶⁾ | Position with the Fund | Principal Occupation ⁽¹⁾ | No. of Voting Units Beneficially Owned, Controlled or Directed ⁽²⁾ | Director Since |
|---|--|--|---|----------------|
| Jonathan Carroll ⁽³⁾⁽⁴⁾⁽⁵⁾ Ontario, Canada | Trustee, Director of the GP | President of itravel2000.com | nil | 2007 |
| Terence M. Francis ⁽³⁾⁽⁴⁾⁽⁵⁾ British Columbia, Canada | Trustee, Director of the GP | Principal of T.&T.G. Consulting (SA) Ltd. | 3,493 | 2005 |
| John P. Webster ⁽³⁾⁽⁵⁾⁽⁷⁾ Ontario, Canada | Trustee, Director of the GP | President and Chief Executive Officer of Maple Trust Company | 4,000 | 2005 |
| Ajay Virmani ⁽⁶⁾⁽⁹⁾ Ontario, Canada | President, Chief Executive Officer and Director of the GP | Chief Executive Officer of the GP | 2,029,396 | 2005 |
| Dan Mills ⁽⁴⁾⁽¹⁰⁾ Ontario, Canada | Executive Vice President, Chief Financial Officer, Corporate Secretary, and Director of the GP | Executive Vice President Chief Financial Officer, Corporate Secretary and Executive Vice-President of the GP since June 2005 Chief Financial Officer of the Fund from June 2005 to June 2007, and from March 1, 2008 to present. Executive Vice President and Chief Financial Officer of Cargojet Holdings Ltd. prior to June 2005 | 297,955 | 2005 |

Notes:

- (1) Each of the foregoing individuals has been principally engaged in the occupation set out opposite his name for the preceding five years,
- (2) The information as to Voting Units beneficially owned or over which control or direction is exercised, not being within the knowledge of the Fund, has been furnished by the proposed nominees.
- (3) Member of the Compensation and Nominating Committee. Mr. Carroll is Chairman of the Compensation and Nominating Committee.
- (4) Member of the Corporate Governance Committee. Mr. Francis is Chairman of the Corporate Governance Committee.
- (5) Member of the Audit Committee. Mr. Webster is Chairman of the Audit Committee.
- (6) No proposed director of the GP is, or has been, within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company that, while that person was acting in that capacity (i) was the subject of a cease trade order or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; (ii) was subject to an event that resulted, after the director or executive officer ceased to be a director, chief executive officer or chief financial officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or (iii) 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 became subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, except on December 17, 2002, Flagship International Marketing Ltd. ("FIML") voluntarily filed an assignment in bankruptcy under the Bankruptcy and Insolvency Act. At the time of filing the assignment in bankruptcy, Ajay Virmani and Dan Mills were the shareholders and directors of FIML. Ajay Virmani and Dan Mills, together represented approximately 76% of creditor claims. The Fuller Landau Group Inc. acted as trustee of FIML. On December 21, 2006, Starjet Airways Ltd. ("SAL") voluntarily filed an assignment in bankruptcy under the Bankruptcy and Insolvency Act. At the time of filing the assignment in bankruptcy, Ajay

Virmani, Dan Mills and Jamie Porteous were officers and directors of SAL. The Virmani Family Trust, The Mills Family Trust and The Porteous Family Trust were a shareholders of SAL. The Fuller Landau Group Inc. acted as trustee of SAL.

- (7) Lead director of the GP Board.
- (8) Chairman of the GP Board.
- (9) Ajay Virmani is the beneficial holder of 220,703 Voting Units and is a trustee of the Virmani Family Trust which is the beneficial holder of 1,808,693 Voting Units.
- (10) Dan Mills is the beneficial holder of 30,000 Voting Units and is a trustee of the Mills Family Trust which is the beneficial holder of 267,955 Voting Units.

Appointment of Auditors of the Fund

The auditors of the Fund are Deloitte & Touche LLP, Chartered Accountants and Licensed Public Accountants. Unless authority to do so is withheld, the persons named in the enclosed form of proxy intend to vote for the appointment of Deloitte & Touche LLP as the auditors of the Fund, to hold office until the next annual meeting of Unitholders, at a remuneration to be fixed by the Trustees. Deloitte & Touche LLP have been auditors of the Fund since inception.

The Reorganization

At the Meeting, Unitholders will be asked to consider and, if deemed advisable, pass a resolution with at least two-thirds of the votes cast, approving a modification of the Fund's organizational structure and certain consequential amendments to the Declaration of Trust (the "**Special Resolution**").

The reorganization will result in, inter alia, the elimination of the Operating Trust and an organizational structure whereby the business of the Fund will be carried on by partnerships which will be held by the Fund indirectly through the Partnership (the "**Reorganization**").

The Fund has applied to the Canada Revenue Agency ("**CRA**") for an advance income tax ruling with such modifications as the Fund considers appropriate (the "**Ruling**") in respect of the Reorganization. If obtained in the form requested, the Ruling will confirm that the Reorganization will occur on a tax-deferred basis for the Fund, its subsidiaries and Unitholders resident in Canada. See "Certain Canadian Federal Income Tax Considerations – Tax Considerations Applicable to the Reorganization".

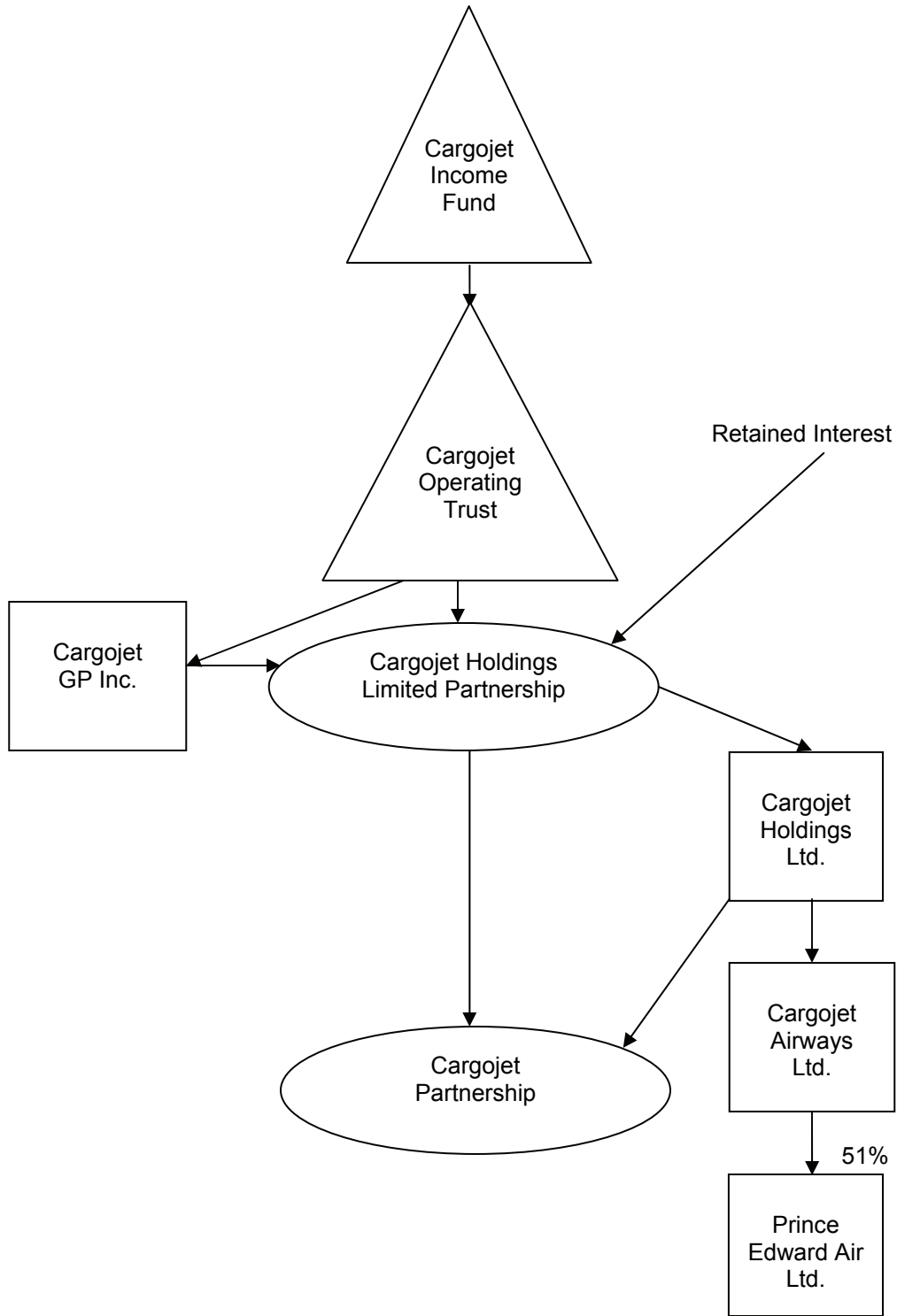
The Fund will not undertake the Reorganization if the Ruling is not obtained in a form that is acceptable to the Trustees, regardless of whether or not the Reorganization is approved by Unitholders at the Meeting.

The Reorganization will not have a noticeable impact on Unitholders. After the Reorganization is completed, Unitholders will hold the same number, type and percentage of outstanding Units as they held immediately before the Reorganization. Also, the total number of Units outstanding immediately following the Reorganization will be the same as before, and the Units will continue to be listed on the Toronto Stock Exchange (the "**TSX**"). There will be no change to the distribution policy of the Fund in connection with the Reorganization.

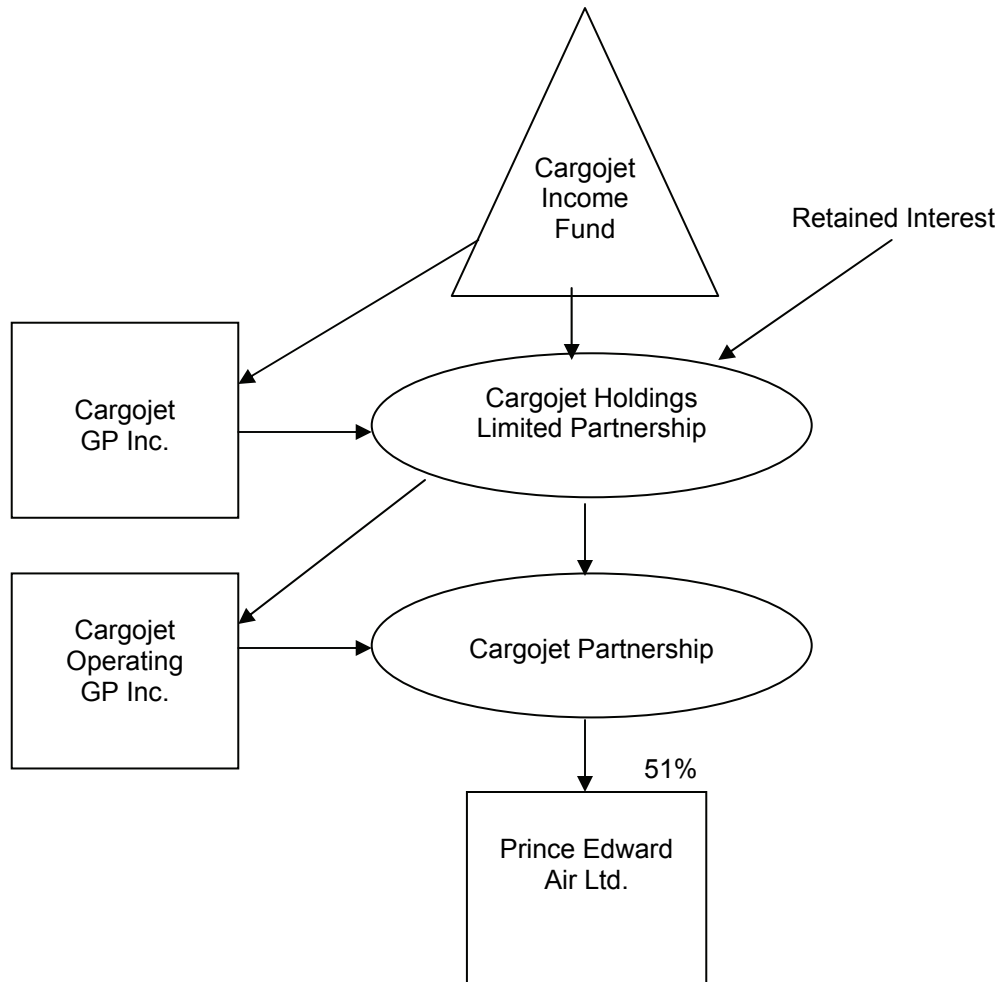
Subject to obtaining the Ruling, in a form that is acceptable to the Trustees, and any regulatory approvals determined to be necessary or advisable in connection with the Reorganization, and upon obtaining the requisite approval of Unitholders at the Meeting, the Trustees intend to effect the Reorganization in the fourth quarter of 2008 but no assurance can be provided that such will occur by that date or at all.

Organizational Structure Before and After the Reorganization

The following diagram sets out the current organizational structure of the Fund:



The following diagram sets out the organizational structure of the Fund after giving effect to the Reorganization:



Reorganization Steps

The following is a summary of the anticipated principal steps of the Reorganization:

1. Cargojet Holdings Ltd. ("**Holdings Ltd.**") will issue new common shares to the Partnership in satisfaction of the promissory note issued by Holdings Ltd. to the Partnership.
2. The Operating Trust will issue units of the Trust (the "**Trust Units**") to the Fund in satisfaction of the Series 1, Series 2 and Series 3 promissory notes of the Trust which will be settled and extinguished.
3. The Fund will amend its Fund Declaration of Trust to add a right of renunciation to give effect to the Reorganization. Unitholders will not be entitled to any proceeds of disposition as a result of these changes and their Units will not be redeemed or cancelled.
4. The Operating Trust will amend its Trust Declaration of Trust to allow for the creation of a second class of units (the "**Class A Trust Units**"). The terms of the Class A Trust Units will generally be as follow:
 - a) Each Class A Trust Unit, together with currently issued Trust Units, will represent an equal undivided interest in the Operating Trust;
 - b) Each Class A Trust Unit, together with currently issued Trust Units, will participate pro-rata in any distributions;

- c) Each Class A Trust Unit, together with currently issued Trust Units, will participate pro-rata in the net assets of the Operating Trust in the event of a termination or liquidation; and
- d) Each Class A Trust Unit, together with currently issued Trust Units, will be redeemable at the demand of the holder and retractable for its issue amount.

The Class A Trust Units will be issued with a nominal redemption amount per unit.

5. Cargojet Partnership (the "**Operating Partnership**") will amend its partnership agreement (the "**Operating Partnership Agreement**") to allow for the creation of a fourth class of units (the "**Class D Partnership Units**"). The terms of the Class D Partnership Units will generally be as follows:
 - a) The Class D Partnership Units may be issued in one or more series, with such rights and conditions as may be determined from time to time;
 - b) The Class D Partnership Units will have no voting rights attached to them;
 - c) The Class D Partnership Units will be entitled to receive any distributions declared by the Operating Partnership on the Class D Partnership Units; and
 - d) The Class D Partnership Units will be entitled to receive the remaining property of the Operating Partnership upon dissolution, liquidation or winding up of the Operating Partnership subject to the rights, privileges, restrictions and conditions attaching to any other class of units of the Operating Partnership.
6. The Fund will subscribe for a number of Class A Trust Units equal in number to the number of Units then outstanding for a cash payment of \$0.10 per Class A Trust Unit.
7. The Fund will distribute, as a distribution of capital on its Units, the Class A Trust Units acquired by the Fund in paragraph 6 to holders of Units. Each holder will receive such number of Class A Trust Units as is equal to the number of Units owned by such holder immediately before this distribution.
8. The Trust will transfer all of its assets and liabilities (including the shares of the GP and the Class A limited partnership units (the "**Ordinary LP Units**") of the Partnership to the Fund in exchange for Units.
9. The Class A Trust Units, distributed by the Fund to holder of Units as described in paragraph 7 hereof, will be redeemed by the Trust. As consideration for the redemption, the Trust will distribute a portion of Units acquired from the Fund pursuant to the transactions described in paragraph 8 hereof to holders of Units.
10. The Trust will renounce, release and surrender all of its interest in the Fund (income, capital and otherwise). Accordingly, all Units held by the Trust will be cancelled. The Trust will be liquidated.
11. Cargojet Airways Ltd. ("**Airways**") will transfer its net assets (including the shares in Prince Edward Air Ltd.) to the Operating Partnership on a tax deferred basis. As consideration for the transfer, Airways will receive Class D Partnership Units with a fair market value equal to the fair market value of the assets transferred.
12. The Fund will incorporate a corporation ("**MFC**") under the Business Corporations Act (Ontario).
13. The authorized share capital of MFC will consist of an unlimited number of common shares (the "**MFC Common Shares**") and class A shares (the "**MFC Class A Shares**"). Each MFC Common Share will entitle the holder to one vote, dividends as and when declared by the board of directors, and, on the dissolution of MFC, will entitle the holder to share pro rata in any remaining assets of MFC. The terms of each MFC Class A Share will generally be as follows:
 - a) Each MFC Class A Share will be non-voting;

- b) Each MFC Class A Share will entitle the holder to dividends as and when declared by the board of directors of MFC;
 - c) Each MFC Class A Share will be redeemable at the demand of the holder and retractable at a redemption price equal to the fair market value of any consideration paid to acquire such share on issuance, which redemption price will be payable in cash, or satisfied by the transfer of Units;
 - d) Each MFC Class A Share will entitle the holder to receive the Class A Share redemption price upon the receipt of a MFC Class A Share by MFC;
 - e) Under no circumstances may MFC suspend the redemption of the MFC Class A Shares; and
 - f) On dissolution of MFC, each MFC Class A Share will entitle the holder to the redemption price in preference to any participation on the MFC Common Shares.
14. The Fund will subscribe for 100 MFC Common Shares for \$100.
15. The Fund will subscribe for a number of MFC Class A Shares equal in number to the number of Units then outstanding for a nominal amount (\$0.001 per MFC Class A Share).
16. The Fund will distribute, as a distribution of capital on its Units, the MFC Class A Shares acquired by the Fund as described in paragraph 15 to the holders of Units. Each holder will receive such number of MFC Class A Shares as equals the number of Units owned by such holder immediately before this distribution.
17. MFC, Holdings Ltd. and Airways (each of which is referred to in this paragraph as a “**predecessor corporation**”) will undertake a long-form amalgamation under the provisions of the *Business Corporations Act* (Ontario) to form an amalgamated entity (“**Amalco-MFC**”) in such a manner that:
- a) All of the property (except any amounts receivable from any predecessor corporation or shares of the capital stock of any predecessor corporation) of the predecessor corporations held immediately before the amalgamation will become property of Amalco-MFC by virtue of the amalgamation;
 - b) All of the liabilities (except any amounts payable to any predecessor corporation) of the predecessor corporations immediately before the amalgamation will become liabilities of Amalco-MFC by virtue of the amalgamation; and
 - c) All the shareholders (except any predecessor corporation) who owned shares in the capital stock of any predecessor corporation immediately before the amalgamation will receive shares of the capital stock of Amalco-MFC pursuant to the amalgamation.
18. The Partnership will incorporate a corporation (“**Cargojet Operating GP**”) under the Business Corporations Act (Ontario) which will be the new general partner of the Operating Partnership. The authorized share capital of Cargojet Operating GP will consist of an unlimited number of common shares. Each common share will entitle the holder to one vote, dividends as and when declared by the board of directors, and, on the dissolution of Cargojet Operating GP, will entitle the holder to share pro rata in any remaining assets of Cargojet Operating GP.
19. Cargojet Operating GP will subscribe for 1 Class B Unit of the Operating Partnership for \$1.
20. Amalco-MFC and the Partnership will enter into an agreement of purchase and sale under which Amalco-MFC will transfer all of its property (being primarily the Class C and D Units of the Operating Partnership) to the Partnership. The Partnership will satisfy the purchase price by issuing to Amalco-MFC such number of Ordinary LP Units equal in value to the net property transferred.
21. The Partnership Agreement (as defined below) will be amended so as to continue to maintain the allocation of Partnership income amongst the Ordinary LP Units and Exchangeable LP Units irrespective of the number of Ordinary LP Units and Exchangeable LP Units issued. This

amendment will be required in order to reflect the fact that there has not been any underlying change in the economic interest shared by the Ordinary LP and Exchangeable LP unitholders.

22. Amalco-MFC and the Fund will enter into an agreement of purchase and sale under which Amalco-MFC will transfer all of its property (being primarily the Ordinary LP Units) to the Fund. The Fund will satisfy the purchase price by issuing to Amalco-MFC such number of Units equal in value to the net property transferred.
23. Amalco-MFC will redeem all of its issued and outstanding Class A Shares held by holders of Units. As consideration for the redemption, Amalco-MFC will distribute a portion of Units acquired from the Fund pursuant to the transactions described in paragraph 22 hereof to the holders of Units.
24. Amalco MFC will renounce, release and surrender all of its interest in the Fund (income, capital and otherwise). Accordingly, all Units held by Amalco-MFC will be cancelled.
25. The Partnership and the Fund will, by special resolution, resolve to liquidate and dissolve Amalco-MFC under the applicable provisions of the Business Corporations Act (Ontario). The outstanding common shares of Amalco-MFC owned by the Partnership and the Fund will be cancelled and any remaining properties of Amalco-MFC will be distributed to the Partnership and the Fund on the wind-up.
26. The outstanding Units will be consolidated on a basis such that the number of Units outstanding following such consolidation will be equal to the number of Units outstanding prior to the proposed reorganization. No Units will be cancelled or redeemed as a consequence of the consolidation and holders of Units will not receive, and shall not be entitled to receive, any proceeds of disposition in respect thereof.

The above reflects the steps management currently anticipates to be required for implementation of the Reorganization. Such steps may be modified or changed. However, it is anticipated any such modifications will not adversely affect the tax consequences to Unitholders described below under "Certain Canadian Federal Income Tax Considerations".

Recommendation of Trustees of the Fund

At the Meeting, Unitholders will be asked to consider and, if deemed advisable, pass the Special Resolution approving (i) the Reorganization and each of the transactions contemplated thereby and (ii) such amendments to the Declaration of Trust and any other documents to which the Fund or any of its subsidiaries is a party which, in the opinion of management of the Fund, are necessary or desirable to give effect to the Reorganization. See "Amendments to the Declaration of Trust". The text of the Special Resolution is attached to this Circular as Schedule "B".

The Trustees have determined that the Reorganization and the proposed consequential amendments to the Declaration of Trust and any other documents to which the Fund or any of its subsidiaries is a party are in the best interests of the Fund and its Unitholders and recommend that Unitholders vote in favour of the Special Resolution approving the Reorganization. Persons named in the enclosed form of proxy, if not expressly directed to the contrary in such form of proxy, will vote such proxy in favour of the Special Resolution.

MFC and Amalco MFC

MFC will be a wholly-owned subsidiary of the Fund incorporated in connection with, and for the purpose of effecting, the Reorganization. Pursuant to the Reorganization, Holdings Ltd., Airways and MFC will amalgamate under the laws of the Province of Ontario. The corporation continuing from such subsequent amalgamation is referred to in this Circular as "**Amalco MFC**". The articles of Amalco MFC will be the same as the articles of MFC. Following certain transfers, Amalco MFC will hold Units, which will be used, in part, to redeem all of the outstanding Amalco MFC Class A Shares previously distributed to holders of Units. All other Units held by Amalco MFC will be cancelled and Amalco MFC will be dissolved.

Securities Laws

The distribution of Class A Trust Units, MFC Class A Shares and additional Units to Unitholders pursuant to the Reorganization will be exempt from the registration and prospectus requirements of applicable Canadian securities legislation.

Certain Canadian Federal Income Tax Considerations

The following summary describes, as of the date of this Circular, the principal Canadian federal income tax considerations of the Reorganization generally applicable to a Unitholder who, at all relevant times and for the purposes of the *Income Tax Act* (Canada) (the "**Income Tax Act**"), is resident in Canada, holds Units as capital property and deals at arm's length, and is not affiliated, with the Fund. Generally, Units will be considered to be capital property to a Unitholder provided that the Unitholder does not hold the Units in the course of carrying on a business and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Certain Unitholders whose Units might not otherwise qualify as capital property may, in certain circumstances, be entitled to make an irrevocable election in accordance with subsection 39(4) of the *Income Tax Act* to have such Units, and all other "Canadian securities" as defined in the *Income Tax Act*, deemed to be capital property. Unitholders who do not hold their Units as capital property should consult their own tax advisors regarding their particular circumstances.

This summary is not applicable to a Unitholder that is a "financial institution", as defined in the *Income Tax Act* for purposes of the mark-to-market rules, or a "specified financial institution", as defined in the *Income Tax Act*, or that is a Unitholder an interest in which is a "tax shelter investment", as defined in the *Income Tax Act*. Such Unitholders should consult their own tax advisors.

This summary is based upon the current provisions of the *Income Tax Act* and the regulations thereunder (the "**Regulations**") and counsel's understanding, based on publicly available published materials, of the current administrative practices of the CRA, all in effect as of the date of this Circular. This summary takes into account all specific proposals to amend the *Income Tax Act* and the *Regulations* announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof, and assumes that such proposals will be enacted as proposed, but no assurance can be given that this will be the case. This summary does not otherwise take into account or anticipate any changes in the law or administrative practice, whether by judicial, governmental or legislative action or decision, nor does it take into account provincial, territorial or foreign tax legislation or considerations, which may differ significantly from those discussed herein.

As noted above under "The Reorganization", the Fund has applied to CRA for the Ruling, and if the Ruling is obtained in a form that is acceptable to the Trustees, it will confirm the consequences under the *Income Tax Act* of the Reorganization. However, no assurances can be given that CRA will provide the Ruling in the form requested, or at all. If the Ruling is not obtained in a form that is acceptable to the Trustees, the Fund will not undertake the Reorganization regardless of whether or not the Reorganization is conditionally approved by Unitholders at the Meeting.

Mutual Fund Trust

This summary is based on the assumption that the Fund qualifies, and will continue to qualify, as a "mutual fund trust" as defined in the *Income Tax Act*. If the Fund were not to qualify as a mutual fund trust, the income tax considerations described in this summary (including the summary of the tax considerations applicable to the Reorganization) would, in some respects, be materially different.

This summary is of a general nature only and is not exhaustive of all Canadian federal income tax considerations applicable to Unitholders. This summary is not intended to be, and should not be construed to be, legal, business or tax advice to any particular Unitholder, and no representation with respect to the tax consequences to any particular Unitholder are made. Unitholders should consult their own tax advisors to determine the tax consequences to them of the Reorganization having regard to their particular circumstances, including the application and effect of the income and other tax laws of any country, province, territory, state or local tax authority.

Tax Considerations Applicable to the Reorganization

The Fund and its Subsidiaries

None of the Fund or any of its subsidiaries will be required to include in its income any amount as a result of the Reorganization.

Participation of Unitholders in the Reorganization

Unitholders will not be required to include in computing income for the year the nominal value of the Class A Trust Units or the MFC Class A Shares received from the Fund as a return of capital. A Unitholder will be required to reduce the adjusted cost base of its Units by the nominal value of the shares so received as a return of capital. To the extent that the adjusted cost base of a Unit would thereby become a negative amount, the negative amount will be deemed to be a capital gain and the adjusted cost base of the Unit to the Unitholder will then be nil. The cost to a Unitholder of a Class A Trust Unit or a MFC Class A Share distributed to such holder will be equal to the nominal fair market value of such Class A Trust Unit or MFC Class A Share at the time of the distribution.

A Unitholder holding MFC Class A Shares will not realize a capital gain or a capital loss on the amalgamation of MFC and Holdings Ltd. The cost to a Unitholder of the Amalco MFC Class A Shares resulting from the amalgamation will be equal to the adjusted cost base of the MFC Class A Shares to that Unitholder immediately before the amalgamation.

A Unitholder holding Class A Trust Units or Amalco MFC Class A Shares will not be considered to have received a dividend and will not realize a capital gain or a capital loss as a result of the receipt of Units of the Fund on the redemption of the Class A Trust Units or Amalco MFC Class A Shares. The cost to a Unitholder of Units of the Fund received by such holder on the redemption will be equal to the nominal fair market value of the redeemed Class A Trust Units or Amalco MFC Class A Shares to the holder immediately prior to the redemption. The cost of these Units will be averaged with the adjusted cost base of all other Units held by the Unitholder as capital property immediately before the acquisition in order to determine the adjusted cost base of each Unit.

The consolidation of Units of the Fund occurring as part of the Reorganization will not result in a disposition of Units by Unitholders. The aggregate adjusted cost base of Units owned by a Unitholder after the Reorganization will be equal to the aggregate adjusted cost base of the Units owned by the Unitholder immediately prior to the Reorganization.

Eligibility for Investment

The Class A Trust Units, MFC Class A Shares and Amalco MFC Class A Shares will be qualified investments for purposes of the Income Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, (collectively, "**Deferred Income Plans**") and registered education savings plans ("**RESPs**").

Tax Considerations Following the Reorganization

Status of the Fund

Qualified Investment

Provided the Fund is a mutual fund trust within the meaning of the Income Tax Act, the Units will be qualified investments for Deferred Income Plans and RESPs. If the Fund ceases to qualify as a mutual fund trust, the Units will cease to be qualified investments for such plans. Any Partnership promissory notes received by Unitholders upon the redemption of Units ("**Partnership Series 2 Notes and Partnership Series 3 Notes**") will not be qualified investments for Deferred Income Plans and RESPs, and this could give rise to adverse consequences to such plans or the annuitants under such plans.

Accordingly, Deferred Income Plans and RESPs that own Units should consult their own tax advisors before deciding to exercise the redemption rights attached to the Units.

Taxation of the Fund

The taxation year-end of the Fund is December 31 of each year. In each taxation year, the Fund is subject to tax under Part I of the Income Tax Act on its income for tax purposes for the year, including net realized taxable capital gains, computed in accordance with the Income Tax Act, less the portion thereof that it deducts in respect of the amounts paid or payable in the year to Unitholders. An amount will be considered to be payable to a Unitholder in a taxation year if it is paid to the Unitholder in the year by the Fund or if the Unitholder is entitled in that year to enforce payment of the amount.

Income Inclusion

The Fund will include in its income for each taxation year such amount of Partnership's income for tax purposes, including net taxable capital gains, as is paid or becomes payable to the Fund in the year in respect of the Ordinary LP Units and, if issued, all interest on the Partnership Series 2 Notes and Partnership Series 3 Notes that accrues to the Fund to the end of the year, or that becomes receivable or is received by it before the end of the year, except to the extent that such interest was included in computing its income for a preceding year. The Fund will not be subject to tax on any amount received as a payment of principal in respect of the Partnership Series 2 Notes and Partnership Series 3 Notes, if issued, or any amount received as a return of capital from the Partnership (provided that the capital returned, if any, does not exceed the cost amount of the Partnership Units held by the Fund).

A distribution by the Fund of its property upon a redemption of Units will be treated as a disposition by the Fund of the property so distributed for proceeds of disposition equal to their fair market value. The Fund's proceeds of disposition of Partnership Series 2 Notes and Partnership Series 3 Notes will be reduced by any accrued but unpaid interest in respect thereof, which interest will generally be included in the Fund's income in the year of disposition to the extent that it was not included in the Fund's income in a previous year. The Fund will realize a capital gain (or a capital loss) to the extent that the proceeds of disposition exceed (or are less than) the adjusted cost base of the relevant property and any reasonable costs of disposition. The Fund currently intends to treat as payable to and designate to a redeeming Unitholder any capital gain realized by the Fund as a result of the distribution of such property to the Unitholder.

Income Deduction

In computing its income for purposes of the Income Tax Act, the Fund may deduct reasonable administrative costs, interest and other expenses incurred by it for the purpose of earning income. The Fund may also deduct from its income for the year a portion of the expenses incurred by it in connection with the issuance of Units. The portion of such issue expenses deductible by the Fund in a taxation year is 20% of such issue expenses, prorated where the Fund's taxation year is less than 365 days.

The Fund intends to make distributions in each year that are not less than its income for purposes of the Income Tax Act, including net realized taxable capital gains, so that the Fund will generally not be liable in such year for income tax under Part I of the Income Tax Act. Income of the Fund that is used to fund redemptions of Units for cash or is otherwise unavailable for distribution in cash will be paid to Unitholders in the form of additional Units. Income of the Fund payable to Unitholders, whether in cash, additional Units or otherwise, will generally be deductible by the Fund in computing its taxable income. Losses incurred by the Fund cannot be allocated to Unitholders, but may be deducted by the Fund in future years in accordance with the *Income Tax Act*.

In the event the Fund is otherwise liable for tax on its net realized taxable capital gains for a taxation year, it will be entitled for such taxation year to reduce (or receive a refund in respect of) its liability for such tax by an amount determined under the Income Tax Act based on the redemption of Units during the year (the "**Capital Gains Refund**"). In certain circumstances, the Capital Gains Refund in a particular taxation year may not completely offset the Fund's tax liability for such taxation year arising as a result of the distribution of Partnership Series 2 Notes and Partnership Series 3 Notes in connection with the redemption of Units. Thus, the Declaration of Trust provides, and the amended Declaration of Trust will

provide, that any capital gains realized by the Fund as a result of such redemption may be allocated to the Unitholders redeeming their Units. The taxable portion of such capital gains must be included in the income of the redeeming Unitholder.

Taxation of Unitholders

Fund Distributions

A Unitholder will generally be required to include in income for a particular taxation year the portion of the net income for tax purposes of the Fund for a taxation year, including net realized taxable capital gains, that is paid or payable to the Unitholder in the particular taxation year, whether the amount is received in cash, additional Units or otherwise.

The non-taxable portion of any net realized capital gains of the Fund that is paid or payable to a Unitholder in a taxation year will not be included in computing the Unitholder's income for the year. Any other amount in excess of the net income of the Fund that is paid or payable to a Unitholder in that year (other than as proceeds in respect of the redemption of Units) will not generally be included in the Unitholder's income for the year, but will reduce the adjusted cost base of the Units by that amount. To the extent the adjusted cost base of a Unit would otherwise be a negative amount, the negative amount will be deemed to be a capital gain realized by the Unitholder from the disposition of the Unit and will be added to the adjusted cost base of the Unit so that the adjusted cost base will be nil. The taxation of capital gains is described below.

Provisions of the Income Tax Act recently enacted impose a special tax on distributions by an income trust of "non-portfolio earnings". Non-portfolio earnings would include income related to businesses carried on by the trust in Canada, or in certain circumstances, income from non-portfolio property, as well as capital gains from the disposition of such non-portfolio property. Also included as non-portfolio earnings and therefore subject to the special tax would be Canadian resource properties and real properties situated in Canada in certain circumstances. The special tax rate would be equal to the federal general corporate tax rate (16.5% in 2011 and decreasing to 15% in 2012) and a combined federal and provincial tax rate of 30.5% in 2011 and decreasing to 29% in 2012.

For investors receiving distributions from an income trust out of income that has been subject to the special tax rate at the income trust level, the distributions will be deemed to be dividends received from a taxable Canadian corporation. Thus, the investor, if an individual, will receive the benefit of the enhanced dividend tax credit available for eligible dividends. Investors that are corporations may be permitted to deduct the dividends but private or closely-held corporations will be subject to a refundable tax.

These provisions, if applicable, will only take effect in the 2011 tax year unless the Fund exceeded normal growth based upon guidelines issued by the Department of Finance or the excess is a result of a prescribed transaction.

The cost to a Unitholder of Units received in lieu of a cash distribution of income will be equal to the amount payable by the Fund that is satisfied by the issuance of such Units to the Unitholder.

Provided that appropriate designations are made by the Fund, such portions of its net taxable gains as are paid or payable to a Unitholder will effectively retain their character and be treated as such in the hands of the Unitholder for purposes of the Income Tax Act.

Disposition of Units

On a disposition or deemed disposition of a Unit, the Unitholder will realize a capital gain (or a capital loss) equal to the amount by which the Unitholder's proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base of the Unit to the Unitholder and any reasonable costs of disposition. Proceeds of disposition will not include an amount that is otherwise required to be included in the Unitholder's income. The taxation of capital gains and capital losses is described below.

For the purpose of determining the adjusted cost base to a Unitholder of Units, when a Unit is acquired, the cost of the newly acquired Unit will be averaged with the adjusted cost base of all of the Units owned by the Unitholder as capital property immediately before that time.

Where Units are redeemed by the distribution of Partnership Series 2 Notes or Partnership Series 3 Notes to the Unitholder, the proceeds of disposition to the Unitholder of the Units will be equal to the fair market value of the property so distributed less any capital gain realized by the Fund as a result of the redemption of such Units which is being made payable by the Fund to the Unitholder and any accrued interest thereon.

Taxation of Capital Gains and Capital Losses

One-half of any capital gain realized by a Unitholder and the amount of any net taxable capital gain designated by the Fund in respect of a Unitholder will be included in the Unitholder's income as a taxable capital gain. One-half of any capital loss realized by a Unitholder may generally be deducted only from taxable capital gains in accordance with the provisions of the Income Tax Act. A Unitholder that is a Canadian-controlled private corporation as defined in the Income Tax Act may be liable for a 26 $\frac{2}{3}$ % refundable tax on investment income, including taxable capital gains.

Alternative Minimum Tax

In general terms, net income of the Fund paid or payable to a Unitholder that is an individual or a trust that is designated as taxable dividends or capital gains, and capital gains realized on the disposition of Units, may increase the Unitholder's liability for alternative minimum tax.

Ruling Request

The Fund has filed its request for the Ruling, and anticipates receiving it in the fourth quarter of 2008. If obtained, in a form that is acceptable to the Trustees, the Fund would complete the Reorganization.

The Trustees of the Fund reserve the right not to proceed with the Reorganization if the Ruling is received in a form, or other changes occur, that, in the view of the Trustees, have negative consequences to the Fund or the Unitholders.

Amendments to the Declaration of Trust

The Trustees propose to make such amendments to the Declaration of Trust as may be necessary or desirable to give effect to the Reorganization, subject to Unitholder approval of the Special Resolution in respect thereof. These amendments will provide for, among other things:

- i. the automatic consolidation of the outstanding Units (including additional Units distributed to Unitholders pursuant to the Reorganization) such that the total number of Units outstanding upon completion of the Reorganization will be equal to the total number of Units outstanding immediately prior to the Reorganization;
- ii. the issuance of fractions of Units, if any, pursuant to the Reorganization;
- iii. the redemption right that will, in certain circumstances, allow Unitholders to receive Partnership Series 2 Notes and Partnership Series 3 Notes pursuant to a redemption of Units as described more fully under the heading "Redemption Right" below;
- iv. the replacement of references to the Operating Trust and related provisions with references to the Partnership, and related provisions;
- v. the replacement of references to the Trust Units and the Trust Notes and related provisions with references to the units of the Partnership and the applicable series of promissory notes held by the Fund of the Partnership (the "**Partnership Series 1 Notes**", "**Partnership Series 2 Notes**" or

"Partnership Series 3 Notes" and collectively, the **"Partnership Notes"**), respectively, and related provisions;

- vi. the replacement of references to the Trust Note Indenture and related provisions with the references to the Partnership Note Indenture and related provisions; and
- vii. a right of renunciation allowing each Unitholder to surrender their Units to the Fund and renounce any right thereunder.

The following is a summary of certain provisions of the Declaration of Trust, as it will be amended to give effect to the Reorganization (as amended, the **"Amended Fund Declaration of Trust"**). This summary is qualified in its entirety by reference to the provisions of the Amended Fund Declaration of Trust, which will contain a complete statement of such provisions.

Redemption Right

The Amended Fund Declaration of Trust will provide that Units are redeemable at any time on demand by the holders thereof. As the Units will be issued in book-entry only form, a Unitholder who wishes to exercise the redemption right will be required to submit a duly completed and properly executed notice requiring the Fund to redeem the Units, in a form reasonably acceptable to the Trustees, to the Fund at the head office of the Fund or any of the principal offices of the transfer agent. Upon receipt of the redemption notice by the Fund, all rights to and under the Units tendered for redemption will be surrendered and the holder thereof will be entitled to receive a price per Unit (the **"Redemption Price"**) equal to the lesser of: (i) ninety percent (90%) of the "market price" of the Units on the date on which the Units were tendered for redemption (the **"Redemption Date"**); and (ii) the "closing market price" on the principal market on which the Units are quoted for trading on the Redemption Date. For the purposes of this calculation, **"market price"** shall be (i) an amount equal to the weighted average price per Unit at which the Units have traded on the principal exchange on which Units are listed (or, if the Units are not listed on any exchange, on the principal market through which the Units are quoted for trading) during the period of 10 consecutive trading days during which Units traded on such exchange or market immediately ending the date on which the Units were tendered for redemption, (ii) an amount equal to the weighted average of the closing prices of a Unit on the principal exchange or market on which the Units are listed or quoted for trading during the period of 10 consecutive trading days ending on such date, if the applicable exchange or market does not provide information necessary to compute a weighted average trading price; or (iii) if there was trading on the applicable exchange or market for fewer than five of the 10 trading days, an amount equal to the weighted average of the following prices established for each of the 10 consecutive trading days ending on such date: the weighted average of the last bid and last asking prices of the Units for each day on which there was no trading; the closing price of the Units for each day that there was trading if the exchange or market provides a closing price; and the weighted average of the highest and lowest prices of the Units for each day that there was trading, if the market provides only the highest and lowest prices of Units traded on a particular day. The **"closing market price"** shall be: (i) an amount equal to the weighted average trading price of a Unit on the principal exchange or market on which the Units are listed or quoted for trading on the specified date and the principal exchange or market provides information necessary to compute a weighted average trading price of the Trust Units on the specified date; (ii) an amount equal to the closing price of a Unit on the principal market or exchange, if there was a trade on the specified date and the principal exchange or market provides only a closing price of the Units on the specified date; (iii) an amount equal to the simple average of the highest and lowest prices of the Units on the principal market or exchange, if there was trading on the specified date and the principal exchange or market provides only the highest and lowest trading prices of the Units on the specified date; or (iv) the simple average of the last bid and last asking prices of the Units on the principal market or exchange, if there was no trading on the specified date.

The aggregate Redemption Price payable by the Fund in respect of any Units surrendered for redemption during any calendar month will be satisfied by way of a cash payment no later than the last day of the calendar month following the month in which the Units were tendered for redemption, provided that the entitlement of Unitholders to receive cash upon the redemption of their Units is subject to the limitations that: (i) the total amount payable by the Fund in respect of such Units and all other Units tendered for redemption in the same calendar month will not exceed \$50,000, provided that the Trustees may, in their

sole discretion, waive such limitation in respect of all Units tendered for redemption in any calendar month; (ii) at the time such Units are tendered for redemption, the outstanding Units shall be listed for trading on a stock exchange or quoted on another market which the Trustees consider, in their sole discretion, provides representative fair market value prices for the Units; and (iii) the normal trading of Units is not suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, on any market on which the Units are quoted for trading) on the Redemption Date or for more than five trading days during the 10 trading day period ending on the Redemption Date.

If a Unitholder is not entitled to receive cash upon the redemption of Units as a result of the foregoing limitations, then the Units tendered for redemption will, subject to any applicable regulatory approvals, be redeemed by way of a distribution *in specie*. In such circumstances, the Unitholder would be entitled to a *pro rata* number of Ordinary LP Limited Partnership Units and Partnership Series 1 Notes (in a principal amount which is an integral multiple of \$1.00), on the basis, for the Units tendered by the Unitholder for redemption, equal to the product of (i) the number of Units tendered for redemption divided by the total number of Units outstanding on the date on which the Units were tendered for redemption multiplied by (ii) the number of Ordinary LP Units and Exchangeable LP Units and the number of Partnership Series 1 Notes (in a principal amount which is an integral multiple of \$1.00) held by the Trust on the date the Units were tendered for redemption. The Trust shall redeem and cause the Partnership to redeem, that proportionate number of Ordinary LP Units and Partnership Series 1 Notes (in a principal amount which is an integral multiple of \$1.00) as is currently held by the Trust equal in the aggregate to the Redemption Price, for redemption proceeds consisting of Partnership Series 2 Notes and Partnership Series 3 Notes, respectively. The Partnership Series 2 Notes and the Partnership Series 3 Notes will then be distributed in satisfaction of the Redemption Price. The Fund will be entitled to all interest paid or accrued on the Partnership Notes up to and including the date of the distribution *in specie*. Where the Fund makes a distribution *in specie* of a *pro rata* number of Partnership Series 2 Notes or Partnership Series 3 Notes on the redemption of Units of a Unitholder, the trustees may in their sole discretion designate to that Unitholder any capital gain realized by the Fund as a result of the redemption of Ordinary LP Units or Partnership Series 1 Notes in exchange for Partnership Series 2 Notes and Partnership Series 3 Notes to the Unitholder on the redemption of such Units. See "Certain Canadian Federal Income Tax Considerations".

It is anticipated that the redemption right described above will not be the primary mechanism for Unitholders to dispose of their Units. Partnership Series 2 Notes and Partnership Series 3 Notes which may be distributed *in specie* to Unitholders in connection with a redemption will not be listed on any stock exchange, no market is expected to develop in Partnership Series 2 Notes and Partnership Series 3 Notes and they may be subject to resale restrictions under applicable securities laws. Partnership Series 2 Notes and Partnership Series 3 Notes so distributed may not be qualified investments for trusts governed by Deferred Income Plans and RESPs, depending upon the circumstances at the time.

Amendments to the Operating Trust Declaration of Trust

The Operating Trust Declaration of Trust will be amended to create the Class A Trust Units and to provide for their redemption. Upon completion of the Reorganization, the Trust will be liquidated and therefore the Operating Trust Declaration of Trust will be terminated.

Amendments to the Partnership Agreement

Pursuant to the Reorganization, the Partnership will be required to issue Ordinary LP Units to Amalco-MFC.

The Partnership Agreement will be amended so as to continue to maintain the allocation of Partnership income amongst the Ordinary LP Units and Exchangeable LP Units irrespective of the number of Ordinary LP Units issued. This amendment will be required in order to reflect the fact that there has not been any underlying change in the economic interest shared by the Ordinary LP and Exchangeable LP unitholders.

The Partnership Agreement will be further amended to provide for the redemption of Ordinary LP Units.

Amendments to the Operating Partnership Agreement

The Operating Partnership Agreement will be amended to allow for the creation of the Class D Partnership Units. The terms of the Class D Partnership Units will generally be as described in paragraph 5 of "Reorganization Steps" above.

Ancillary Documents

Administrative Agreement

Concurrent with the completion of the Reorganization, a new Administrative Agreement will be executed between the Partnership and the Fund on substantially the same terms as the current Administrative Agreement between the Operating Trust and the Fund.

Note Indenture

A new note indenture (the "**Partnership Note Indenture**") will be entered into between the Partnership and Computershare Trust Company of Canada (the "**Note Trustee**") which will provide for the issuance of the Partnership Notes. The following is a summary of the material attributes and characteristics of the Partnership Notes and is qualified in its entirety by reference to the provisions of the Partnership Note Indenture, which contains a complete statement of such attributes and characteristics.

The Partnership Notes will be issued only as fully registered Partnership Notes in a minimum denomination of \$1.00 and for amounts above such minimum, only in integral multiples of \$1.00. No fractional Partnership Notes will be distributed and where the number of Partnership Notes to be received by a Unitholder includes a fraction, such number shall be rounded down to the lowest whole number.

Partnership Series 2 Notes, will be reserved by the Partnership to be issued exclusively to holders of Ordinary LP Units and Exchangeable LP Units as full or partial payment of the redemption price for Ordinary LP Units and Exchangeable LP Units as the GP may decide or, in certain circumstances be obliged to issue.

Partnership Series 3 Notes will be reserved by the Partnership to be issued exclusively as full or partial payment of the redemption price for Partnership Series 1 Notes in the event of an in specie payment of the redemption price for Units redeemed by a Unitholder of the Fund.

Interest and Maturity

The Partnership Series 1 Notes will mature on June 9, 2030 and will be non-interest bearing. Each Partnership Series 2 Note will mature on a date deemed at the time of issuance by the GP and bear interest at a market rate to be determined by the GP at the time of issuance thereof, payable on the 15th day of each calendar month that such Partnership Series 2 Note is outstanding. Each Partnership Series 3 Note will mature on the same date as the Partnership Series 2 Notes and will be non-interest bearing.

Payment on Maturity

On maturity, the Partnership will repay the indebtedness represented by the Partnership Notes by paying to the Note Trustee, on behalf of the holders, an amount equal to the principal amount of the outstanding Partnership Notes, together with accrued and unpaid interest thereon. Payment to the holders will be made upon presentation and surrender of the Partnership Notes by the holders to the Note Trustee on the maturity date. Upon payment of the principal amount together with any accrued and unpaid interest thereon, the Partnership Notes shall be cancelled by the Note Trustee.

Redemption

The Partnership Notes will be redeemable in whole or in part at the option of the Partnership prior to maturity.

In addition, Partnership Series 1 Notes will be redeemable at any time on demand by the Fund upon delivery to the Partnership of a duly completed and properly executed notice requiring the Partnership to redeem Partnership Series 1 Notes, in a form reasonably acceptable to the GP, together with the certificates for Partnership Series 1 Notes to be redeemed and written instructions as to the number of Partnership Series 1 Notes to be redeemed. Upon tender of Partnership Series 1 Notes by the Fund for redemption, the Fund will no longer have any rights with respect to such Partnership Series 1 Notes other than the right to receive the redemption price for such Partnership Series 1 Notes. The redemption price for each Partnership Series 1 Note tendered for redemption will be equal to the principal amount thereof together with accrued and unpaid interest thereon. The aggregate redemption price payable by the Partnership in respect of any Partnership Series 1 Notes tendered for redemption by the Fund during any month will be satisfied by the issuance of Partnership Series 3 Notes in denominations of at least \$1.00 and integral multiples of at least \$1.00, and where the number of Partnership Series 3 Notes to be received includes a fraction, such number shall be rounded down to the next closest whole number.

Ranking

The payment of the principal of and interest on the Partnership Notes and all other amounts payable pursuant to the Partnership Note Indenture will be unsecured debt obligations of the Partnership and will be expressly subordinated in right of payment and will be otherwise subject to the terms of all senior indebtedness, being all indebtedness and liabilities of the Partnership, which by the terms of the instrument or agreement creating, evidencing or governing the same or pursuant to any inter-creditor or subordination agreement is expressed to rank in right of payment in priority to the indebtedness evidenced by the Partnership Notes or the Partnership Note Indenture.

Default

The Partnership Note Indenture shall provide for events of default substantially the same as those set out in the Trust Note Indenture.

Amendments to the Exchange Agreement

The Exchange Agreement will be amended to remove the Operating Trust as a party and to make corresponding changes required as a result.

Amendments to the Credit Facilities

Prior to completion of the Reorganization, the Fund will be required to amend the Credit Facilities in order to properly reflect the new corporate structure of the Fund.

Additional Amendments to the Declaration of Trust

Canadian Ownership and Control Provisions

The Trustees intend to make changes to the Canadian ownership and control provisions contained in the Declaration of Trust to satisfy requests for changes made by the Canadian Transportation Agency, which amendments are unrelated to the Reorganization. Such changes will include defining the terms “**Hold**”, “**Beneficial Ownership**” and “**Control**” as such terms relate to the ownership and control of securities of the Fund. In addition, the term “Threshold Percentage” will be defined to mean 100% minus the required percentage of Canadian ownership and/or control referenced at the time in question in the definition of Canadian for the purposes of the Canada Transportation Act (Canada), for reference purposes, being 75% as at the date of this management information circular.

The Amended Fund Declaration of Trust will also include amendments to the monitoring system and form of declaration to allow for a more effective and efficient monitoring process. Upon the effective date of the Amended Fund Declaration of Trust, the Trustees of the Fund, in their sole discretion, may require depository participants to provide the Trustees of the Fund with a declaration indicating, inter alia, whether the beneficial owners of the Units or Special Voting Units for which such depository Participant acts as agent or nominee and any other proposed person exercising control over the Units is a Canadian

or a Non-Canadian, and a Resident of Canada or a Non-resident of Canada. In the event that the threshold limits for Non-Canadian ownership are exceeded, the Trustees of the Fund maintain their powers under section 13.5(b) of the Declaration of Trust.

Documents Incorporated By Reference

Information has been incorporated by reference in this Circular from documents filed with securities commissions or similar authorities in Canada. The following documents of the Fund, filed with the provincial securities commissions or similar authorities in each of the provinces of Canada, are specifically incorporated by reference into and form part of this Circular:

- (a) Management Information Circular of the Fund dated April 4, 2007 with respect to the Annual and Special Meeting of Unitholders held on May 8, 2007;
- (b) the AIF of the Fund dated March 14, 2008 for the year ending December 31, 2007;
- (c) management's discussion and analysis of the Fund's financial condition and results of operations for the year ended December 31, 2007;
- (d) the interim financial statements of the Fund for periods subsequent to the end of the Fund's last fiscal year and the related management's discussion and analysis of the Fund's financial condition and results of operations;
- (e) consolidated financial statements of the Fund as at and for the year ended December 31, 2007 and 2006 together with the auditors' report thereon;
- (f) material change report of the Fund dated January 8, 2008 relating to the resignation of Craig Baxter as a Trustee of the Fund effective November 30, 2007 and the subsequent appointment of Jonathan Carroll as a Trustee of the Fund; and
- (g) material change report of the Fund dated April 16, 2008 relating to issuance of \$35,650,000 principal amount of 7.5% unsecured convertible subordinated debentures of the Fund due April 30, 2013.

Audit Committee

Information on the Audit Committee of the Board of Trustees of the Fund is provided in the Fund's AIF dated March 14, 2008, which has been filed on SEDAR at www.sedar.com.

Additional Information

Additional information relating to the Fund can be found on SEDAR at www.sedar.com. Financial information is provided in the Fund's financial statements for the financial period ended December 31, 2007 and related management's discussion and analysis of financial results, which can be found in the Fund's annual report to unitholders, which accompanies this information circular and has also been filed on SEDAR. Unitholders may also contact the Vice President, Marketing, Public & Government Relations of Cargojet by phone at (905) 501-7373 or by e-mail at pdhillon@cargojet.com to request copies of these documents.

Trustees' Approval

The contents of this management information circular and the sending thereof have been approved by the Trustees of the Fund.

"John Webster"
Trustee

"Terence Francis"
Trustee

"Jonathan Carroll"
Trustee

Toronto, Ontario
May 20, 2008

AUDITORS' CONSENT

We have read the Information Circular dated May 20, 2008, relating to the internal reorganization of Cargojet Income Fund (the "**Fund**"). We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use, through incorporation by reference in the above-mentioned Information Circular, of our report to the Unitholders of the Fund, on the consolidated balance sheets of the Fund as at December 31, 2007 and 2006 and the consolidated statements of operations and deficit, comprehensive income and cash flows for the years then ended. Our report is dated February 25, 2008.

(signed) Deloitte & Touche LLP
Chartered Accountants
Licensed Public Accountants

Toronto, Canada
May 20, 2008

SCHEDULE "A"

Charter of The Board of Trustees

I. Purpose

The Board of Trustees of Cargojet Income Fund (the "**Fund**") is ultimately responsible for the stewardship of the Fund and the operation of the business of the Fund. The Board of Trustees will discharge its responsibilities directly and through committees currently consisting of an Audit Committee of the Fund, a Compensation and Nominating Committee and a Corporate Governance Committee of Cargojet GP Inc. (the "**GP**"). The Board of Trustees will also be responsible for adopting and periodically reviewing the Fund's Timely Disclosure, Confidentiality and Insider Trading Policy. The Board of Trustees shall meet regularly to review the business operations, governance and financial results of the Fund. Meetings of the Board of Trustees shall include regular meetings without management to discuss specific aspects of the operations of the Fund.

II. Composition

The Board of Trustees shall be constituted at all times of a majority of individuals who, subject to any exemptions set out in National Instrument 52-110 Audit Committees ("**NI 52-110**"), will be independent. An "independent" trustee is a trustee who has no direct or indirect material relationship with the Fund. A "material relationship" is a relationship which could, in the view of the Board of Trustees of the Fund, be reasonably expected to interfere with the exercise of the trustee's independent judgement or a relationship deemed to be a material relationship pursuant to NI 52-110.

III. Responsibilities

The Board of Trustees' responsibilities include, without limitation to its general mandate, the following specific responsibilities:

1. Appointing an independent chairman who will be responsible for the leadership of the Board of Trustees and for specific functions to ensure the independence of the Board of Trustees.
2. The assignment to committees of trustees of the Fund or the directors of the GP, the general responsibility for developing the Fund's approach to: (i) financial reporting and internal controls; (ii) corporate governance issues; and (iii) issues relating to compensation of trustees, directors, officers and employees;
3. With the assistance of the Audit Committee:
 - (a) recommending the appointment of auditors and assessing the independence of the auditors;
 - (b) ensuring the integrity of the Fund's internal control and management information systems;
 - (c) identifying the principal risks of the Fund's business and ensuring that appropriate systems are in place to manage these risks;
 - (d) approving interim and annual financial statements of the Fund;
 - (e) reviewing the Charter of the Audit Committee, at least annually.

4. With the assistance of the Compensation and Nominating Committee:
 - (a) approving the compensation of trustees, directors, senior management and all other significant employees;
 - (b) ensuring that an appropriate selection process for new nominees to the Board of Trustees of the Fund is in place and developing the Fund's approach to nomination and review of trustees, directors, officers and employees; and
 - (c) developing the corporate objectives that the Chief Executive Officer is responsible for meeting, and assessing the Chief Executive Officer against these objectives.
5. With the assistance of the Corporate Governance Committee:
 - (a) developing the Fund's approach to corporate governance, including developing a set of corporate governance principles and guidelines that are specifically applicable to the Fund;
 - (b) approving the formal charters of the Audit Committee, Compensation and Nominating Committee and Corporate Governance Committee; and
 - (c) adopting a communication policy for the Fund.
6. Assessing, at least annually, the effectiveness of the Board of Trustees of the Fund as a whole, the Audit Committee, Compensation and Nominating Committee and Corporate Governance Committee and the contribution of individual trustees and directors, including consideration of the appropriate size of the Board of Trustees of the Fund.
7. Ensuring that an appropriate orientation and education program for new recruits to the Board of Trustees of the Fund and Board of Directors of the GP is in place and providing continuing education opportunities for all trustees.
8. Succession planning and the appointment, training and monitoring of the Chief Executive Officer and other senior management.
9. Developing a position description for the Chair of the Board of Trustees and the Chair of each Board Committee.
10. Developing, together with the Chief Executive Officer, a position description for the Chief Executive Officer, including the definition of the limits to management's responsibilities.
11. Approving securities compliance policies, including communications policies of the Fund and reviewing these policies at least annually.
12. The adoption of a strategic planning process and the approval and review, on at least an annual basis, of a strategic plan that takes into account business opportunities and business risks.
13. The adoption of a formal process to consider what competencies and skills the board, as a whole, should possess and what competencies and skills each existing director possesses.
14. The adoption of a formal code of business ethics or business conduct for the Fund that governs the behavior of Trustees of the Fund and directors, officers and employees of subsidiaries of the Fund.

15. Monitoring compliance with the code of business ethics or business conduct and granting any waivers from compliance with the code for Trustees of the Fund and directors and officers of subsidiaries of the Fund.
16. Ensuring that the Charter of the Audit Committee is published in the Fund's annual report or information circular as required.
17. Performing such other functions as prescribed by law or assigned to the Board of Trustees of the Fund in the declaration of trust governing the Fund.

IV. Administrative Procedures

1. The members of the Board of Trustees are expected to attend all meetings of Board of Trustees unless prior notification of absence is provided.
2. The members of the Board of Trustees are required to have reviewed board materials in advance of the meeting and be prepared to discuss such materials at the meeting.
3. The Board of Trustees shall provide contact information on the website of Cargojet Holdings Ltd. for the Chairman of the Board of Trustees, who will be responsible for receiving feedback from unitholders.

SCHEDULE "B"

SPECIAL RESOLUTION

APPROVAL OF PROPOSED REORGANIZATION AND AMENDMENTS TO

THE DECLARATION OF TRUST

BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

1. (i) the proposed internal reorganization (the "**Reorganization**") as described in the management information circular dated May 20, 2008 (the "**Circular**") of Cargojet Income Fund (the "**Fund**"), and each of the steps and transactions contemplated thereby; or such steps and transactions as may be modified as necessary in order to effect the Reorganization as approved by any one Trustee of the Fund, and

(ii) such amendments (the "**Amendments**") to the Declaration of Trust of the Fund dated as of April 25, 2005, as amended and restated as of June 1, 2005 and any other documents to which the Fund or any of its subsidiaries is a party, as, in the opinion of the Trustees of the Fund, are necessary or desirable, each substantially as described in the Circular are hereby authorized and approved, and any one Trustee of the Fund, or director or officer of the GP is authorized and directed, for and on behalf of the Fund, to negotiate, execute and deliver any document or instrument, and to do or cause to be done all such other acts and things, as such person may determine to be necessary or desirable to carry out the intent of the foregoing resolutions, such determination to be conclusively evidenced by the execution and delivery of such documents and instruments or the doing of such acts and things; and
2. notwithstanding that this special resolution has been duly passed by the Unitholders of the Fund, the trustees of the Fund may revoke this special resolution and elect not to proceed with the Reorganization or the Amendments without further approval of the Unitholders of the Fund.

