



CARGOJET INC.

ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON APRIL 9, 2015



**CARGOJET INC.**  
**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**NOTICE IS HEREBY GIVEN** that an annual meeting (the “**Meeting**”) of shareholders (the “**Shareholders**”) of Cargojet Inc. (the “**Company**”) will be held at the TSX Gallery, The Exchange Tower, 130 King Street West, Toronto, Ontario, on Thursday, April 9, 2015 at 2:30 p.m. (Toronto time), for the following purposes:

- (a) to receive and consider the audited consolidated financial statements of the Company, for the fiscal period ended December 31, 2014 and the report of the auditors thereon;
- (b) to elect the directors of the Company;
- (c) to appoint the auditors of the Company and to authorize the directors of the Company to fix their remuneration and;
- (d) 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, the audited consolidated financial statements of the Company and management’s discussion and analysis for the fiscal period ended December 31, 2014.

The board of directors of the Company have by resolution fixed the close of business on March 5, 2015 as the record date for the determination of Shareholders entitled to receive notice of and to vote at the Meeting or any adjournments thereof.

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

Duly completed and executed proxies must be received by the Company’s transfer agent no later than 48 hours (excluding Saturdays, Sundays and holidays) before the time of the Meeting or any adjournment of the Meeting.

DATED at Mississauga, Ontario this 7<sup>th</sup> day of March, 2015.

**BY ORDER OF THE BOARD OF DIRECTORS**

“Ajay Virmani”  
\_\_\_\_\_  
Ajay Virmani  
President and Chief Executive Officer

**CARGOJET INC.**  
**MANAGEMENT INFORMATION CIRCULAR**

***The Company***

Cargojet Inc. (the “**Company**”) is the successor to Cargojet Income Fund (the “**Fund**”) following the completion of the conversion (the “**Conversion**”) of the Fund from an income trust to a public corporation by way of a court-approved statutory plan of arrangement under Section 182 of the *Business Corporations Act* (Ontario) on January 1, 2011. All references to the “**Company**” refer to Cargojet Inc. and, as the context requires, its predecessor, the Fund.

**Solicitation of Proxies**

This management information circular is furnished in connection with the solicitation of proxies by management of the Company for use at the annual meeting (the “**Meeting**”) of holders (the “**Shareholders**”) of common voting shares (the “**Common Voting Shares**”) and variable voting shares (the “**Variable Voting Shares**” and together with the Common Voting Shares, the “**Voting Shares**”) of the Company to be held at the time and place and for the purposes set forth in the accompanying notice of annual meeting of shareholders. References in this management 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 Company. Proxies may also be solicited personally or by telephone by the directors, officers or regular employees of the Company 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 Company.

The board of directors of the Company (the “**Board**”) has by resolution fixed the close of business on March 5, 2015 as the record date, being the date for the determination of the registered holders of Voting Shares entitled to receive notice of and to vote at the Meeting. Duly completed and executed proxies must be received by the Company’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 March 7th, 2015.

**Appointment and Revocation of Proxies**

The persons named in the enclosed form of proxy are directors of the Company. **A Shareholder desiring to appoint some other person, who need not be a Shareholder, to represent the Shareholder 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 Company’s transfer agent 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.**

A Shareholder 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 Shareholder 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 Voting Shares represented by the proxy submitted by a Shareholder 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 Shareholder or by his or her attorney authorized in writing,

and deposited at the registered office of the Company'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 Voting Shares in respect of which they are appointed in accordance with the direction of the Shareholders appointing them. **In the absence of such direction, such Voting Shares will be voted in favour of the election of the 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 annual meeting of Shareholders and with respect to other matters which may properly come before the Meeting.** At the time of printing of this management information circular, neither the directors nor officers of the Company 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 directors or officers of the Company 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 directors and officers of the Company, except as set out herein and except insofar as they may be Shareholders, no director or officer of the Company, or any proposed nominee for election as a director of the Company, 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 Company are divided into two classes, designated as Common Voting Shares and Variable Voting Shares. Each Voting Share represents an equal undivided beneficial interest in any net income and free cash flow from the Company and in any assets of the Company remaining in the event of termination or winding up of the Company. Each Voting Share entitles the holder thereof to one vote on all matters to be acted upon at the Meeting, unless otherwise varied in accordance with the terms of the Variable Voting Shares as set forth in the articles of arrangement of the Company.

As at March 7<sup>th</sup>, 2015, the following Voting Shares in the capital of the Company were issued and outstanding:

Common Voting Shares	9,079,960
Variable Voting Shares	98,545

The Board has fixed the record date of March 5, 2015 for the purpose of determining Shareholders entitled to receive notice of and to vote at the Meeting. Only persons registered as Shareholders on the books of the Company as of the close of business on the record date are entitled to receive notice of and to vote at the Meeting. The failure of any Shareholder to receive notice of the Meeting does not deprive the Shareholder of the right to vote at the Meeting.

To the knowledge of the directors and officers of the Company, no person or company beneficially owns, directly or indirectly, or exercises control or direction over, Voting Shares carrying more than 10% of the voting rights attached to any class of voting securities of the Company other than:

Name	Voting Shares Owned on a Non-Diluted Basis #/% <sup>(1)</sup>	Voting Shares Owned on a Fully Diluted Basis #/% <sup>(1) (2)</sup>
Ajay Virmani and The Virmani Family Trust	1,462,410 / 15.93%	1,547,516 / 11.89%
Sentry Investments Inc.	920,750 / 10.03%	920,750 / 7.07%

Note:

- (1) The information as to Voting Shares beneficially owned or over which control or direction is exercised, not being within the knowledge of the Company, has been furnished by the Shareholders listed above.
- (2) The calculation of fully diluted voting shares assumes the conversion of the Company's \$14,869,000 of outstanding 6.5% convertible debentures converted at the conversion price of \$11.75 per common voting share and \$74,000,000 of outstanding 5.5% convertible debentures converted at the conversion price of \$28.75 per common voting share. Ajay Virmani currently holds \$1,000,000 of the 6.5% convertible debentures of the Company.

## **Executive Compensation**

### ***Compensation Discussion and Analysis***

#### **Introduction**

Under applicable securities legislation, the Company is required to disclose certain financial and other information relating to the compensation of its Chief Executive Officer (“**CEO**”), the Chief Financial Officer (“**CFO**”) and the Company’s three most highly compensated executive officers (other than the CEO and CFO) whose total salary and bonus exceeds \$150,000 (together with the CEO and CFO, the “**NEOs**”). The operations of the Company are conducted primarily through Cargojet Partnership (the “**Operating Partnership**”) and Cargojet Airways Ltd. (“**Cargojet Airways**”). The executive officers are compensated through the Operating Partnership and Cargojet Airways for acting in such capacities.

This compensation discussion and analysis (“**CD&A**”) is intended to provide Shareholders with an understanding of the Company’s approach to compensation, including a description of the decisions and processes involved, the different components of the Company’s compensation program, what the Company paid NEOs for the financial year ended December 31, 2014, and why. The NEOs for the financial year ended December 31, 2014 were:

- Ajay Virmani, CEO
- Jamie Porteous, Executive Vice-President & Chief Commercial Officer
- John Kim, CFO
- George Sugar, Senior Vice President Flight Operations
- Paul Rinaldo, Senior Vice President Engineering and Maintenance

In 2009, at the direction of the Board, the Compensation and Nominating Committee (the “**CNC**”) undertook a comprehensive review of the Fund’s executive compensation policies and practices. The CNC retained Hugessen Consulting Inc. (“**Hugessen**”) to act as an independent consultant to gather competitive market data and to advise on the design of a new executive compensation plan. Upon reviewing the objectives of the Fund and the practices of comparable companies, the CNC established, and the board of trustees of the Fund approved, an executive compensation plan that aligned executive compensation with the Fund’s objectives and with the interests of the Fund’s unitholders. The new compensation plan was fully implemented in 2010 and was adopted by the Company upon completion of the Conversion.

### Executive Compensation Philosophy

The Company's executive compensation practices are designed to attract, motivate and retain a leadership team that will create long-term and sustainable value for Shareholders. Accordingly, the Company's executive compensation program is based on the following principles:

- compensation levels should be fair and competitive with the market;
- compensation should help to retain and motivate executives who are critical to the Company's long-run success;
- compensation should reward overall business performance and should encourage an environment of teamwork and collaboration;
- compensation should align the interests of the Company's executives with those of Shareholders; and
- compensation should not encourage the Company's executives to expose the Company to inappropriate or excessive risk.

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

The CNC is responsible for reviewing the implications of risks associated with the Company's compensation policies and practices and reporting any identified risks that are reasonably likely to have a material adverse effect on the Company. The CNC considers the balance between long term objectives and short term financial goals incorporated into the Company's executive compensation program and whether or not NEO's are potentially encouraged to expose the Company to inappropriate or excessive risk. The Company's executive compensation program has been structured identically among all of the Company's executive officers and the Board has the discretion to award incentives based on long-term objectives that may have an impact on short-term financial targets. Furthermore, the Company's executive compensation program includes a maximum annual payout limit. As at the date of this management information circular, the CNC has not identified any risks that are reasonably likely to have a material adverse effect on the Company.

The Company does not currently have a policy that restricts executive officers or directors from purchasing financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds that are designed to hedge or offset a decrease in market value of equity.

### Role and Composition of the CNC, and the Role of Management and Independent Advisors

#### (i) Role and Composition of the CNC

The mandate of the CNC is to review all aspects of compensation paid to the members of the Board, members of the committees of the Board, the Chairman of the Board and the management and employees of the Company and its subsidiaries to ensure that the Company's compensation programs are competitive so that the Company can attract, motivate and retain high caliber individuals and to review and make recommendation to the Board as to such matters. The CNC's mandate also includes the development of the Company's approach to matters of nominations to the Board.

The CNC assists the Board by making recommendations to the Board concerning the appointment, hiring, compensation, benefits and termination of senior officers and all other significant employees of the Company. The CNC reviews on an annual basis the CEO's goals and objectives for the upcoming year and provides an appraisal of the CEO's performance. The CNC also reviews the Company's executive compensation programs every year, evaluating individual NEO compensation including annual base

salary, short and long-term incentives, and perquisites. Its aim in doing so is to assess the alignment of the compensation programs with company objectives and market practices.

The CNC administers and makes recommendations regarding the operation of the LTIP and identifies and recommends to the Board individuals qualified to become new directors of the Company.

As of March 8, 2015, the CNC is comprised of Paul Godfrey (Chairman), James Crane, and John Webster, all of whom have relevant direct experience in matters of executive compensation and are “independent” within the meaning of National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (the “**Governance Disclosure Rule**”). Mr. Crane replaced Terence Francis as a member of the CNC upon the resignation of Mr. Francis as a director of the Company on March 8, 2015. Specifically, the following biographies of the current members of the CNC detail their skills and experiences that are relevant to their responsibilities with respect to executive compensation:

**Paul Godfrey:**

Mr. Godfrey currently serves as the President and Chief Executive Officer of Postmedia and the Chairman of RioCan Real Estate Investment Trust. First elected to public office in 1964, Mr. Godfrey served as Chairman of the Metropolitan Toronto Council from 1973 to 1984. In 1984 Mr. Godfrey joined the Toronto Sun as Publisher and Chief Executive Officer and served as President and Chief Executive Officer of the Sun Media Corporation from 1992 to 2000. Mr. Godfrey has also served as the President and Chief Executive Officer of the Toronto Blue Jays Baseball Club from 2000 to 2008. Mr. Godfrey previously served as a director of Astral Media Inc., a director of Data & Audio-Visual Enterprises Wireless Inc. which operated under the trade name “Mobilicity” and as Chair of the Ontario Lottery and Gaming Corporation. Mr. Godfrey graduated from the University of Toronto with a Bachelor of Applied Science in Chemical Engineering.

**James Crane:**

Mr. Crane is the President and Chief Executive Officer of Crane Capital Group, Inc. Mr. Crane earned a Bachelor of Science degree in Industrial Safety from Central Missouri State University in 1976. In 1984, Mr. Crane founded Eagle USA Airfreight (EGL, Inc.), a freight forwarding company, and sold it in 2007. In 2008, Mr. Crane formed Crane Worldwide Logistics (CWL), a global provider of customized transportation and logistics services. Mr. Crane is also the owner of Champion Energy Services, a retail electricity companies in the United States. Mr. Crane is also the controlling investor in the Houston Astros baseball team.

**John Webster:**

Mr. Webster has been the President and Chief Executive Officer of Scotia Mortgage Corporation since 2006. Mr. Webster has also been the President and Chief Executive Officer of Maple Trust Company since 1989. Maple Trust Company was acquired by Scotia in 2006. He has been the Chief Executive Officer and previously, the Chief Operating Officer, for regulated financial institutions for over twenty years. During such time Mr. Webster has participated in overseeing numerous internal and external audits as a member of senior management and as a board member. Mr. Webster’s current and previous directorships include Maple Trust Company, Scotia Mortgage Corporation, Filogix Inc. and Dundee Financial Corporation. Mr. Webster received an Honours BA from Wilfred Laurier University and an LL.B and B.C.L. from McGill University.

(ii) Role of Management in Compensation Decisions

The CFO assists the CEO in developing and presenting to the CNC all of management’s recommendations and supporting material pertaining to the compensation of the NEOs and other senior executives. In addition, the CFO works with the Chairman of the CNC to plan the annual agenda and to prepare materials for each meeting of the CNC. The CEO is invited to attend all regular meetings of the CNC, and an in camera session, during which management is not in attendance, is held during each CNC meeting.



(iii) Role of Independent Advisor in Compensation Decisions

Hugessen was retained in 2009 directly by the CNC to provide independent advice, compensation analysis and other information in support of the CNC's decision-making in regard to executive compensation and related matters. All work performed by Hugessen was at the direction of, and pre-approved by, the CNC including occasional work performed in partnership with management. The decisions taken by the CNC remain its responsibility and may reflect factors and considerations in addition to the information and recommendations provided by Hugessen.

Hugessen was also retained in 2014 directly by the CNC to provide independent advice, compensation analysis and other information in support of the LTIP alternatives for consideration including equity instruments, method of payment and size of pool. Stock option and RSU plans were drafted and approved at the Annual and Special Meeting of Cargojet's Shareholders in 2014. All work performed by Hugessen was at the direction of, and pre-approved by, the CNC including occasional work performed in partnership with management. The decisions taken by the CNC remain its responsibility and may reflect factors and considerations in addition to the information and recommendations provided by Hugessen.

All of the work performed by Hugessen was completed in 2014. Hugessen has no other mandate with the Company. No fees were charged by Hugessen or paid by the Company to Hugessen in each of 2012 and 2013.

Components of the Company's Executive Compensation Program

Compensation component	Objectives	Form
Base salary	Provide fixed compensation reflecting the role, skills, and experience of the executive officer.	Cash
STIP/bonus	Provide performance-based compensation linked to the achievement of EBITDA objectives and of individual performance objectives.	Cash
LTIP	Provide performance-based compensation linked to the achievement of EBITDA objectives and of individual performance objectives, align the interests of executive officers with those of Shareholders and encourage retention of talented executive officers.	Time-vested Voting Shares, RSUs and Options

The compensation mix varies based on the level of the executive to reflect the impact of more senior roles on overall Company performance. The base salary portion of executive compensation is fixed, while the annual short-term and long-term incentive portions are performance-based and are variable.

The target mix of the primary compensation components for the NEOs for fiscal 2014 is shown in the following table:

NEO	Percentage of Target Total Direct Compensation <sup>(1)</sup>			Percentage of variable compensation <sup>(1)</sup>
	Base salary	Short-term incentives	Long-term incentives	
Ajay Virmani	35%	39%	26%	65%
Jamie Porteous	39%	38%	23%	61%
John Kim	49%	26%	26%	52%
George Sugar	49%	26%	26%	52%
Paul Rinaldo	49%	26%	26%	52%

Note:

(1) Percentages have been rounded to the nearest whole number.

The overall design of the 2014 NEO compensation program is summarized in the following table:

NEO	Annual Salary (\$)	STIP Target at Maximum (% of salary)	LTIP Target at Maximum (% of salary)
Ajay Virmani	600,000	112.5%	75.0%
Jamie Porteous	450,000	97.5%	60.0%
John Kim	275,000	52.5%	52.5%
George Sugar	250,000	52.5%	52.5%
Paul Rinaldo	250,000	52.5%	52.5%

### Competitive Benchmarking

In order to attract and retain the leadership it needs, the Company seeks to ensure that its executive compensation programs remain competitive with its market. On an annual basis, a market review of compensation levels and practices is undertaken. The Company selects the elements of its compensation programs to ensure a competitive compensation package for its executives, and positions its total compensation levels with reference to the median of compensation levels for executives in comparable roles in its peer group.

In 2009, the Fund asked Hugessen to benchmark the compensation of Ajay Virmani, Dan Mills (the CFO of the Company at the time) and Jamie Porteous. This review included an analysis of the competitiveness of total compensation as well as the components of individual compensation. The group of companies against which the Fund conducted this benchmarking, as approved by the CNC, is listed in the table below.

<b>Benchmarking Peer Group</b>
Contrans Group Inc Trimac Transportation Services LP Clarke Inc. Exchange Income Corporation Discovery Air Inc. HNZ Group Inc. (Formerly Canadian Helicopters Group Inc.)

In 2014, the CNC benchmarked the total compensation of Ajay Virmani, Jamie Porteous and John Kim against the same group of companies listed in the table above. The next review will be completed by the CNC in 2015.

### How the Company Makes Executive Compensation Decisions

#### (i) Base Salary

Individual executive salaries are typically set with a view towards offering market-competitive fixed compensation in order to attract and retain leaders with the appropriate skill sets. The CNC, following discussions with the CEO makes an annual recommendation to the Board for each NEO's annual salary, taking the following into consideration:

- for the CEO, CFO and Executive Vice-President and Chief Commercial Officer, the position of the NEO's salary versus the salaries for similar roles at market comparators
- the NEO's experience, knowledge, and performance; and
- the NEO's total compensation (i.e. including incentive compensation at target).

Automatic annual or inflation-based adjustments to executive salaries are not typically made at the Company, however NEO salaries will continue to be reviewed on an annual basis to ensure alignment

with the market. Adjustments may subsequently be made to realign salary levels if the market value of the role has increased.

(ii) Short-Term Incentive Plan

Pay for performance is an important underlying principle of the Company's executive compensation philosophy, with the result that variable compensation can represent a substantial proportion of total compensation. The Company administers the STIP, which is based on the Company meeting specific EBITDA targets and the NEO achieving specific personal performance objectives. Each year, the CNC recommends for approval by the Board the STIP design, including business performance measures, weightings, and targets.

The basis of calculation for each STIP performance measure is documented in the annual business plan, which is approved by the Board. At the end of the fiscal year, management determines the results for each of the STIP performance measures, and these are compared to the established financial and non-financial targets. The STIP award payable to each NEO for each performance measure is then calculated. No STIP award is normally paid for a performance measure if the final result falls below the established threshold.

For 2014, all NEOs participated in the STIP. Mr. Virmani and Mr. Porteous were eligible to earn an STIP of up to 112.5% and 97.5% respectively of their annual salary upon the Company meeting an EBITDA target of \$6.0 million before management bonuses and based upon individual performance targets and personal objectives for the fiscal year ended December 31, 2014. The other NEOs were eligible to earn an STIP of up to 52.5% of their annual salary upon the Company meeting an EBITDA target of \$6.0 million before management bonuses and the achievement of individual performance objectives. Payouts were determined between the minimum (0% of annual salary) and target (maximum 112.5% of annual salary for Mr. Virmani, 97.5% for Mr. Porteous and maximum 52.5% of annual salary for other NEOs) on a sliding scale proportionate to the EBITDA achieved by the Company and the achievement of performance objectives by each NEO. For 2014, each NEO received their full STIP awards based on the Company's final EBITDA and the achievement of individual performance objectives.

(iii) Long-Term Incentive Plan

The purpose of the LTIP is to provide eligible participants with compensation opportunities that will enhance the Company's ability to attract retain and motivate key personnel and reward officers and key employees for achieving financial and personal targets. Pursuant to the LTIP, the Company may set aside a pool of funds based upon the LTIP awarded to the NEOs. For LTIP awards related to the 2013 fiscal year and prior, the Company has purchased Common Voting Shares in the market with this pool of funds and holds the Common Voting Shares until such time as ownership vests to each participant. Future LTIP awards, including the LTIP awards related to the 2014 fiscal year will be comprised of RSU grants and may also include Option grants.

The CNC is responsible for administering and making recommendations concerning the operation of the LTIP. The Board has 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.

The basis of calculation for each LTIP performance measure is documented in the annual business plan, which is approved by the Board. At the end of the fiscal year, management determines the results for each of the LTIP performance measures, and these are compared to the established financial and personal targets. The LTIP award payable to each NEO for each performance measure is then calculated. No LTIP award is normally paid for a performance measure if the final result falls below the established threshold.

For 2014, all NEOs participated in the LTIP. Mr. Virmani and Mr. Porteous were eligible to earn an LTIP of up to 75.0% and 60.0% respectively of their annual salary upon the Company meeting an EBITDA target of

\$6.0 million before management bonuses and based upon individual performance targets and personal objectives for the fiscal year ended December 31, 2014. The other NEOs were eligible to earn an LTIP of up to 52.5% of their annual salary upon the Company meeting an EBITDA target of \$6.0 million before management bonuses and the achievement of individual performance objectives. Payouts were determined between the minimum (0% of annual salary) and target (maximum 75.0% of annual salary for Mr. Virmani, 60.0% for Mr. Porteous and maximum 52.5% of annual salary for other NEOs) on a sliding scale proportionate to the EBITDA achieved by the Company and the achievement of performance objectives by each NEO.

The Company will grant RSU's to each NEO based on the dollar amount of the LTIP award and the volume weighted average closing price of the Common Voting Shares for the five trading days prior to the date of the RSU grant. RSU's will be granted at least ten trading days after the year-end results of Cargojet are released. One-third of the RSUs awarded from 2014 will vest in each of 2015, 2016 and 2017. NEOs must continue to be employed by the Company to be eligible to receive their shares. For 2014, each NEO achieved their full LTIP targets based on the Company's final EBITDA and the achievement of their individual personal targets. Previous grants of RSUs are not taken into account when considering new grants.

(iv) Restricted Share Unit Plan

The Company received shareholder approval for the RSU Plan in its Annual and Special Meeting of Cargojet's Shareholders in 2014. It was considered to be in the best interest of the Company to adopt a new RSU Plan to secure for the Company and its shareholders the benefits of incentives inherent in the share ownership by the directors, employees and consultants of the Company and its subsidiaries who, in the judgment of the Board, are largely responsible for its future growth and success

The RSU Plan provides that restricted share units ("**RSUs**") may be granted by the Board or a committee of the Board, which administers the RSU Plan (the "**Committee**"), to eligible employees, officers, directors and consultants of the Company that are "Canadian" as such term is defined in the *Canada Transportation Act* as a discretionary payment in consideration of past or future services to the Company.

The number of RSUs awarded will be credited to the participant's account effective on the grant date of the RSUs. An RSU represents a right to receive one Common Voting Share issued from treasury on the later of: (i) the date which is the first day after a restricted period as determined by the Committee ("**Restricted Period**"); and (ii) a date determined by an eligible participant that is after the Restricted Period but is no later than participant's retirement date or termination date (a "**Deferred Payment Date**"). Participants seeking to set a Deferred Payment Date may do so by giving the Company at least 60 days' notice prior to the expiration of the Restricted Period. The Committee may also make the vesting of RSUs subject to performance conditions to be achieved by the Company, the participant or a class of participants.

In the event that the expiry of the applicable Restricted Period (or on the Deferred Payment Date, as applicable), falls within, or within two trading days after the end of, a trading blackout period imposed by or on the Company (the "**Blackout Period**"), the expiry date of such Restricted Period (or on the Deferred Payment Date, as applicable), shall be automatically extended to the close of the 10<sup>th</sup> trading day following the end of the Blackout Period.

The number of Common Voting Shares to be reserved for issuance under the RSU Plan shall be that number that is equal to 4% of the issued and outstanding Voting Shares from time to time. As of March 7, 2015, this represents 367,140 Voting Shares. The maximum number of Common Voting Shares issuable to insiders, at any time, pursuant to the RSU Plan and any other security based compensation arrangements of the Company is 10% of the total number of Voting Shares then outstanding. The maximum number of Common Voting Shares issuable to insiders, within any one year period, pursuant to the RSU Plan and any other security-based compensation arrangements of the Company is 10% of the total number of Voting Shares then outstanding. The RSU Plan is an "ever green plan". Any increase in the issued and outstanding Voting Shares will result in an increase in the available number of Common Voting Shares issuable under the RSU Plan. Any issuance of Voting Shares from treasury, including issuances of Common Voting Shares pursuant to the settlement of RSU's, shall automatically replenish the number of Common Voting Shares issuable under the RSU Plan. When an RSU is settled, cancelled

or terminated, a Common Voting Share shall automatically be available for the grant of a new RSU under the RSU Plan. Grants of RSUs and grants under all other security-based compensation arrangements of the Corporation to non-employee directors should not exceed an annual equity value of \$150,000 to each non-employee director (based on the grant date fair value of the RSUs).

RSUs are not assignable. Subject to any provisions with respect to vesting of RSUs in a participant's employment agreement with the Company, in the event of a participant's retirement or termination during a Restricted Period, any RSUs automatically terminate, unless otherwise determined by the Committee. If a participant's retirement or termination occurs after the Restricted Period and prior to any Deferred Payment Date, any RSUs shall be settled by the Company issuing the applicable Common Voting Shares. Subject to any provisions with respect to vesting of Restricted Share Units in a participant's employment agreement with the Company, in the event of death or disability, such RSUs shall be immediately settled and Common Voting Shares issued.

In the event a cash dividend is paid to shareholders of the Company on the Voting Shares while a RSU is outstanding, the Committee may, in its sole discretion, elect to credit each participant with additional RSUs. In such case, the number of additional RSUs will be equal to the aggregate amount of dividends that would have been paid to the participant if the RSUs in the participant's account on the record date had been Voting Shares divided by the market price of a Voting Share on the date on which dividends were paid by the Company. If the foregoing shall result in a fractional RSU, the fraction shall be disregarded.

Subject to any provisions with respect to vesting of RSUs in a participant's employment agreement with the Company, in the event of a change of control of the Company as defined in the RSU Plan, all RSUs shall be immediately settled with Common Voting Shares notwithstanding the Restricted Period and any applicable Deferred Payment Date.

The Committee may from time to time in the absolute discretion of the Committee (without shareholder approval) amend, modify and change the provisions of the RSU Plan, including, without limitation:

- (i) amendments of a house keeping nature; and
- (ii) changes to the Restricted Period of any RSU.

However, other than as set out above, any amendment, modification or change to the provisions of the RSU Plan which would:

- (i) materially increase the benefits of the holder under the RSU Plan to the detriment of the Company and its shareholders;
- (ii) increase the number of Common Voting Shares or maximum percentage of Common Voting Shares, other than by virtue of Section 5.06 and 5.08 of the RSU Plan, which may be issued pursuant to the RSU Plan;
- (iii) reduce the range of amendments requiring shareholder approval contemplated under the RSU Plan;
- (v) permit RSU's to be transferred other than for normal estate settlement purposes;
- (iv) change insider participation limits and the director limits in Section 2.06 of the RSU Plan which would result in shareholder approval to be required on a disinterested basis; or
- (vi) materially modify the requirements as to eligibility for participation in the RSU Plan;

shall only be effective upon such amendment, modification or change being approved by the shareholders of the Company. In addition, any such amendment, modification or change of any provision of the RSU Plan shall be subject to the approval, if required, by any regulatory authority having jurisdiction over the securities of the Company.

(v) Stock Option Plan

The Company received shareholder approval for the Incentive Stock Option Plan (the "**Option Plan**") of the Company in its Annual and Special Meeting of Cargojet's Shareholders in 2014. Under the Option Plan, the Board may from time to time grant to directors, officers, employees or consultants of the

Company and any of its subsidiaries (collectively, “**Eligible Persons**”) options to acquire Common Voting Shares (“**Options**”) in such numbers, for such terms and at such exercise prices as may be determined by the Board. The purpose of the Option Plan is to attract, retain and motivate persons as directors, officers, employees and consultants of the Company and its subsidiaries and to advance the interests of the Company by providing such persons with the opportunity, through share options, to acquire a proprietary interest in the Company.

The Option Plan will be an “ever green” plan as contemplated by the under the *TSX Guide to Security Based Compensation Arrangements*. As a result, should the Company issue any Voting Shares in the future, the number of Common Voting Shares issuable under the Option Plan will increase accordingly. Common Voting Shares in respect of which Options are exercised, expired or cancelled shall become available for the grant of subsequent Options under the Option Plan. The maximum aggregate number of Common Voting Shares that may be reserved for issuance for all purposes under the Option Plan is 5% of the issued and outstanding Voting Shares at the time of grant. As of the date hereof, this represents 458,925 Voting Shares.

The maximum aggregate number of Common Voting Shares that may be issuable to insiders of the Company under the Option Plan and any other share compensation arrangement is 10% of the issued and outstanding Voting Shares at the time of grant. The maximum number of Common Voting Shares issuable to insiders, within any one year period, pursuant to the Option Plan and any other security-based compensation arrangements of the Company is 10% of the total number of Voting Shares then outstanding. Grants of Options to non-employee directors should not exceed an annual equity value of \$100,000 to each non-employee director (based on the grant date fair value of the Options). Grants of Options and grants under all other security-based compensation arrangements of the Corporation to non-employee directors should not exceed an annual equity value of \$150,000 to each non-employee director (based on the grant date fair value of the Options).

No fractional Common Voting Shares may be purchased or issued under the Option Plan.

The Board has the authority under the Option Plan to establish the option price at the time each option is granted. The option price may not be lower than the five day volume weighted average trading price (as determined in accordance with the rules of the TSX) of the Common Voting Shares on the TSX ending on the trading day immediately preceding the date of the grant of the Option.

The term and vesting period of the Options granted under the Option Plan will be determined by the Board, but may not exceed five years from the date of grant. Options are not generally transferable other than by will or the laws of descent and may be exercised during the lifetime of the optionee only by the optionee. Notwithstanding the foregoing, in the event that the expiry date of an Option falls within, or within two days of the end of, a trading blackout period imposed by or on the Company (the “**Blackout Period**”), the expiry date of such Option will automatically be extended to the 10<sup>th</sup> business day following the end of the Blackout Period.

The Company provides no financial assistance to facilitate the purchase of Common Voting Shares to directors, officers or employees who hold options granted under the Option Plan.

Subject to the terms of an optionee’s employment agreement with respect to a Change of Control (as such term is defined in the Option Plan), and unless otherwise determined by the Board prior to such Change of Control, if a Change of Control occurs, all Options then outstanding shall automatically vest, so that, notwithstanding the other terms of the Option Plan, such Options may be exercised in whole or in part by the optionee and upon the exercise of an Option under the Option Plan, the holder thereof shall be entitled to receive any securities, property or cash (or a combination thereof) which the optionee would have received upon such Change of Control, if the optionee had exercised his Option immediately prior to the applicable record date or event, as applicable, and the exercise price shall be adjusted, as applicable, by the Board, unless the Board otherwise determines the basis upon which such Option shall be exercisable, and any such adjustments shall be binding for all purposes of the Plan.

If an optionee ceases to be an Eligible Person, each Option held by such optionee will cease to be exercisable on the earlier of (i) the date which is 90 days following the date on which such optionee ceases to be an Eligible Person (or such longer period as may be prescribed by law or as may be

determined by the Board in its sole discretion), or (ii) the original Option expiry date. If an optionee dies, the legal representative of the optionee may exercise the optionee's options within one year after the date of the optionee's death but only up to and including the original Option expiry date. Notwithstanding the foregoing, in the event the optionee is terminated for cause, the Option shall immediately terminate.

Under the Option Plan, the Board may from time to time amend or revise the terms of the Option Plan. Certain amendments require shareholder approval, including, among other things, changes to the maximum number or percentage of Common Voting Shares issuable under the Option Plan, amendments to provide for financial assistance, the reduction of Option exercise prices, or extending Option expiry dates beyond their original terms, and any amendments to the amendment provisions of the New Option Plan.

All other amendments to the Option Plan not specified to require shareholder approval under the Option Plan, may be made by the Board without obtaining shareholder approval, including (without limitation) amendments of a house-keeping nature or adding a cashless exercise feature of an option.

### Perquisites & Benefits

The Company takes a conservative approach to perquisites. Mr. Virmani and Mr. Porteous are provided with an annual car allowance and home office allowance, health and other benefits. For 2014, the aggregate annual perquisites and benefits amounted to \$153,600 for Mr. Virmani and \$110,400 for Mr. Porteous. For 2014, Mr. Kim, Mr. Sugar and Mr. Rinaldo were each provided an annual car allowance of \$33,000, \$36,000 and \$39,000 respectively.

### 2014 Performance and Compensation Decisions

In 2014, the Company's gross revenue improved over the previous year due to strong overnight volumes. However, due to the effect of one-time costs of \$16.1 million related to CPGOC contract, the EBITDA margin reduced to \$4.0 million (\$17.2 million in 2013).

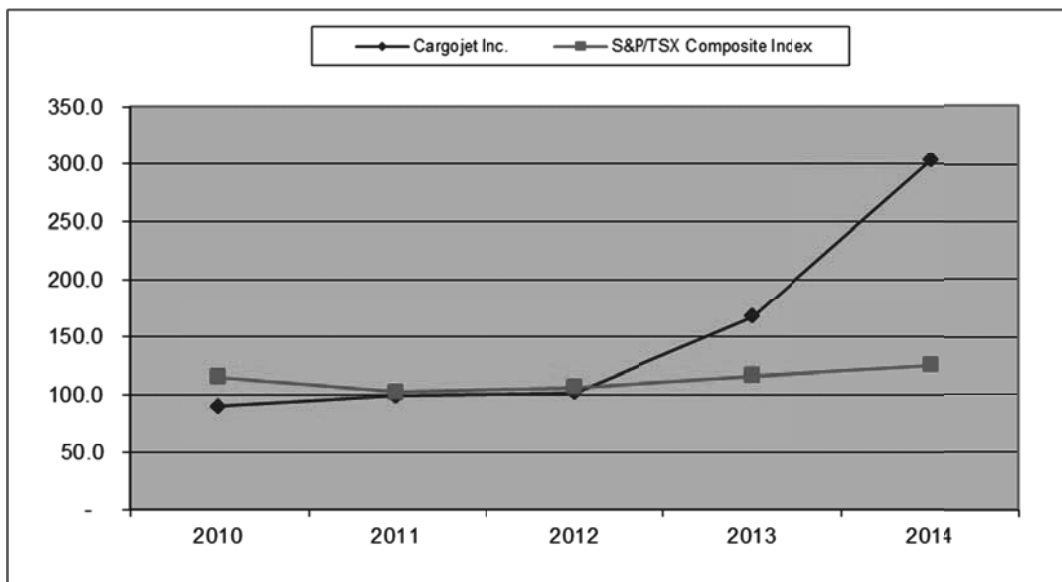
The Company believes strongly in paying its executives based on the Company's performance. At the beginning of 2014, management and the CNC agreed in regard to the STIP and LTIP on a targeted EBITDA of \$6.0 million before management bonuses for the year ending December 31, 2014. The Board determined to what extent the NEOs were entitled to their target awards under their STIP and LTIP plans (see "Executive Compensation – Summary Compensation Table").

### Employment Agreements

Each of Ajay Virmani and Jamie Porteous entered into employment agreements on June 9, 2005 for an indefinite term, to reflect employment terms that became effective in June 2004. The employment agreements were updated in 2014 as part of the annual review process by the CNC and any entitlements on termination or change of control are set out under the heading "Termination and Change of Control Benefits".

### ***Performance Graph***

The following graph compares the yearly percentage change in the cumulative total unitholder or shareholder return as applicable, for \$100 invested in units of the Fund on January 1, 2010 against the cumulative total shareholder return of the S&P/TSX Composite Index for the five most recently completed financial years of the Fund or Company as applicable, assuming the reinvestment of all distributions and dividends, as applicable.



	Dec 2010	Dec 2011	Dec 2012	Dec 2013	Dec 2014
Cargojet Inc.	89.7	98.6	101.4	166.8	303.0
S&P/TSX Composite Index	114.4	101.8	105.9	116.0	124.6

During the period from January 1, 2010 to December 31, 2014, the Company's cumulative total shareholder return increased by 303.0% compared to the S&P/TSX Index increase of 124.6%. During this same period, the annual base salaries of the NEOs increased on average by 20%. Total compensation (excluding benefits) during this period increased by 64%.



### Summary Compensation Table

The following table provides information for the financial year ended December 31, 2014, regarding compensation paid to or earned by the NEOs.

Name and Principal Position	Year	Salary (\$)	Non-Equity Annual Incentive Plans (\$)(STIP) <sup>(1)</sup>	Share Based long-term Incentive Plans (LTIP) <sup>(2)</sup>	Other Bonuses <sup>(11)</sup>	Pension Value (\$)	All other compensation (\$)	Total compensation (\$)
Ajay Virmani <sup>(3)</sup> President and Chief Executive Officer	2014	600,000	675,000	450,000	250,000	-	153,600 <sup>(4)</sup>	2,128,600
	2013	500,000	375,000	150,000	-	-	79,200 <sup>(5)</sup>	1,104,200
	2012	500,000	427,500	150,000	-	-	79,200 <sup>(5)</sup>	1,156,700
Jamie Porteous <sup>(3)</sup> Executive Vice President and Chief Commercial Officer	2014	450,000	438,750	270,000	140,625	16,731	110,400 <sup>(6)</sup>	1,426,506
	2013	375,000	281,250	112,500	-	-	64,800 <sup>(7)</sup>	833,550
	2012	375,000	320,625	112,500	-	-	54,965 <sup>(8)</sup>	863,090
John Kim Chief Financial Officer	2014	262,500	144,375	144,375	62,500	10,308	33,000 <sup>(9)</sup>	657,058
	2013	250,000	30,000	30,000	-	7,500	12,000 <sup>(9)</sup>	329,500
	2012	250,000	90,000	75,000	-	7,500	12,000 <sup>(9)</sup>	434,500
George Sugar Senior Vice President Flight Operations	2014	225,000	131,250	131,250	50,000	11,250	36,000 <sup>(10)</sup>	584,750
	2013	200,000	30,000	30,000	-	6,000	12,000 <sup>(9)</sup>	278,000
	2012	200,000	72,000	60,000	-	6,000	12,000 <sup>(9)</sup>	350,000
Paul Rinaldo Senior Vice President Engineering and Maintenance	2014	225,000	131,250	131,250	50,000	11,250	39,000 <sup>(10)</sup>	587,750
	2013	200,000	30,000	30,000	-	6,000	12,000 <sup>(9)</sup>	278,000
	2012	200,000	72,000	60,000	-	6,000	12,000 <sup>(9)</sup>	350,000

**Notes:**

- (1) 2/3 of the STIP awards were paid out prior to December 31, 2014.
- (2) Provided that the NEO is an employee of the Company at the time of vesting, LTIP awards will be paid out in increments of 1/3 in per year beginning in March, 2015. No LTIP was awarded or paid out for the year ended December 31, 2014. The dollar amount of the award represents the fair value of RSUs on the date they are granted. The grant date for the RSUs will be at least 10 trading days after the release of Cargojet's financial results. The value of each RSU will be determined based on the volume weighted average price of Cargojet's common shares on the Toronto Stock Exchange for the 5 trading days preceding the grant date.
- (3) No compensation was paid to Messrs. Virmani or Porteous in their capacities as a director. Mr. Virmani's annual salary was increased to \$700,000 effective January 1, 2015. Mr. Porteous's annual salary was increased to \$495,000 effective January 1, 2015.
- (4) Of this amount, \$120,000 represents Mr. Virmani's automobile allowance for the capital or lease cost of the vehicle and all related operating costs including, fuel, repairs, parking, and insurance. \$21,600 represents Mr. Virmani's home office allowance and \$12,000 represents Mr. Virmani's allowance for health club and other memberships as per his employment agreement.
- (5) Of this amount, \$45,600 represents Mr. Virmani's automobile allowance, \$21,600 represents Mr. Virmani's home office allowance and \$12,000 represents Mr. Virmani's health club allowance as per his employment agreement.
- (6) Of this amount, \$72,000 represents Mr. Porteous' automobile allowance for the capital or lease cost of the vehicle and all related operating costs including, fuel, repairs, parking, and insurance. \$19,200 represents Mr. Porteous' home office allowance, \$19,200 represents Mr. Porteous' allowance for health club and other memberships as per his employment agreement.
- (7) Of this amount, \$38,400 represents Mr. Porteous' automobile allowance, \$14,400 represents Mr. Porteous' home office allowance, \$12,000 represents Mr. Porteous' health club allowance as per his employment agreement.
- (8) Of this amount, \$28,565 represents Mr. Porteous' automobile allowance, \$14,400 represents Mr. Porteous' home office allowance, and \$12,000 represents Mr. Porteous' health club allowance as per his employment agreement.
- (9) These amounts represent automobile allowances for the capital or lease cost of a vehicle.
- (10) These amounts represent automobile allowances for the capital or lease cost of a vehicle and all related operating costs including, fuel, repairs, parking, and insurance.
- (11) NEO's were awarded a one-time bonus for the successful transition and initial implementation of the CPGOC contract. 50% of the bonus was paid in cash in 2014. Another 50% will be paid upon the successful initial implementation of the CPGOC contract on April 1, 2015 through the award of performance based RSUs.

### Incentive Plan Awards

The following table provides information regarding the value on pay-out or vesting of incentive plan awards for the financial year ended December 31, 2014:

Share-based awards (LTIP) – Value Vested or Earned During the Year

Name	Value of share-based awards earned during 2014 (\$)	Number of Common Voting Shares vested in 2014	Value of Common Voting Shares vested in 2014 <sup>(1)</sup>	Number of Common Voting Shares unvested at December 31, 2014	Market Value of Common Voting Shares unvested at December 31, 2014 <sup>(2)(3)</sup>
Ajay Virmani	\$450,000	10,564	\$ 231,551	9,891	\$272,003
Jamie Porteous	\$270,000	7,923	\$ 173,658	7,419	\$204,023
John Kim	\$144,375	4,675	\$ 100,765	3,519	\$96,773
George Sugar	\$131,250	3,821	\$ 82,618	3,006	\$82,665
Paul Rinaldo	\$131,250	3,821	\$ 82,618	3,006	\$82,665

Notes:

- (1) The Company's Common Voting Shares, trading under the symbol "CJT" on the TSX, were valued at \$21.92 per share based on the average selling price of vested shares sold by the LTIP Plan trustee to remit withholding taxes when the shares vested in March 2014.
- (2) The Company's Common Voting Shares, trading under the symbol "CJT" on the TSX, closed at \$27.50 on December 31, 2014.
- (3) There were no vested but undistributed Common Voting Shares as at December 31, 2014.

***Pension Plan Benefits – Deferred compensation plans***

The Company offers a Deferred Profit Sharing Plan "DPSP" to all permanent full-time and part-time employees. The Company matches employee contributions made in the year to the employee's group RRSP, to a maximum of 3% of base salary. Effective 2014, the rate is revised for employees with more than five years of continuous service to 4% and with more than ten years of continuous service to 5%. DPSP contributions become vested upon the completion of two years of plan membership.

***Developments for 2014***

On February 19, 2014, it was announced that Cargojet has been awarded the Domestic Air Cargo Network Services contract with the Canada Post Group of Companies for an initial seven-year term with three thirty-six month renewal options held by Canada Post Group of Companies. Projected revenues are estimated to be approximately one billion dollars during the initial seven-year agreement based on projected volumes. In light of this development in Cargojet's business, a full review of executive compensation was undertaken in 2014 by the Compensation Committee. In order to provide the Compensation Committee with the opportunity and flexibility to develop a compensation program that involves equity compensation awards, which are designed to align executive interests with shareholder interests, the Board deemed it appropriate to adopt the RSU Plan and the New Option Plan. These plans were approved at the Annual and Special Meeting of Cargojet's Shareholders in 2014.

***Termination and Change of Control Benefits***

Pursuant to their respective employment agreements, a NEO may resign by providing not less than six months written notice, with certain exceptions. All NEO employment agreements provide that if the NEO is terminated without cause, he is entitled to a lump sum severance payment less any required deductions. In the event that the NEO 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 their respective employment agreements, Messrs. Virmani and Porteous are bound by non-competition provisions during the period of their employment and for a period of two years after the termination of their employment for cause or voluntarily by the NEO, or for a period of one year after the

termination of their employment without cause, with certain exceptions. Additionally, the employment agreements of Messrs. Virmani and Porteous include a non-solicitation provision during the term of employment of Messrs. Virmani and Porteous and for a period of two years following the termination of his employment, with or without cause.

Additionally, pursuant to their respective employment agreements, Messrs. Kim, Sugar and Rinaldo are bound by non-competition provisions during the period of their employment and for a period of one year after the termination of their employment for cause or voluntarily by Messrs. Kim, Sugar and Rinaldo, or for a period of one year after the termination of their employment without cause, with certain exceptions. Additionally, the employment agreements of each of Messrs. Kim, Sugar and Rinaldo include a non-solicitation provision during the term of employment of Messrs. Kim, Sugar and Rinaldo and for a period of one year following the termination of his employment, with or without cause.

The following table provides details regarding the estimated incremental payments from the Company to each NEO on termination without cause, assuming a triggering event occurred on December 31, 2014.

Name	Severance Period (# of months)	Base Salary (\$)	STIP and LTIP (\$)	All Other Compensation (\$)	Total Incremental Payment (\$) <sup>(1)</sup>
Ajay Virmani	36	1,800,000	3,919,654	460,801	6,180,455
Jamie Porteous	24	900,000	1,666,067	220,800	2,786,867
John Kim	12	275,000	Nil	Nil	275,000
George Sugar	12	250,000	Nil	48,000	298,000
Paul Rinaldo	12	250,000	Nil	Nil	250,000
<b>Totals</b>		3,475,001	5,585,721	729,601	9,790,323

Note:

<sup>(1)</sup> All payments are gross of any withholding taxes and other required deductions

Each NEO will continue to receive benefits, with certain exceptions, for one year following such termination without cause.

Each NEO will also receive lump sum severance payment and benefits if within one year after a “Change of Control” (as defined in the applicable employment agreement) he is terminated without cause or resigns for “Good Reason” (as defined in the applicable employment agreement). The following table provides details regarding the estimated incremental payments from the Company to each of the NEOs on a change of control assuming a triggering event occurred on December 31, 2014:

Name	Severance Period (# of months)	Base Salary (\$)	STIP and LTIP (\$)	All Other Compensation (\$)	Total Incremental Payment (\$) <sup>(1)</sup>
Ajay Virmani	36	1,800,000	3,919,654	460,801	6,180,455
Jamie Porteous	24	900,000	1,666,067	220,800	2,786,867
John Kim	18	412,500	Nil	Nil	412,500
George Sugar	24	500,000	Nil	96,000	596,000
Paul Rinaldo	23	479,167	Nil	Nil	479,167
<b>Totals</b>		4,091,667	5,585,721	777,601	10,454,989

Note:

<sup>(1)</sup> All payments are gross of any withholding taxes and other required deductions

## **Director Compensation**

Effective April 1, 2014 compensation for directors of the Company was \$55,000 (2013 - \$45,000) per director per year, \$1,500 per director per meeting for attending meetings of the Board and \$1,500 per director per meeting for attending committee meetings of the Board. The lead director of the Board received additional retainer of \$25,000 (2013 - \$5,000), the chairman of the Audit Committee received additional remuneration of \$10,000 (2013 - \$5,000), the chairman of the CNC Committee received additional remuneration of \$7,000 (2013 - \$5,000) and the Chairman of Corporate Governance Committee received additional remuneration of \$5,000 (2013 - \$5,000) per year. The Company also reimbursed directors for out-of-pocket expenses for attending meetings. No director compensation was paid to directors who were members of management of the Company or its subsidiaries.

None of the directors were compensated in their capacity as director of the Company or any of its subsidiaries, as applicable during the financial year ended December 31, 2014 pursuant to any other arrangement or in lieu of any standard compensation arrangement.

In 2014, the Company implemented share ownership guidelines for its independent directors. Independent directors are now required to maintain an investment in Cargojet shares equal to 3 times their annual retainer. Independent directors have until March 31, 2019 to comply with these guidelines.

Beginning in 2014, Cargojet's independent directors became eligible to receive annual RSU grants in the amount of \$30,000 per director per year. The Company will grant RSU's to each independent director based on the volume weighted average closing price of Common Voting Shares for the five trading days prior to the date of the RSU grant. RSUs will vest upon the resignation of the independent director from the Board.

The following table provides information regarding compensation paid to the directors for acting in such capacity during the financial year ended December 31, 2014.

### **Director Compensation Table**

<b>Name<sup>(1)</sup></b>	<b>Fees earned (\$)<sup>(2)</sup></b>	<b>Share- based awards (\$) <sup>(3)</sup></b>	<b>Option- based awards (\$)</b>	<b>Non-equity incentive plan compen- sation (\$)</b>	<b>Pension value (\$)</b>	<b>All other compen- sation (\$)<sup>(3)</sup></b>	<b>Total (\$)</b>
John Webster	102,250	30,000	-	-	-	-	132,250
Terence Francis	78,500	30,000	-	-	-	-	108,500
Paul Godfrey	80,000	30,000	-	-	-	-	110,000

Notes:

- (1) No compensation was paid to Messrs. Virmani and Porteous in their capacities as a director. For a summary of compensation paid in their capacities as executive officers of the Company, see "Summary Compensation Table".
- (2) Fees earned include all fees earned during the fiscal year. As at December 31, 2014, fees earned but not paid were \$28,500 to Mr. Webster, \$21,000 to Mr. Francis and \$21,500 to Mr. Godfrey.
- (3) No share-based compensation was granted to these directors during 2014 or previous years. There are no unvested shares or other share based compensation as at March 7, 2015.

### **Indebtedness of Directors, Executive Officers and Employees**

As at March 7, 2015, no current or former director, executive officer or employee of the Company or any of its subsidiaries, as applicable, is indebted to the Company 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 understanding provided by the Company or any of its subsidiaries.

## **Liability Insurance**

The Company provides insurance for the benefit of the directors and officers of the Company against liability incurred by them in such capacities. The current annual policy limit is \$15.0 million, with Side A excess liability coverage of \$5.0 million, and contains a deductible of \$150,000. For the policy year of May 17, 2014 to May 17, 2015, the Company paid an annual premium of \$47,446 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 Company, proposed nominee for election as a director of the Company, or any associate or affiliate of such persons, has any material interest, direct or indirect, in any transaction since the commencement of the Company's most recently completed financial year or in any proposed transaction which has materially affected or would materially affect the Company or any of its subsidiaries.

## **Statement of Corporate Governance Practices**

### ***Corporate Governance***

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. In addition, effective December 31, 2014, the Governance Disclosure Rule was amended to require issuers to make specific disclosure with respect to term limits for directors and its policies and practices regarding the representation of women on the Board and in executive positions.

The Company and the Board recognize the importance of corporate governance to the effective management of the Company and to the protection of its employees and Shareholders. The Company's approach to significant issues of corporate governance is designed with a view to ensuring that the business and affairs of the Company are effectively managed so as to enhance Shareholder value. The Board fulfills its mandate directly and through its committees 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 Company's affairs and in light of opportunities or risks, which the Company faces. The directors are kept informed of the Company's operations at these meetings as well as through reports and discussions with management on matters within their particular areas of expertise.

The Company's corporate governance practices have been and continue to be in compliance with applicable Canadian requirements. The Company 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 Company's corporate governance practices, which has been prepared by the Corporate Governance Committee of the Board and has been approved by the Board.

### ***The Board***

As of March 8, 2015, the Board is comprised of five directors being: Paul Godfrey, John Webster and James Crane, who are independent within the meaning of the Governance Guidelines, and Ajay Virmani, the President and CEO, and Jamie Porteous, the Executive Vice President and Chief Commercial Officer who are not independent on the basis that they are executive officers of the Company. Mr. Crane was appointed by the Board to fill the vacancy resulting from the resignation of Terence Francis as a director of the Board on March 8, 2015. A majority of the directors, being three of the five directors, are

considered to be independent directors. Mr. Virmani is the Chairman of the Board and Mr. Webster, who is independent, is the lead director. The lead director works closely with and in an advisory capacity to the Chairman of the Board. His primary focus is to be satisfied that the Board is organized properly, functions effectively and operates independently of management.

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 Board has been appointed;
- a majority of the Board members are non-management members; and
- 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 Board and the CEO.

The roles and responsibilities of the CEO are set out in the position description and employment agreement of Mr. Virmani, which was reviewed and approved by the Board with the assistance of the CNC.

### Meetings of the Board

From January 1, 2014 to December 31, 2014, the Board held four meetings at which all directors of the Company were in attendance.

The independent directors comprise the committees of the Board and, in such roles, hold in camera sessions without management at their committee meetings to review the business operations, corporate governance, compensation, and financial results.

### Other Public Company Directorships/Committee Appointments

The following table provides details regarding directorships held by the Directors in other reporting issuers.

Director	Other Reporting Issuer Directorships	Other Reporting Issuer Committee Appointments
John Webster	None	None
Terence Francis <sup>(1)</sup>	None	None
James R. Crane <sup>(1)</sup>	Nabors, Inc.	Member of the Compensation and Technical and Safety Committees
	Western Gas	Member of the Audit and Special Committees
Paul Godfrey	Postmedia Network Inc.	None
	RioCan Real Estate Investment Trust	Chairman of the Board, Member of Audit, Nominating and Governance, Human Resource and Compensation, and Investment Committees
Ajay Virmani	None	None
Jamie Porteous	None	None

Notes:

- (1) Terence Francis resigned as a director of the Board effective March 8, 2015 and James Crane was appointed by the Board as a director of the Board to fill such vacancy effective March 8, 2015.

### **Board Charter**

The Board is responsible for fostering the short and long-term success of the Company and is accountable to the Shareholders. The Board discharges its responsibilities directly and through the Audit Committee of the Company and the committees of the Board, currently consisting of the CNC 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 directors are provided with an orientation and education program which will include written information about the duties and obligations of the director, the business and operations of the Company, documents from recent Board meetings, and opportunities for meetings and discussion with senior management and other directors.

The Board recognizes the importance of ongoing director education and the need for each director to take personal responsibility for this process. To facilitate ongoing education of the directors, the Board, through consultation with their committees will: (a) periodically canvas the directors to determine their training and education needs and interests; (b) arrange ongoing visitation by the directors to the Company's facilities and operations; (c) arrange the funding for the attendance of the directors at seminars or conferences of interest and relevance to their position as a 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 directors, officers and employees of the Company and its subsidiaries and affiliates. The Company's Human Resources Department has responsibility for monitoring compliance with the Code by ensuring all 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 the Company's Human Resources Department. The directors monitor compliance of the Code by obtaining reports from the Company's Human Resources Department as to any matters reported under the Code. A copy of the Code is available on SEDAR under the Company's profile at [www.sedar.com](http://www.sedar.com).

The Board takes steps to ensure that directors, officers and employees exercise independent judgment in considering transactions and agreements in respect of which a director, officer or employee of the Company has a material interest, which include ensuring that 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 CEO 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 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.

### **Compensation and Nominations**

The Board, with the assistance of the CNC, which is composed entirely of independent directors, determines appropriate compensation for the directors. The process by which appropriate compensation is determined is through periodic and annual reports from the CNC on the Company's overall

compensation and benefits philosophies with such compensation realistically reflecting the responsibilities and risks of such positions.

The CNC's responsibilities also include reviewing and making recommendations to the Board regarding any equity or other compensation plan and regarding the total compensation package of the CEO and other executive officers of the Company, considering and approving the recommendations of the CEO regarding the total compensation and benefits philosophies and programs for senior management and employees and annually preparing a report on executive compensation for the Board.

The CNC is also responsible from time to time for identifying individuals qualified to become new members of the Board and recommending to the Board the new director nominees for the next annual meeting of shareholders. In making its recommendations, the CNC will, as applicable, consider: (a) the competencies and skills that the Board considers to be necessary for the Board, as a whole, to possess, (b) the competencies and skills that the Board considers each existing director as the case may be, to possess, and (c) the competencies and skills each new nominee will bring to the Board.

### **Audit Committee**

Information regarding the Company's Audit Committee is contained in the Company's annual information form (the "AIF") dated March 7<sup>th</sup>, 2015 under the heading "Audit Committee". The AIF is available on SEDAR under the Company's profile at [www.sedar.com](http://www.sedar.com).

### **Board Assessments**

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

### **Director Term Limits**

The Company has not adopted term limits for directors on the Board or other mechanisms of Board renewal as the Board currently assesses each director in order to ensure that the Board is balanced between highly experienced directors with long-term knowledge and those with a fresh perspective. The Board will periodically consider whether term limits or other mechanisms of Board renewal should be adopted and will implement changes when necessary.

### **Women on the Board and in Executive Offices**

The Company has not adopted a written policy specifically relating to the identification and nomination of women directors nor does the Board consider the level of representation of women when making executive officer appointments or set targets regarding women on the Board or in executive positions. However, informally, the Company values diversity, including, without limitation, diversity of experience, perspective, education, race, gender and national origin as part of its overall business strategy. The Board intends to consider whether it should adopt specific policies and practices regarding the representation of women on the Board and in executive positions, including the setting of targets for such representation. As at the date hereof, no women are members of the Board and five women hold executive positions, representing approximately 36% of such positions.

### **Majority Voting Policy**

In 2013, the Board adopted a policy stipulating that forms of proxy for the vote at a shareholders' meeting where directors are to be elected will enable the shareholder to vote in favour of, or to withhold from voting, separately for each nominee. Each director should be elected by the vote of a majority of the shares represented in person or by proxy at any meeting for the election of directors. The policy provides that if any nominee for director receives, from the shares voted at the meeting in person or by proxy, a greater number of shares withheld than shares voted in favour of his or her election, then the director must promptly tender his or her resignation to the Board, to take effect on acceptance by the Board. The Governance and Nominating Committee will consider the offer to resign and make a recommendation to



the Board after reviewing the matter, and the Board will act on the Governance and Nominating Committee's recommendation within 90 days following the shareholders' meeting. The Board's decision to accept or reject the resignation offer will promptly be disclosed to the public by press release. The nominee will not participate in any Governance and Nominating Committee or Board deliberations on the resignation offer. The policy does not apply in circumstances involving contested director elections.

### **Particulars of Matters to be Acted Upon**

#### ***Election of Directors***

Unless otherwise directed, the persons named in the enclosed form of proxy intend to vote in favour of the election, as directors of the Company, of the nominees whose names are set forth below. All of the nominees are currently directors. Each director will hold office for a term expiring at the close of the next annual meeting of Shareholders, unless his office is vacated earlier due to death, removal, resignation or ceasing to be duly qualified. The Company does 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, their principal occupations or employment, the periods during which they have served as director and the approximate number of Voting Shares beneficially owned, directly or indirectly, or over which control or direction is exercised, by each of them.

<b>Name and Province/Country of Residence</b>	<b>Position with the Company</b>	<b>Principal Occupation</b>	<b>No. of Common Voting Shares Beneficially Owned, Controlled or Directed<sup>(1)</sup></b>	<b>Principal Amount of Debentures Beneficially Owned, Controlled or Directed<sup>(1)</sup></b>	<b>Director of the Company or Trustee of the Fund Since</b>
John P. Webster <sup>(2)(4)(5)</sup> Ontario, Canada	Director	President and Chief Executive Officer of Scotia Mortgage Corporation	4,000	Nil	2005
James R. Crane <sup>(2)(3)(4)</sup> Texas, United States of America	Director	Chairman, President and Chief Executive Officer of Crane Capital Group, Inc.	Nil	Nil	March 8, 2015
Paul V. Godfrey <sup>(2)(3)(4)</sup> Ontario, Canada	Director	President and Chief Executive Officer of Postmedia Network	23,000	Nil	2009
Ajay Virmani <sup>(6)</sup> Ontario, Canada	President and Chief Executive Officer	President and Chief Executive Officer	1,462,410	\$1,000,000	2005
Jamie Porteous Ontario, Canada	Executive Vice-President, and Chief Commercial Officer	Executive Vice- President, and Chief Commercial Officer	176,741	Nil	2005

Notes:

- (1) The information as to Common Voting Shares and principal amount of debentures beneficially owned or over which control or direction is exercised, not being within the knowledge of the Company, has been furnished by the proposed nominees. See also "Voting Securities and Principal Holders of Voting Securities" above.
- (2) Member of the CNC. Mr. Godfrey is Chairman of the CNC.
- (3) Member of the Corporate Governance Committee. Mr. Crane is Chairman of the Corporate Governance Committee.
- (4) Member of the Audit Committee. Mr. Webster is Chairman of the Audit Committee.
- (5) Lead director of the Board.
- (6) Chairman of the Board.

### Cease Trade Orders, Bankruptcies, Penalties or Sanctions

No proposed director of the Company is, or within ten years prior to the date hereof has been, a director, chief executive officer or chief financial officer of any company (including the Company) that, (i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer, or (ii) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

No proposed director of the Company (i) is, or within ten years prior to the date hereof has been, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or (ii) has, within ten years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director,

except as follows:

- (i) 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, Mr. Virmani and Jamie Porteous were officers and directors of SAL. The Virmani Family Trust and The Porteous Family Trust were shareholders of SAL. The Fuller Landau Group Inc. acted as trustee of SAL; and
- (ii) Paul Godfrey was President and Chief Executive Officer of the National Post Inc., which was part of CanWest when it voluntarily entered into Companies’ Creditors Arrangement Act (“**CCAA**”) protection and successfully obtained an order from the Ontario Superior Court of Justice (Commercial Division) commencing proceedings under the CCAA on October 6, 2009. The National Post was outside creditor protection under the CCAA proceedings, and on October 31, 2009 was transferred from the media conglomerate’s holding company Canwest Media Inc. to a new subsidiary of the publishing group. The National Post was acquired by Postmedia Network in July 2010.

Paul Godfrey served on the board of directors of Mobilicity (formerly known as Data & Audio Visual Enterprises Mobilicity), from November 20, 2008 to April 30, 2013. Mobilicity sought and received CCAA protection on September 30, 2013.

No proposed director has been subject to (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable shareholder in deciding whether to vote for a proposed director.

### ***Appointment of Auditors of the Company***

The auditors of the Company are Deloitte 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 LLP as the auditors of the Company, to hold office until the next annual

meeting of Shareholders, at a remuneration to be fixed by the directors. Deloitte have been auditors of the Fund since inception.

**Additional Information**

Current financial information for the Company is provided in the Company's comparative financial statements and management's discussion and analysis for the most recently completed financial year. This information and additional information relating to the Company can be found on the SEDAR website under the Company's profile at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.cargojet.com](http://www.cargojet.com).

Copies of the Company's AIF, annual report (including management's discussion and analysis), financial statements, and this management information circular may be obtained upon request to the Company's Investor Relations group. The Company may require the payment of a reasonable charge if the request is made by a person who is not a Shareholder.

**Directors' Approval**

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

Mississauga, Ontario

March 7<sup>th</sup>, 2015

## SCHEDULE "A"

### CHARTER OF THE BOARD OF DIRECTORS

#### I. Purpose

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

#### II. Composition

The Board of Directors 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" director is a director who has no direct or indirect material relationship with the Corporation. A "material relationship" is a relationship which could, in the view of the Board of Directors of the Corporation, be reasonably expected to interfere with the exercise of the director's independent judgement or a relationship deemed to be a material relationship pursuant to NI 52-110.

#### III. Responsibilities

The Board of Directors' 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 Directors and for specific functions to ensure the independence of the Board of Directors.
2. The assignment to committees of directors of the Corporation, the general responsibility for developing the Corporation's approach to: (i) financial reporting and internal controls; (ii) corporate governance issues; and (iii) issues relating to compensation of 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 Corporation's internal control and management information systems;
  - (c) identifying the principal risks of the Corporation's business and ensuring that appropriate systems are in place to manage these risks;
  - (d) approving interim and annual financial statements of the Corporation; and
  - (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 directors, senior management and all other significant employees;
  - (b) ensuring that an appropriate selection process for new nominees to the Board of Directors of the Corporation is in place and developing the Corporation's approach to nomination and review of 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 Corporation's approach to corporate governance, including developing a set of corporate governance principles and guidelines that are specifically applicable to the Corporation;
  - (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 Corporation.
6. Assessing, at least annually, the effectiveness the Board of Directors of the Corporation as a whole, the Audit Committee, Compensation and Nominating Committee and Corporate Governance Committee and the contribution of individual directors, including consideration of the appropriate size of the Board of Directors of the Corporation.
7. Ensuring that an appropriate orientation and education program for new recruits to the Board of Directors of the Corporation is in place and providing continuing education opportunities for all directors.
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 Directors 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 Corporation 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 Corporation that governs the behaviour of Directors of the Corporation and directors, officers and employees of subsidiaries of the Corporation.
15. Monitoring compliance with the code of business ethics or business conduct and granting any waivers from compliance with the code for Directors of the Corporation and directors and officers of subsidiaries of the Corporation.

16. Ensuring that the Charter of the Audit Committee is published in the Corporation's annual report or annual information form as required.
17. Performing such other functions as prescribed by law or assigned to the Board of Directors of the Corporation in the constating documents governing the Corporation.

**IV. Administrative Procedures**

1. The members of the Board of Directors are expected to attend all meetings of Board of Directors unless prior notification of absence is provided.
2. The members of the Board of Directors 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 Directors shall provide contact information on the website of Cargojet Inc. for the Chairman of the Board of Directors, who will be responsible for receiving feedback from shareholders.

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