CARGOJET INCOME FUND

ANNUAL INFORMATION FORM

March 23, 2007

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CURRENCY OF INFORMATION

The information set forth in this initial annual information form is stated as at March 23, 2007 unless otherwise indicated. Capitalized terms used but not defined in the text are defined in the Glossary.

STRUCTURE OF THE FUND

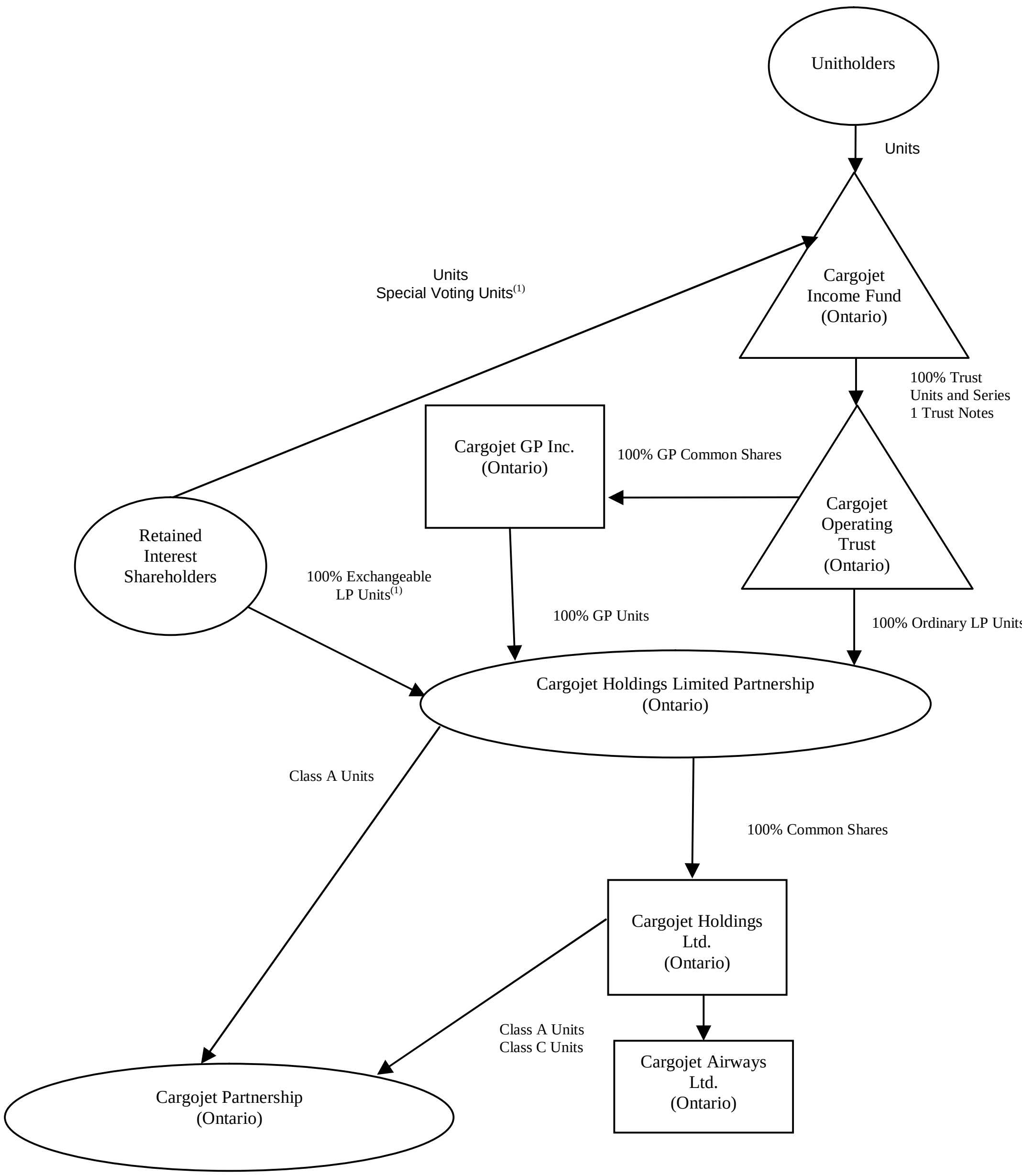
Cargojet Income Fund (the "Fund") is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario as of April 25, 2005 by a declaration of trust, as amended (the "Fund Declaration of Trust"). The Fund was established to acquire and hold the Trust Units and the Trust Notes issued by Cargojet Operating Trust (the "Trust") and to acquire and hold, indirectly through the Trust, limited partnership units of the Partnership, which, in turn, was formed to acquire all of the outstanding common shares of the Company from the Selling Shareholders.

Cargojet Holdings Ltd. (together with its subsidiaries, "Cargojet" or the "Company") is a corporation amalgamated under the laws of the Province of Ontario on June 9, 2005. Cargojet carries on business as a provider of time sensitive overnight air cargo service. See "Business of the Fund".

The principal and head office of each of the Fund and the Company is located at 350 Britannia Road East, Units 5 and 6 Mississauga, Ontario L4Z 1X9.

ORGANIZATIONAL STRUCTURE

The following chart illustrates the structure of the Fund (including jurisdiction of establishment or incorporation of the various entities).



Notes:

(1) One Exchangeable LP Unit and one Special Voting Unit are collectively indirectly exchangeable for one Unit, subject to adjustment in certain circumstances.

GENERAL DEVELOPMENT OF THE BUSINESS OF THE FUND

Initial Public Offering and Acquisition

On June 9, 2005, the Fund completed its initial public offering (the "Offering") of 5,954,545 units of the Fund ("Units") at a price of $10.00 per Unit for aggregate gross proceeds of $59,545,450. On that date, the Units commenced trading on the Toronto Stock Exchange (the "TSX") under the symbol "CJT.UN". Upon the full exercise of the Over-Allotment Option by the Underwriters of the Offering on June 30, 2005, the total size of the Offering was increased to 6,252,272 Units for total aggregate proceeds of $62,522,720.

The Fund indirectly used the net proceeds of the Offering to acquire (the "Acquisition") all of the issued and outstanding securities of the Company.

The Credit Facilities

The Royal Bank of Canada provides the Partnership with a senior secured revolving credit facility of up to $28 million (the ‘‘ Credit Facility’’). The Credit Facility enabled the Partnership to acquire units of the Operating Partnership and the funds are used by the Operating Partnership for working capital requirements and capital expenditures. The Credit Facility is repayable on April 1, 2009 with no scheduled repayments of principal required prior to maturity.

Loans under the Credit Facility are repayable without any prepayment penalties and will bear interest based on the prevailing prime rate, U.S. base rate or at a bankers acceptance rate, as applicable, plus an applicable margin to those rates. The Credit Facility is guaranteed by each of the Trust, the Company, the GP, Cargojet Airways Ltd. and the Operating Partnership. The Credit Facility is secured by a first priority security interest in the present and after acquired property of the Partnership, the Company, the Trust, the GP, Cargojet Airways Ltd. and the Operating Partnership, subject to certain permitted encumbrances.

The Credit Facility is subject to customary terms and conditions for borrowers of this nature, including limits on incurring additional indebtedness, granting liens or selling assets without the consent of the lenders. The Credit Facility is also subject to the maintenance of a maximum total leverage ratio and a maximum debt to tangible net worth ratio. The Credit Facility may in certain circumstances restrict the Partnership's ability to pay distributions on its units, including limiting distributions to the amount of distributable cash generated over a specified period.

Significant Acquisitions

The Fund did not complete any significant acquisitions during the financial period ended December 31, 2006. The Fund filed a business acquisition report ("BAR") for the purposes of National Instrument 51-102 in connection with the Acquisition on SEDAR at www.sedar.com on August 23, 2005.

BUSINESS OF CARGOJET

Overview

Cargojet is Canada's leading provider of time sensitive overnight air cargo service with a co-load network that management believes constitutes approximately 50% of Canada's dedicated domestic overnight air cargo capacity. Cargojet's co-load network consolidates cargo received from over 200 customers and transports such cargo to the appropriate destination in a cost efficient and reliable manner. Cargojet operates its network from coast to coast transporting over 500,000 pounds (226.8 tonnes) of volumetric time sensitive air cargo to thirteen major cities in Canada each business night. Cargojet is the only operator of dedicated cargo aircraft operating on a scheduled route network across Canada and offering air cargo transportation to multiple customers. The Company currently owns six and leases six Boeing 727-200 ("B727-200") Advanced aircraft.

The Company's customers include some of the global transportation industry's largest couriers, including UPS Canada Ltd. and DHL Express Canada as well as major freight forwarding companies, including Eagle Global Logistics. Customers typically contract for a minimum dedicated amount of capacity on the Company's network on a fixed and guaranteed daily revenue basis. For the 12 months ended December 31, 2006, approximately 75% of Cargojet's overnight air cargo revenue was generated by guaranteed contracts, with the remaining space available sold on a non-guaranteed basis.

In addition to its domestic overnight air cargo service, the Company also provides and operates dedicated aircraft on a wet lease basis and provides dedicated aircraft charter services. The Company operates a dedicated aircraft on an aircraft, crew, maintenance and insurance ("ACMI") basis on a transborder Canada-United States route for Bax Global Inc.. The Company also operates a dedicated aircraft between Newark, New Jersey and Hamilton, Bermuda. This route is patterned after Cargojet's domestic business model, with customer contracts guaranteeing minimum daily revenues and fuel cost increase pass-through provisions.

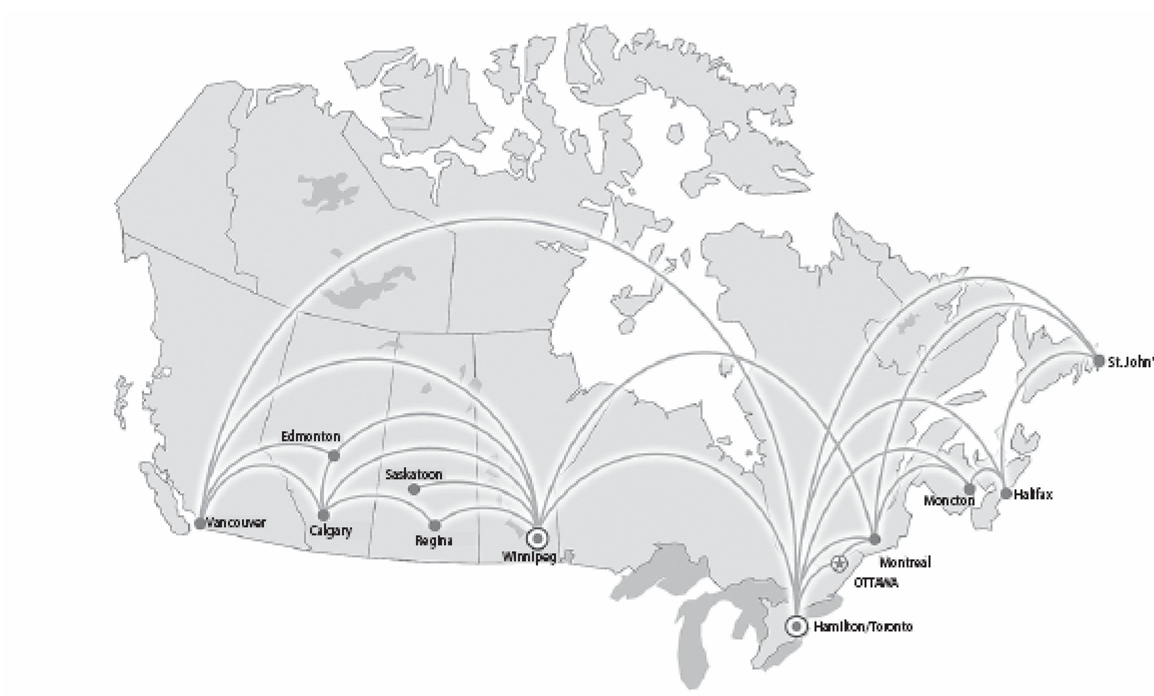
Services

Overnight Network

Cargojet offers its overnight air cargo service between thirteen major cities across Canada each business night. Customers pre-purchase a fixed space and weight allocation on the Company's network and a corresponding fixed daily revenue amount is paid to the Company for this space and weight allocation. For the twelve months ended December 31, 2006, approximately 75% of Cargojet's revenue was generated by guaranteed contract. Remaining capacity is sold on an *ad hoc* basis to contract and non-contract customers to maximize space utilization on heavy demand lanes. Overflow/oversell traffic is regularly sold to ensure maximum space and revenue capture.

Within its overnight network, the Company also provides domestic air cargo services for a number of international airlines between points in Canada that connect such airlines' gateways to Canada. Typically this revenue helps to support lower demand legs and provides a revenue opportunity with little incremental cost, as Cargojet provides domestic capacity to these international airlines through its existing, regularly scheduled flight network.

For the year ended December 31, 2006, approximately 86% of the Company's revenue was derived from its overnight network. The following map illustrates the major cities within Canada serviced by the Company's overnight network.



Dedicated Aircraft Charter

To enhance its revenues during downtimes, the Company offers a specialty charter service typically in the daytime and on weekends. The charter business targets livestock shipments, military equipment movements, emergency relief supplies and virtually any large shipments requiring immediate delivery across North America, Mexico and the Caribbean. During pre-Christmas peak volume seasons, the Company also offers dedicated aircraft to its major courier customers to handle increased United States-Canada premium overnight traffic.

Dedicated ACMI Contracts

The Company provides and operates dedicated aircraft on an ACMI basis for BAX Global Inc. and also provided ACMI services to UPS Supply Chain Solutions Inc. until June 2, 2006 when the term of this contract was completed. This service involves providing a dedicated aircraft on a dedicated route where the customer is responsible for all costs of the operation including fuel, navigation fees, landing fees, cargo handling and all other commercial activities. Minimum guaranteed revenues are part of the contract.

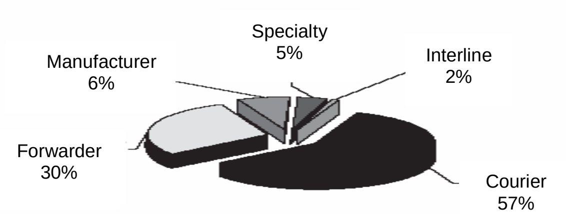
The Company also provided services to Starjet Airways Ltd. (''Starjet'') on an ACMI basis until Starjet filed for bankruptcy on December 21, 2006. Starjet provided a first class passenger charter service to professional sports teams and for corporate incentive travel. The Company used its 64 seat first class configured aircraft to provide this service to Starjet and Starjet paid all costs of the Company (including all aircraft maintenance costs) plus an additional 6%. Starjet was operated by the Selling Shareholders.

Customers

A key factor in the success of Cargojet lies in its long standing relationships and long term contracts with its customer base. Currently, Cargojet services over 200 customers, which include UPS Canada Ltd., DHL Express Canada, Sameday Right-O-Way (a division of McCain Foods Limited), Eagle Global Logistics, ICS Courier Services Inc., ATS, Midland Transport Limited (part of the Irving Group), Korean Airlines Ltd., Lufthansa Cargo AG and Cathay Pacific Airways Ltd.. Cargojet's customer base is comprised of major couriers, freight forwarders, manufacturers, specialty shippers and international airlines. Cargojet also handles the time sensitive shipment needs of customers including pharmaceutical, perishable, seafood, agriculture, hi-tech, garment, precious metals and chemical companies. Cargojet's 10 largest customers accounted for approximately 80% of revenues in 2006. Management believes that Cargojet is the exclusive overnight air cargo provider to most of its customers.

The following charts illustrate revenue by customer segment on the Company's overnight co-load network for the year ended December 31, 2006.

2006 Overnight Co-Load Network
Revenue by Market Segment



Competition

The Company faces competition within its market from a mix of dedicated air cargo providers and passenger airlines offering air cargo services using the cargo holds of their aircraft. The Company's main competitors are Kelowna Flightcraft and Morningstar Air Express Inc., which operate an exclusive overnight network for two large courier companies in Canada. They typically do not offer guaranteed space to others (i.e., their competitors) on their network. Canadian domestic airlines offer air cargo services on their passenger flights by using excess belly cargo capacity of their aircraft. However, their networks and service standards do not provide a competitive alternative for customers in the time sensitive overnight air cargo market. These commercial airlines do not have the capability of providing heavy, palletized cargo nor are they able to handle specialty or perishable freight.

Cargojet Equipment

Cargojet operates a fleet of twelve Boeing 727-200 Advanced series aircraft. Eleven of these aircraft are heavyweight advanced cargo aircraft and one is a first class configured passenger aircraft. The Company owns six aircraft and the remaining six are leased. All aircraft meet Transport Canada and FAA Stage III noise abatement guidelines enabling unrestricted operation across North America. The average payload capability on the freighter fleet is approximately 60,000 pounds of volumetric cargo with a maximum range of 1,800 nautical miles. The passenger aircraft is configured in a 64 first class seat configuration and has a maximum range similar to the freighter aircraft.

The Company's six leased aircraft are subject to separate lease agreements. Of such lease agreements, two expire in 2008 (or upon termination of the related service agreement which currently has a termination date in 2010), one expires in late 2008 (or upon execution of a six month early termination clause) and three expire in 2009. Except as indicated, the lease agreements do not have specified renewal options. Total monthly lease payments for the Company's aircraft leases are approximately $425,500 and all of the lease agreements are in good standing.

The average age of the fleet is 26 years, which management believes is a relatively young fleet considering that the average number of cycles and hours flown on the fleet is very low when compared to other operator's fleets of B727-200 series aircraft. All aircraft are maintained under a Transport Canada and Boeing approved maintenance program incorporating daily, weekly and monthly service checks as well as a program that requires each aircraft to undergo comprehensive maintenance checks every 24 months. Cargojet is recognized by Transport Canada as an ''Approved Maintenance Organization'' and all service checks except for the heavy maintenance checks are performed in house.

Regulation

Domestic Services

Transport Canada and the Canadian Transportation Agency (CTA) regulate the transportation industry in Canada. Cargojet holds an Air Operators Certificate issued by Transport Canada for the operation of its B727 aircraft. It is also licensed by the CTA to operate domestic, transborder and international all-cargo and passenger operations. Cargojet has successfully passed periodic audits by both Transport Canada and the CTA and maintains excellent relationships with both regulatory bodies. Since 1996, air navigation services in Canada have been provided by NAV Canada, a privatized company. In addition, all major Canadian airports are operated by local airport authorities that are also privatized companies.

Cargojet is also a member in good standing of the International Air Transport Association (IATA), the Air Transport Association of Canada (ATAC), the Canadian International Freight Forwarders Association (CIFFA) and the Canadian Courier & Messenger Association (CCMA).

Under the *Canada Transportation Act*, there is free market entry provided a carrier can show that: (i) it is ''Canadian'', defined in the *Canada Transportation Act* as being controlled in fact by Canadians and having at least 75% of its voting interests owned and controlled by Canadians; (ii) it can operate safely; (iii) it is suitably insured; and (iv) it meets the minimum financial requirements set out in the *Air Transportation Regulations*.

In February 1995, a new air services agreement, the Open Skies Agreement, was implemented between Canada and the United States, replacing the previous bilateral agreement, which restricted market access. This new agreement gave Canadian air carriers unlimited route rights to provide ''own aircraft'' services between Canada and the United States. The carriage of local traffic between points within one country by carriers of the other country continues to be prohibited.

International Services

Scheduled international air services are regulated by the Canadian and foreign governments involved. The Minister of Transport has the authority to designate which Canadian air carriers may serve scheduled international routes. International route rights are obtained through bilateral negotiations between Canada and foreign countries. Bilateral agreements provide for the rights which may be exercised over agreed routings and the conditions under which the carriers may operate, including, among others, the number of carriers which may operate, the capacity and/or flight frequencies that may be provided and the controls over tariffs to be charged. Most bilateral agreements to which Canada is a party provide for the designation of more than one Canadian carrier, while some provide for the designation of only one Canadian air carrier. In general, bilateral agreements between Canada and European countries are more liberal in terms of controls on capacity and flight frequencies than those between Canada and Asian countries.

In February 2001, the Minister of Transport announced the launch of an international air services policy review to address competition in the international market with the release of a consultation document for stakeholder review and comment. The objective of this review was to liberalize Canada's policy for scheduled international air services, including how Canada approaches the negotiation and management of air traffic rights with other countries. In May 2002, the Minister of Transport introduced a liberalized multiple designation policy applicable to scheduled international air services by Canadian carriers (excluding services to the United States). Recent amendments negotiated between Canada and the United States reinforced the restriction of cabotage and does not allow United States carriers to establish domestic flight routes within Canada and Canadian carriers including the Company to establish domestic routes within the US.

In addition to holding valid Canadian operating certificates, the Company also holds a valid Foreign Air Operators Certificate issued by the U.S. Federal Aviation Authority and is licensed by the U.S. Department of Transportation to operate all cargo and passenger operations in and out of the United States. The Canadian Transportation Agency licences do not expire once issued, but are subject to revocation or suspension in certain circumstances in accordance with the provisions of the *Canada Transportation Act* and regulations made thereunder. Each year, the Company is required to submit a declaration of continuance of qualifications to the Canadian Transportation Agency to maintain its licence. The United States of America Department of Transportation license is renewed annually in April of each year. In addition, the United States of America Federal Aviation Administration Foreign Air Operators Certificate does not expire but is subject to revocation or suspension in certain circumstances in accordance with U.S. Federal Aviation Authority regulations

Charter Services

Charter operations are generally not covered by bilateral agreements, although charter services are covered under the Canada-U.S. Open Skies Agreement. Canadian government policy permits any Canadian carrier to operate charter services between Canada and any point in the world subject to prior approval of the Canadian and other appropriate regulatory authorities.

Security Initiatives

Following the September 11, 2001 terrorist attacks, the Minister of Transport issued new air security measures, including increased screening and enhanced security procedures. Other countries have imposed similar security requirements. In December 2001, the Minister of Transport announced several security initiatives including a new Canadian Air Transport Security Authority responsible for the provision of key air security services.

Employees

The Company currently employs approximately 426 employees, 37 in administration, 172 in airline operations and 217 in cargo operations. Management believes that relations with its employees are excellent. None of the Company's employees are unionized and the Company has never experienced a work stoppage.

ADDITIONAL INFORMATION RESPECTING THE FUND

General

The Fund is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario pursuant to the Fund Declaration of Trust. The Fund qualifies as a mutual fund trust for the purposes of the Tax Act. The following is a summary of the material attributes and characteristics of the Units and Special Voting Units and certain provisions of the Fund Declaration of Trust, which summary does not purport to be complete. Reference is made to the Fund Declaration of Trust for a complete description of the Units and Special Voting Units and the full text of its provisions. See "Material Contracts".

Activities of the Fund

The Fund Declaration of Trust provides that the Fund is restricted to:

(i) acquiring, investing in, transferring, disposing of and otherwise dealing with securities of the Trust and other corporations, partnerships, trusts or other persons engaged, directly or indirectly, in the business of air cargo shipment, as well as activities ancillary thereto, and such other investments as the Trustees may determine;

(ii) acquiring, investing in, transferring, disposing of and otherwise dealing with securities of any of the Trust, the GP, the Partnership or any of their respective subsidiaries in connection with the Fund's obligations under the Exchange Agreement;

(iii) temporarily holding cash in interest-bearing accounts, short-term government debt or short-term investment grade corporate debt for the purposes of paying the expenses and liabilities of the Fund, paying amounts payable by the Fund in connection with the redemption of any Units or other securities of the Fund and making distributions to Unitholders;

(iv) issuing Units, Special Voting Units and other securities of the Fund (including securities convertible or exchangeable into Units, Special Voting Units or warrants, options or other rights to acquire Units, Special Voting Units or other securities of the Fund) (a) for obtaining funds to conduct the activities of the Fund, including raising funds for acquisitions and development; (b) in satisfaction of any non-cash distribution; (c) pursuant to any distribution reinvestment plans, incentive option plans or other compensation plans, if any, established by the Fund, the Trust, the GP, the Partnership or their respective subsidiaries; (d) under the Exchange Agreement; or (e) in satisfaction of any indebtedness or borrowing by the Fund;

(v) issuing debt securities (including debt securities convertible into, or exchangeable for, Units, Special Voting Units or other securities of the Fund) or otherwise borrowing and mortgaging, pledging, charging, granting a security interest in or otherwise encumbering any of its assets as security;

(vi) guaranteeing the payment of any indebtedness, liability or obligation of the Trust, the Partnership, the GP, the Company or any of their respective subsidiaries or the performance of any obligation of any of them, and mortgaging, pledging, charging, granting a security interest in or otherwise encumbering all or any part of its assets as security for such guarantee, and subordinating its rights under the Trust Notes to other indebtedness;

(vii) disposing of all or any part of the assets of the Fund;

(viii) issuing or redeeming rights and Units pursuant to any Unitholder rights plan adopted by the Fund;

(ix) repurchasing securities issued by the Fund, subject to the provisions of the Fund Declaration of Trust and applicable laws;

(x) satisfying the obligations, liabilities or indebtedness of the Fund;

(xi) entering into and performing its obligations under the Acquisition Agreement, the Underwriting Agreement, the Exchange Agreement and any agreement relating to the New Credit Facility; and

(xii) undertaking all other usual and customary actions for the conduct of the activities of the Fund in the ordinary course as are approved by the Trustees from time to time, or as are contemplated by the Fund Declaration of Trust, provided the Fund will not undertake any activity, take any action, omit to take any action or make any investment which would result in the Fund not being considered a "mutual fund trust" for purposes of the Tax Act, or would result in the Units being treated as "foreign property" for the purposes of the Tax Act.

Trustees

The Fund will have a minimum of three Trustees and a maximum of ten Trustees, the majority of whom must be residents of Canada (within the meaning of the Tax Act). The Trustees are to supervise the activities and manage the affairs of the Fund. The board of the Fund is currently comprised of three Trustees, all of whom are "independent" within the meaning of applicable securities laws.

The Fund Declaration of Trust provides that, subject to its terms and conditions, the Trustees will have full, absolute and exclusive power, control and authority over the trust assets and over the affairs of the Fund to the same extent as if the Trustees were the sole and absolute legal and beneficial owners of the trust assets and will supervise the investments and conduct the affairs of the Fund. Subject to such terms and conditions, the Trustees are responsible for, among other things:

- acting for, voting on behalf of and representing the Fund as a holder of the Trust Units and Trust Notes;
- maintaining records and providing reports to Voting Unitholders;
- effecting payments of distributable cash from the Fund to Unitholders; and
- voting in favour of the Fund's nominees to serve as trustees of the Trust.

Any one or more of the Trustees may resign upon written notice to the Fund and may be removed by a resolution ("Ordinary Resolution") passed by a majority of the votes cast at a meeting of the Unitholders and holders of Special Voting Units (collectively, "Voting Shareholders") and the vacancy created by the removal or resignation may be filled at the same meeting, failing which it may be filled by the affirmative vote of a quorum of the Trustees.

Trustees will be appointed at each annual meeting of Voting Unitholders to hold office for a term expiring at the close of the next annual meeting. A quorum of the Trustees, being the majority of the Trustees then holding office, may fill a vacancy in the Trustees, except a vacancy resulting from a failure of the Voting Unitholders to elect the required number of Trustees. In the absence of a quorum of Trustees, or if the vacancy has arisen from a failure of the Voting Unitholders to elect the required number of Trustees, the Trustees will promptly call a special meeting of the Voting Unitholders to fill the vacancy. If the Trustees fail to call that meeting or if there are no Trustees then in office, any Unitholder may call the meeting. Except as otherwise provided in the Fund Declaration of Trust, the Trustees may, between annual meetings of Voting Unitholders, appoint one or more additional Trustees to serve until the next annual meeting of Voting Unitholders, but the number of additional Trustees will not at any time exceed one-third of the number of Trustees who held office at the later of the closing of the Offering and the expiration of the immediately preceding annual meeting of Voting Unitholders.

The Fund Declaration of Trust provides that the Trustees will act honestly and in good faith with a view to the best interests of the Fund and in connection with that duty will exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Fund Declaration of Trust provides that each Trustee will be entitled to indemnification from the Fund in respect of the exercise of the Trustee's power and the discharge of the Trustee's duties, provided that the Trustee acted honestly and in good faith with a view to the best interests of all of the Voting Unitholders or, in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, where the Trustee had reasonable grounds for believing that his or her conduct was lawful.

Meetings of Voting Unitholders

The Fund Declaration of Trust provides that meetings of Voting Unitholders will be called and held annually for the election of Trustees and the appointment of auditors of the Fund. The Fund Declaration of Trust provides that the Voting Unitholders will be entitled to pass resolutions that will bind the Trustees only with respect to:

- the election or removal of Trustees;
- the election or removal of nominees of the Fund to serve as trustees of the Trust;

- the appointment or removal of the auditors of the Fund;
- the appointment of an inspector to investigate the performance by the Trustees in respect of their respective responsibilities and duties in respect of the Fund;
- the approval of amendments to the Fund Declaration of Trust (but only in the manner described below under "Amendments to the Fund Declaration of Trust");
- the termination of the Fund;
- any merger, amalgamation, consolidation or other business combination or joint venture of the Fund, except in conjunction with an internal reorganization;
- the sale of all or substantially all of the assets of the Fund;
- the exercise of certain voting rights attached to the securities of the Trust held by the Fund and securities of the Partnership or the GP, as the case may be, held by the Trust;
- the ratification of any Unitholder rights plan, distribution reinvestment plan, distribution reinvestment and Unit purchase plan, Unit option plan or other compensation plan contemplated by the Fund Declaration of Trust requiring Unitholder approval;
- the dissolution of the Fund prior to the end of its term; and
- such other business as the Trustees may determine or as may properly be brought before the meeting, including any other matters required by securities law, stock exchange rules or other laws or regulations to be submitted to Voting Unitholders for their approval,

provided that the Voting Unitholders shall not pass any resolution that would cause the Fund, the Trust, the GP or the Partnership or their respective subsidiaries to breach the terms of the Exchange Agreement or the Partnership Agreement or cause the Fund not to qualify as a mutual fund trust, or Units to constitute foreign property, for the purposes of the Tax Act.

No other action taken by Voting Unitholders or any other resolution of the Voting Unitholders at any meeting will in any way bind the Trustees.

A resolution electing or removing nominees of the Fund to serve as trustees of the Trust (except filling casual vacancies) or with respect to the exercise of certain voting rights attached to the securities of the Trust or the GP held by the Fund, a resolution required by securities law, stock exchange rules or other laws or regulations requiring a simple majority of Voting Unitholders, and a resolution appointing or removing the Trustees or the auditors of the Fund must be passed by a simple majority of the votes cast by Voting Unitholders. The balance of the foregoing matters must be passed by a resolution of the Voting Unitholders passed by not less than 66 2/3 % of the votes cast, either in person or by proxy, at a meeting of Voting Unitholders called for the purpose of approving such resolution, or approved in writing by the holders of not less than 66 2/3% of the Units and Special Voting Units entitled to vote on such resolution (a "Special Resolution").

A special meeting of Voting Unitholders may be convened at any time and for any purpose by the Trustees and must be convened, except in certain circumstances, if requisitioned by the holders of not less than 5% of the Units and Special Voting Units then outstanding by a written requisition. A requisition must state in reasonable detail the business proposed to be transacted at the meeting. At any meeting at which a quorum is not present within one half hour after the time fixed for the holding of such meeting, the meeting, if convened upon the request of the Voting Unitholders, will be terminated and, if otherwise called, the meeting will stand adjourned to a day not less than 14 days later and to a place and time as chosen by the chairperson of the meeting. If at such adjourned meeting a quorum is not present, the Voting Unitholders present either in person or by proxy will be deemed to constitute a quorum.

Voting Unitholders may attend and vote at all meetings of the Voting Unitholders either in person or by proxy and a proxyholder need not be a Voting Unitholder. Two persons present in person or represented by proxy and representing in total at least 10% of the votes attached to all outstanding Units and Special Voting Units will constitute a quorum for the transaction of business at all meetings.

The Fund Declaration of Trust contains provisions as to the notice required and other procedures with respect to the calling and holding of meetings of Voting Unitholders.

Exercise of Certain Voting Rights Attached to Securities of the Trust, the GP and the Partnership

The Fund Declaration of Trust provides that the Fund will not vote any securities of the Trust, nor permit the Trust to vote any securities of the GP or the Partnership to authorize any transaction which is adverse to the Unitholders including, among other things:

- any sale, lease or other disposition of all or substantially all of the direct or indirect assets of the Trust, the GP, the Partnership, the Company or any of their respective affiliates, except in conjunction with an internal reorganization of any of these entities, as applicable, pursuant to a good faith charge, pledge, mortgage, lien, security interest or other encumbrance granted by the Trust over any assets of the Trust in the ordinary course of business of pursuant to any guarantee or any obligation of the Trust, the GP, the Partnership, the Company or any of their respective affiliates;

- any amalgamation, arrangement or other merger of the Trust, the GP, the Partnership, the Company or any of their respective affiliates, with any other entity, except in conjunction with an internal reorganization of any of these entities, as applicable;

- any material amendment to the Trust Note Indenture other than in contemplation of a further issuance of Trust Notes to the Fund that are identical in all respects to the Trust Notes issued in connection with the Offering or in conjunction with an internal reorganization of the Trust, the GP, the Partnership, the Company or any of their respective affiliates, as applicable;

- the winding-up or dissolution of the Trust, the GP, the Partnership, the Company or any of their respective affiliates prior to the end of the term of the Fund except in conjunction with an internal reorganization of these entities, as applicable; or

- any material amendment to the constating documents of the Trust, the GP, the Partnership, the Company or any of their respective affiliates, to change the authorized units, share capital or partnership interests which may be prejudicial to the Fund; and

- any change to the subordination provisions attached to the Exchangeable LP Units.

without the authorization of the Voting Unitholders by a Special Resolution.

Amendments to the Fund Declaration of Trust

The Fund Declaration of Trust contains provisions that allow it to be amended or altered from time to time by the Trustees with the consent of the Voting Unitholders by a Special Resolution.

The Trustees, at their discretion and without the approval of the Voting Unitholders, will be entitled to make certain amendments to the Fund Declaration of Trust, including amendments:

(i) which are required for the purpose of ensuring continuing compliance with applicable laws (including the Tax Act), regulations, requirements or policies of any governmental authority having jurisdiction over the Trustees or over the Fund, including ensuring that the Fund continues to qualify as a "mutual fund trust" and the Units do not constitute "foreign property", each within the meaning of the Tax Act;

(ii) which, in the opinion of counsel, provide additional protection or added benefits for the Unitholders and/or holders of Special Voting Units;

(iii) to remove any conflicts or inconsistencies in the Fund Declaration of Trust or to make minor corrections which are, in the opinion of the Trustees, necessary or desirable and not prejudicial to the Unitholders and holders of Special Voting Units; and

(iv) which, in the opinion of the Trustees, are necessary or desirable as a result of changes in taxation laws or policies of any governmental authority having jurisdiction over the Trustees or the Fund.

Notwithstanding the previous sentence, the Trustees may not amend the Fund Declaration of Trust in a manner which would result in (a) the Fund failing to qualify as a "mutual fund trust" under the Tax Act or (b) the Units being treated as "foreign property" for the purposes of the Tax Act.

Term of the Fund

The Fund has been established for a term ending 21 years after the date of death of the last surviving issue of Her Majesty, Queen Elizabeth II, alive on April 25, 2005. On a date selected by the Trustees which is not more than two years prior to the expiry of the term of the Fund, the Trustees are obligated to commence to wind-up the affairs of the Fund so that it will terminate on the expiration of the term. At any time prior to the expiry of the term of the Fund, the Voting Unitholders may by Special Resolution require the Trustees to commence the termination, liquidation or winding-up of the affairs of the Fund.

The Fund Declaration of Trust provides that, upon being required to commence the termination, liquidation or winding-up of the affairs of the Fund, the Trustees will give notice thereof to the Voting Unitholders, which notice shall designate the time or times at which Voting Unitholders may surrender their Units for cancellation and the date at which the register of Units will be closed. After the date the register is closed, the Trustees shall proceed to wind up the affairs of the Fund as soon as may be reasonably practicable and for such purpose shall, subject to any direction to the contrary in respect of a termination authorized by a resolution of the Voting Unitholders, sell and convert into money the Trust Units, the Trust Notes and all other assets comprising the Fund in one transaction or in a series of transactions at public or private sales and do all other acts appropriate to liquidate the Fund. After paying, retiring, discharging or making provision for the payment, retirement or discharge of all known liabilities and obligations of the Fund and providing for indemnity against any other outstanding liabilities and obligations, the Trustees shall, subject to obtaining all necessary regulatory approvals, distribute the remaining part of the proceeds of the sale of the Trust Units, the Trust Notes and other assets together with any cash forming part of the assets of the Fund among the Unitholders in accordance with their pro rata interests. If the Trustees are unable to sell all or any of the Trust Units, the Trust Notes or other assets which comprise part of the Fund by the date set for termination, the Trustees may distribute the remaining Trust Units, the Trust Notes or other assets *in specie* directly to the Unitholders in accordance with their pro rata interests subject to obtaining all required regulatory approvals.

Take-over Bids

The Fund Declaration of Trust and the Limited Partnership Agreement contain provisions to the effect that if a take-over bid is made for the Units and not less than 90% of the Units on a fully diluted basis (including the Units that persons are entitled to acquire pursuant to the Exchange Agreement and other securities exchangeable, directly or indirectly, for Units ("Exchangeable Securities") as applicable, (other than Units, including Exchangeable LP Units and Exchangeable Securities held by or on behalf of the Offeror or an affiliate or associate of the Offeror) are taken up and paid for by the Offeror, subject to other provisions of the Fund Declaration of Trust, the Offeror will be entitled to acquire the Units, Exchangeable LP Units and other Exchangeable Securities held by holders who did not accept the take-over bid, on the same terms on which the Offeror acquired Units pursuant to the take-over bid.

The Fund Declaration of Trust and the Exchange Agreement include provisions to facilitate the exchange of Exchangeable LP Units for Units so that a holder of Exchangeable LP Units can exercise its rights to exchange all or a portion of such holdings for Units, including conditionally, in order to tender to a take-over bid.

Information and Reports

The Fund will furnish to Voting Unitholders, in accordance with applicable securities laws, all financial statements of the Fund (including quarterly and annual financial statements) and other reports as are from time to time required by applicable law, including prescribed forms needed for the completion of Unitholders' tax returns under the Tax Act and equivalent provincial legislation.

Prior to each meeting of Voting Unitholders, the Trustees will provide to the Voting Unitholders (along with notice of the meeting) all information, together with such certifications, as is required by applicable law and by the Fund Declaration of Trust to be provided to Voting Unitholders.

In addition, the Company has undertaken to the securities commissions or other securities regulatory authorities in each of the provinces and territories of Canada and to the Fund that, following Closing and for so long as the Fund is a reporting issuer under applicable securities laws, it will:

- issue a press release and deliver to the Fund for filing a material change report in respect of any material change in its business, operations or capital;
- provide to the Fund the information that would be required to be included in an annual information form or any other report or document required to be filed with the securities commissions or other securities regulatory authorities as if they were reporting issuers in each of the provinces and territories of Canada; and
- to the extent that the Fund does not prepare financial statements including its results of operations, deliver to the Fund quarterly unaudited and annual audited financial statements together with corresponding management's discussion and analysis for those periods for filing with the securities commissions or other securities regulatory authorities in each of the provinces of Canada and delivery to the Fund's registered and beneficial Voting Unitholders in accordance with applicable securities laws.

Such releases, forms, reports and statements, in each case, shall be in the form and content that the Company would be required to file with the Ontario Securities Commission as if it were a reporting issuer under Ontario securities laws. The quarterly unaudited and annual audited financial statements of the Company will be delivered by the Fund to Voting Unitholders concurrently with the financial statements of the Fund for the corresponding period.

In future interim and annual filings, the Fund will include relevant information and discussions comparing the Fund's business with the predecessor Company. The information will be provided on a comparative basis in future interim and annual management discussion and analysis.

The chief executive officer and chief financial officer of the GP will perform functions similar to a chief executive officer and chief financial officer in respect of the Fund. As such the chief executive officer and chief financial officer of the GP will execute the certificates required to be filed pursuant to Multilateral Instrument 52-109 — "Certification of Disclosure in Issuers' Annual and Interim Filings".

Trustees of the Fund and the Trust and directors and senior officers of subsidiaries of the Fund, including the GP, will be required to file insider reports and comply with insider trading provisions under applicable Canadian securities legislation in respect of trades made by such persons in Units.

In addition, the Fund has undertaken to the securities commissions or other securities regulatory authorities in each of the provinces and territories of Canada that for so long as the Fund is a reporting issuer under applicable securities laws, it will:

- treat the Company as a subsidiary of the Fund; however, if generally accepted accounting principals prohibit the consolidation of financial information of the Company and the Fund, for as long as the Company (and any of its significant business interests) represents significant assets of the Fund, the Fund will provide unitholders with separate financial statements for the Company (and any of its significant business interests);
- take appropriate measures to require each person who would be an insider of the Company if the Company were a reporting issuer to (a) file insider reports about trades in Units (including securities which are exchangeable into Units), and (b) comply with statutory prohibitions against insider trading; and
- annually certify that it has complied with its undertaking, and file the certificate on the System for Electronic Document Analysis and Retrieval (SEDAR) concurrently with the filing of its annual financial statements.

Distributions

The Fund makes distributions of substantially all of its available cash to the Unitholders to the maximum extent possible. The amount of cash available for distribution will be equal to the cash receipts of the Fund in respect of such month including the interest and principal repayments on the Trust Notes and the distributions, if any, on or in respect of the Trust Units owned by the Fund, less:

(a) administrative expenses and other obligations of the Fund;

(b) amounts which may be paid by the Fund in connection with any cash redemptions or repurchases of Units;

(c) satisfaction of debt service obligations of the Fund on account of both principal and interest; and

(d) any amount that the Trustees may reasonably consider to be necessary to provide for the payment of any costs or expenses, including any tax liability of the Fund, that have been or are reasonably expected to be incurred in the activities and operations of the Fund (to the extent that such costs or expenses have not otherwise been taken into account in the calculation of the available distributable cash of the Fund).

The Fund may make additional distributions in excess of monthly distributions during the year, as the Trustees may determine. The distribution declared in respect of the month ending December 31 in each year will include such amount in respect of the taxable income and net realized capital gains, if any, of the Fund for such year as is necessary to ensure that the Fund will not be liable for ordinary income taxes under the Tax Act in such year.

Any income of the Fund which is applied to any cash redemptions of Units or is otherwise unavailable for cash distribution will, to the extent necessary to ensure that the Fund does not have an income tax liability under Part I of the Tax Act, be distributed to Unitholders in the form of additional Units. Those additional Units will be issued under exemptions under applicable securities laws, discretionary exemptions granted by applicable securities regulatory authorities or a prospectus or similar filing.

Holders of Units who are non-residents of Canada will be required to pay all withholding taxes payable in respect of any distributions of income by the Fund, whether those distributions are in the form of cash or additional Units. Non-residents should consult their own tax advisors regarding the tax consequences of investing in the Units.

DESCRIPTION OF CAPITAL STRUCTURE OF THE FUND

Units and Special Voting Units

The beneficial interests in the Fund are divided into interests of two classes, described and designated as “Units” and “Special Voting Units”, respectively. An unlimited number of Units and an unlimited number of Special Voting Units may be issued pursuant to the Fund Declaration of Trust. Each Unit is transferable and represents an equal undivided beneficial interest in any distributions from the Fund, whether of net income, net realized capital gains (other than net realized capital gains distributed to redeeming Unitholders) or other amounts, and in the net assets of the Fund in the event of termination or winding-up of the Fund. All Units are of the same class with equal rights and privileges. The Units issued pursuant to the Offering are not subject to future calls or assessments, and entitle the holders thereof to one vote for each whole Unit held at all meetings of Voting Unitholders. Except as set out under “Redemption at the Option of Unitholders” below, the Units have no conversion, retraction, redemption or pre-emptive rights.

The Special Voting Units will not be entitled to any interest or share in the Fund, in any distribution from the Fund whether of net income, net realized gains or other amounts, or in the net assets of the Fund in the event of a termination or winding-up of the Fund.

Special Voting Units may be issued in series and will only be issued in connection with or in relation to Exchangeable LP Units, and, if the Trustees so determine, other securities exchangeable, directly or indirectly, for Units (“Exchangeable Securities”), in each case for the purpose of providing voting rights with respect to the Fund to the holders of such securities. Special Voting Units will be issued in conjunction with, and will be attached to, the Exchangeable LP Units or other Exchangeable Securities to which they relate, and will be evidenced only by the certificates representing such Exchangeable LP Units or other Exchangeable Securities. Special Voting Units will not be transferable separately from the Exchangeable LP Units or other Exchangeable Securities to which they are attached. Each Special Voting Unit will entitle the holder thereof to that number of votes at any meeting of Voting Unitholders that is equal to the number of Units that may be obtained upon the exchange (direct or indirect) of the Exchangeable LP Unit or other Exchangeable Security to which it is attached. Upon the exchange or conversion of an Exchangeable LP Unit or other Exchangeable Security for Units, the Special Voting Unit that is attached to such Exchangeable LP Unit or other Exchangeable Security will immediately be cancelled without any further action of the Trustees, and the former holder of such Special Voting Unit will cease to have any rights with respect thereto.

No certificates will be issued for fractional Units and fractional Units will not entitle the holders thereof to vote. The Units are not “deposits” within the meaning of the Canada Deposit Insurance Corporation Act (Canada)

and are not insured under the provisions of such Act or any other legislation. Furthermore, the Fund is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

Issuance of Units

The Fund Declaration of Trust provides that the Units or rights to acquire Units may be issued by the Fund at the times, to the persons, for the consideration and on the terms and conditions that the Trustees determine, including pursuant to any Unitholder rights plan or any incentive option or other compensation plan established by the Fund. Units may be issued in satisfaction of any non-cash distribution of the Fund to Unitholders on a pro rata basis to the extent that the Fund does not have available cash to fund such distributions. The Fund Declaration of Trust also provides that immediately after any pro rata distribution of Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Units will be consolidated such that each Unitholder will hold after the consolidation the same number of Units as the Unitholder held before the non-cash distribution, except where tax was required to be withheld in respect of the Unitholder's share of the distribution. In this case, each certificate, if any, representing a number of Units prior to the non-cash distribution is deemed to represent the same number of Units after the non-cash distribution and the consolidation. Where amounts so distributed represent income, non-resident holders will be subject to withholding tax and the consolidation will not result in such non-resident Unitholders holding the same number of Units. Such non-resident Unitholders will be required to surrender the certificates, if any, representing their original Units in exchange for a certificate representing their post-consolidation Units.

Redemption at the Option of Unitholders

Units are redeemable at any time on demand by the holders thereof. As the Units will be issued in book-entry form, a Unitholder who wishes to exercise the redemption right will be required to obtain a redemption notice form from the Unitholder's investment dealer who will be required to deliver the completed redemption notice form to the Fund at its head office and to CDS. Upon receipt of the redemption notice by the Fund, all rights to and under the Units tendered for redemption shall be surrendered and the holder thereof shall be entitled to receive a price per Unit (the "Redemption Price") equal to the lesser of:

(i) 90% of the "market price" of a Unit calculated as of the date on which the Units were surrendered for redemption (the "Redemption Date"); and

(ii) 100% of the "closing market price" on the Redemption Date.

The Redemption Price payable by the Fund in respect of all Units surrendered for redemption during any calendar month shall be satisfied by way of a cash payment no later than the last day of the month following the month in which the Units were tendered for redemption, provided that the entitlement of Unitholders to receive cash upon the redemption of their Units is subject to the limitations that:

(i) the total amount payable by the Fund in respect of those Units and all other Units tendered for redemption in the same calendar month shall not exceed $50,000, provided that the Trustees may, in their sole discretion, waive this limitation in respect of all Units tendered for redemption in any calendar month;

(ii) at the time the Units are tendered for redemption, the outstanding Units shall be listed for trading on a stock exchange or traded or quoted on another market which the Trustees consider, in their sole discretion, provides representative fair market value prices for the Units; and

(iii) the normal trading of Units is not suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, on any market on which the Units are quoted for trading) on the Redemption Date or for more than five trading days during the ten-day trading period ending on the Redemption Date.

For additional details on the redemption right attaching to the Units and the Redemption Price reference is made to the Fund Declaration of Trust, available on SEDAR at www.sedar.com.

Repurchase of Units

The Fund will be allowed, from time to time, to purchase Units for cancellation in accordance with applicable securities legislation and the rules prescribed under applicable stock exchange or regulatory policies. Any such repurchase will constitute an "issuer bid" under Canadian provincial securities legislation and must be conducted in accordance with the applicable requirements thereof.

Limitation on Non-Resident Ownership

In order for the Fund to maintain its status as a mutual fund trust under the Tax Act, the Fund must not be established or maintained primarily for the benefit of non-residents of Canada within the meaning of the Tax Act. Accordingly, the Fund Declaration of Trust provides that at no time may non-residents of Canada and partnerships which are not "Canadian partnerships" for the purposes of the Tax Act be the beneficial owners of more than 49.9% of the Units then outstanding. This 49.9% limitation will be applied with respect to the issued and outstanding Units of the Fund on both a non-diluted basis and a fully-diluted basis, including all Units issuable upon the exercise of all exchange rights. The Trustees, in their sole discretion, may require declarations as to the jurisdictions in which beneficial owners of Units and Special Voting Units are resident. If the Trustees become aware, as a result of acquiring such declarations as to beneficial ownership, that the beneficial owners of at least 40% of the Units (on a non-diluted or fully diluted basis, including all Units issuable upon the exercise of all exchange rights) are, or may be, non-residents and partnerships which are not "Canadian partnerships" for the purposes of the Tax Act or that such a situation is imminent, the Trustees may make a public announcement thereof and shall not accept a subscription for Units or Exchangeable LP Units from, or issue or register a transfer of Units or Exchangeable LP Units to, a person unless the person provides a declaration that the person is not a non-resident and does not hold the Units or Exchangeable LP Units for the benefit of non-residents.

If, notwithstanding the foregoing, the Trustees, in their sole discretion, determine that more than 40% of the Units are held by non-residents and partnerships which are not "Canadian partnerships" for the purposes of the Tax Act (on a non-diluted or fully diluted basis, including all Units issuable upon the exercise of all exchange rights), the Trustees may send a notice to such holders of Units or Exchangeable LP Units, chosen in inverse order to the order of acquisition or registration or in such manner as the Trustees may consider equitable and practicable, requiring them to sell their Units or Exchangeable LP Units or a portion thereof within a specified period of not more than 30 days. If the persons receiving such notice have not sold the specified number of Units or Exchangeable LP Units or provided the Trustees with satisfactory evidence that they are not non-residents within such period, the Trustees may, on behalf of such persons, sell such Units or cause such Exchangeable LP Units to be converted into Units and sold and, in the interim, shall suspend the voting and distribution rights attached to or associated with such Units or Exchangeable LP Units. Upon such sale, the affected holders shall cease to be holders of the Units and their rights shall be limited to receiving the net proceeds of such sale. Notwithstanding the foregoing, the Trustees shall not take any action which shall affect the rights of the Selling Shareholders to or in respect of any Units held by any of the Selling Shareholders on Closing or any Units subsequently acquired on the exchange of Exchangeable LP Units held by any of the Selling Shareholders on Closing, and, for greater certainty, any of such Units shall be deemed to have been acquired by such Selling Shareholder prior to the acquisition of Units by any other Unitholder.

If draft amendments to the Tax Act released by the Minister of Finance (Canada) on September 16, 2004 are enacted as proposed, the Fund may cease to qualify as a mutual fund trust for the purposes of the Tax Act if the fair market value of all the Units and Special Voting Units held by non-residents of Canada or partnerships which are not "Canadian partnerships" for purposes of the Tax Act is more than 50% of the fair market value of all issued and outstanding Units and Special Voting Units. A partnership will only qualify as a Canadian partnership at a particular time if *all* of its members at that time are resident in Canada. The Fund Declaration of Trust takes into account such draft amendments to the Tax Act. Depending on the final form of the draft amendments, if enacted, it may be necessary to amend the Declaration of Trust to take into account any new restrictions. Such an amendment may be made without Unitholder approval. On December 6, 2004, the Minister of Finance (Canada) introduced a Notice of Ways and Means Motion to amend the Tax Act which did not include these proposed amendments. The government's announcement indicated that further discussions with the private sector will be pursued before a decision is made on the appropriate tax policy.

In addition, the *Canada Transportation Act*, pursuant to which the Canada Transportation Agency regulates transportation industries in Canada, including the air transport industry, requires holders of licenses to operate a domestic service to be Canadian (as defined in the *Canada Transportation Act*), where non-Canadians may not (i) control the Fund in fact or (ii) hold or beneficially own or control, directly or indirectly, the right to vote more than 25% of the Units. The constraints on ownership rights contained in the Fund Declaration of Trust require the Fund to refuse to recognize ownership rights which would render it non-Canadian.

For these purposes, the Trustees may make a public announcement and shall be entitled to do one or more of the following to ensure that non-Canadians do not (i) control the Company in fact or (ii) hold or beneficially own or control, directly or indirectly, the right to vote more than 25% of the Units:

(a) refuse to accept any subscriptions for Units from a non-Canadian person or entity if such subscription, and the resulting issuance of Units, would cause (1) the Fund to be controlled in fact by non-Canadians, or (2) 25% or more of the voting interests of the Fund to be held or beneficially owned or controlled, directly or indirectly, by non-Canadians, or (3) any breach of the *Canada Transportation Act* (Canada) or the regulations thereunder;

(b) refuse, or cause the transfer agent for the Units to refuse, to register or recognize any transfer of Units to a non-Canadian person or entity if such subscription, and the resulting issuance of Units, would cause (1) the Fund to be controlled in fact by non-Canadians, or (2) 25% or more of the voting interests of the Fund to be held or beneficially owned or controlled, directly or indirectly, by non-Canadians, or (3) any breach of the *Canada Transportation Act* (Canada) or the regulations thereunder;

(c) restrict on a pro rata basis the rights of non-Canadian holders of Units to vote at a meeting of Unitholders or otherwise vote the Units where more than 25% of the Units represented at such meeting are held or beneficially owned or controlled, directly or indirectly, by non-Canadian holders, such that the total number of votes which may be cast by or on behalf of non-Canadian holders at such meeting shall not be greater than 25% of the total number of votes which may be cast at such meeting; and

(d) sell, repurchase or redeem any Units that are held or beneficially owned or controlled, directly or indirectly, by non-Canadian holders.

If notwithstanding the foregoing, the Trustees, in their sole discretion, determine that non-Canadians (i) control the Fund in fact or (ii) hold or beneficially own or control, directly or indirectly, the right to vote more than 25% of the Units, the Trustees may send a notice to such non-Canadian holders of the Units, chosen in inverse order to the order of acquisition or registration or in such other manner as the Trustees may consider equitable and practicable, requiring them to sell their Units or a portion thereof within a specified period of not more than 30 days. If the Unitholders receiving such notice have not sold the specified number of Units or provided the Trustees with satisfactory evidence that they are not non-Canadians within such period, the Trustees may on behalf of such Unitholders sell such Units and, in the interim, shall suspend the voting and distribution rights attached to or associated with such Units (other than the right to receive the net proceeds from the sale). Upon such sale, the affected holders shall cease to be holders of the relevant Units and their rights shall be limited to receiving the net proceeds of sale upon surrender of the certificates representing such securities. The Fund may direct the Transfer Agent to do any of the foregoing.

Exceptions

The constraints described above do not apply to Units held by way of security only. Furthermore, they do not apply to Units of the Fund held by one or more underwriters solely for the purpose of distributing the Units to the public, or by any person acting as an intermediary in the payment of funds or the delivery of securities in connection with trades in securities and providing centralized facilities for the clearing of trades in securities.

Administration of Constraints

The Fund Declaration of Trust grants to the Trustees all powers necessary to give effect to the ownership restrictions. The Fund has adopted and will in future adopt various procedures and processes with respect to the transfer of voting securities of the Fund to ensure that the 25% limitation on non-Canadian ownership of voting securities of the Fund is respected. In addition, the Fund has adopted such procedures and processes in order to monitor the number of its voting securities owned by Canadians to ensure that the provisions of the *Canada Transportation Act* are complied with.

Distribution Policy of the Fund

The Fund makes distributions of its available cash to Unitholders to the maximum extent possible. The amount of cash available for distribution is determined by the Trustees taking into account cash generated from operations, amounts required for: the payment of estimated costs and expenses of the Fund; cash redemptions of Units; foreseeable capital and other expenditures or required for stabilizing distributions to Unitholders; repayment of the principal amount of any indebtedness of the Fund; funding long term incentive plan awards; and the payment of any other costs of the Fund or the payment of any tax liability of the Fund. Cash distributions are payable monthly to Unitholders of record on the last Business Day of each month and are paid on or about the 15th day of the following month. The Fund pays regular monthly cash distributions, which were $0.0945 per Unit at December 31, 2006.

MARKET FOR SECURITIES

Trading Price and Volume

The Units are listed on the TSX under the symbol "CJT.UN".

The following table sets forth information relating to the trading of the Units on the TSX for the months indicated.

Month	High (Cdn$)	Low (Cdn$)	Volume
January 2006	10.10	9.55	163,419
February 2006	9.84	9.00	144,876
March 2006	9.75	9.25	61,014
April 2006	9.99	8.54	232,057
May 2006	8.70	7.85	462,422
June 2006	8.49	7.71	158,336
July 2006	8.49	7.27	261,374
August 2006	9.08	7.75	480,125
September 2006	8.85	8.55	400,911
October 2006	9.69	8.50	393,090
November 2006	8.82	7.92	557,657
December 2006	8.89	8.21	565,081
January 2007	9.75	8.55	450,365
February 2007	11.00	9.70	847,771

MANAGEMENT, TRUSTEES AND DIRECTORS

Name, Occupation and Security Holding

The following table sets out, for each of the current Trustees of the Fund, and the directors and senior officers of the GP, the person's name, province and country of residence, positions with the Fund (i.e., trusteeship) and principal occupation. The Trustees of the Fund will also comprise the trustees of the Trust and the majority of the board of directors of the GP. The trustees of the Fund and directors and senior officers of the GP as a group beneficially own, directly or indirectly, a 29.3% interest in the Fund on a fully diluted basis. The information as to Units beneficially owned or over which control or direction is exercised, not being within the knowledge of the Fund, has been furnished by the proposed nominees. The term of office for each of the Trustees will expire at the time of the next annual meeting of Unitholders of the Fund currently scheduled on May 8, 2007.

The following are brief profiles of the Trustees and of the directors and senior officers of the GP.

Name and Province/Country of Residence(6)	Position with the Fund	Principal Occupation (1)	Trustee and/or Director Since
Craig Baxter (2)(3)(4) Ontario, Canada	Trustee, Director of the GP	President of Apotex Holdings Inc.	2005
Terence M. Francis(2)(3)(4) British Columbia, Canada	Trustee, Director of the GP	Principal of T.&T.G. Consulting (SA) Ltd.	2005
John P. Webster (2)(4)(6) Ontario, Canada	Trustee, Director of the GP	President and Chief Executive Officer of Maple Trust Company	2005
Ajay Virmani(7) Ontario, Canada	President, Chief Executive Officer and Director of the GP	Chief Executive Officer of the GP	2005

Name and Province/Country of Residence[(6)]	Position with the Fund	Principal Occupation [(1)]	Trustee and/or Director Since
Dan Mills [(3)] Ontario, Canada	Chief Financial Officer, Corporate Secretary, Executive Vice-President and Director of the GP	Chief Financial Officer, Corporate Secretary and Executive Vice-President of the GP	2005
Jamie Porteous Ontario, Canada	Executive Vice- President, Sales and Service of the GP	Executive Vice- President, Sales and Service of the GP	N/A
Anthony Joseph Ontario, Canada	Corporate Controller of the GP	Corporate Controller of the GP	N/A
Alan Pidgeon Ontario, Canada	Senior Vice President of Cargojet Airways Ltd.	Senior Vice President of Cargojet Airways Ltd.	N/A
George Sugar[(1)] Ontario, Canada	Vice-President, Flight Operations of Cargojet Airways Ltd.	Vice-President, Flight Operations of Cargojet Airways Ltd.	N/A

Notes:

(1) Each of the foregoing individuals has been principally engaged in the occupation set out opposite his name for the preceding five years, with the exception of George Sugar who was Chief Pilot until January 5, 2006 at which time he was promoted to the position of Vice-President, Flight Operations Cargojet Airways Ltd.. Prior to August 2002, Mr. Sugar was Director of Flight Operations at Skyservice Airlines Inc.
(2) Member of the Compensation and Nominating Committee. Mr. Webster is Chairman of the Compensation and Nominating Committee.
(3) Member of the Corporate Governance Committee. Mr. Francis is Chairman of the Corporate Governance Committee.
(4) Member of the Audit Committee. Mr. Baxter is Chairman of the Audit Committee.
(5) No proposed director of the GP is, or has been, within 10 years before the date hereof, a director or officer of any company that, while that person was acting in that capacity (i) was the subject of a cease trade order or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; (ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or (iii) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, except (A) on December 17, 2002, Flagship International Marketing Ltd. ("FIML") voluntarily filed an assignment in bankruptcy under the Bankruptcy and Insolvency Act. At the time of filing the assignment in bankruptcy, Ajay Virmani and Dan Mills were the shareholders and directors of FIML. Ajay Virmani and Dan Mills together represented approximately 76% of creditor claims. The Fuller Landau Group Inc. acted as trustee of FIML. FIML filed the assignment in bankruptcy for tax related reasons; (B) at the time of Canada 3000 Airlines Ltd.'s bankruptcy in November 2001, Alan Pidgeon held the position of Vice President, Engineering and Maintenance with Canada 3000 Airlines Ltd. Issues relating to the actual bankruptcy proceedings were dealt with by the directors of Canada 3000 Airlines Ltd. and the Trustee in Bankruptcy. Mr. Pidgeon had a limited role as Consultant to the Trustee in Bankruptcy, acting as a consultant with respect to technical matters involving custody of the aircrafts, return of the aircrafts to the lessors and liquidation of inventory, tooling and equipment; and (C) On December 21, 2006, Starjet Airways Ltd. ("SAL") voluntarily filed an assignment in bankruptcy under the Bankruptcy and Insolvency Act. At the time of filing the assignment in bankruptcy, Ajay Virmani, Dan Mills and Jamie Porteous were officers and directors of SAL. The Virmani Family Trust, The Mills Family Trust and The Porteous Family Trust were shareholders of SAL. The Fuller Landau Group Inc. acted as trustee of SAL.
(6) Lead director of the GP.
(7) Chairman of the board of directors of the GP.

Conflicts of Interest

To the best of the Fund's knowledge, there are no known existing or potential conflicts of interest between the Fund and any of its subsidiaries and any Trustee of the Fund, Trust's Trustee or any director or officer of the GP or the Company, except that certain of such Trustees, Trust's Trustees, directors and officers serve as directors and officers of other public companies and therefore it is possible that a conflict may arise between their duties as a Trustee, Trust's Trustee or as a director or officer of the GP or the Company and their duties as a director or officer of such other companies.

The Trustees of the Fund, the Trust's Trustees and the directors and officers of the GP and the Company are aware of the existence of laws governing the accountability of directors and officers for corporate opportunity and requiring disclosures by directors of conflicts, and the Fund will rely upon such laws in respect of any Trustees', directors' or officers' conflicts or in respect of any breaches of duty by any of its Trustees, the Trust's Trustees or the directors and officers of the GP or the Company. The Fund Declaration of Trust contains "conflict of interest" provisions that serve to protect Unitholders and holders of Special Voting Units without creating undue limitations on the Fund. The Fund Declaration of Trust contains provisions, similar to those contained in the Business Corporations Act (Ontario), that require each Trustee or officer to disclose to the Fund, as applicable, any interest in a material contract or transaction or proposed material contract or transaction with the Fund, or the fact that such person is a director or officer of, or otherwise has a material interest in, any person who is a party to a material contract or transaction or proposed material contract or transaction with the Fund. In any case, a Trustee or officer who has made disclosure to the foregoing effect is not entitled to vote on any resolution to approve the contract or transaction unless the contract or transaction is one relating primarily to (i) his remuneration as a Trustee, director or officer of the Fund, as applicable, (ii) insurance or indemnity, or (iii) a contract or transaction with an affiliate.

AUDIT COMMITTEE

Audit Committee Charter

The Audit Committee's mandate is to provide assistance to the Board of Trustees of the Fund in fulfilling its financial reporting and control responsibility to the Unitholders and the investment community.

The Audit Committee Charter is attached hereto as Schedule "A".

Composition of the Audit Committee

The Audit Committee is comprised of three Trustees of the Fund, all of whom are independent and financially literate. The members of the Audit Committee are Craig Baxter, Terence Francis and John Webster.

Relevant Experience

Craig Baxter:

Mr. Baxter has been employed with Apotex Inc. in a senior capacity since 1985 and currently holds the position of President of Apotex Holdings Inc. Mr. Baxter received a Bachelor of Commerce in Finance from Sir George Williams University in 1978 and has been a Certified Management Accountant since 1985.

Terence Francis:

Mr. Francis is a graduate of the Harvard Business School Advanced Management Program. He is the principal of T.&T.G.(SA) Consulting Ltd. and has served as a corporate officer and senior executive of Canadian Airlines Corporation.

John Webster:

Mr. Webster has been the President and Chief Executive Officer of Maple Trust Company since 1989.

External Fees by Audit Category

	Year ended December 31, 2005	Year ended December 31, 2006
Audit Fees	$383,220	$251,737
Tax-Related Fees	$366,400	$105,500
All Other Fees	$22,575	$nil
Total Fees	**$772,195**	**$357,237**

Audit Fees

The audit fees are comprised of general audit fees relating to the preparation of the audited financial statements and also include fees relating to the preparation of the prospectuses and consultations regarding finance accounting and reporting standards.

Tax Fees

The tax fees are comprised of fees relating to income tax accounting and income tax reporting standards.

All Other Fees

The other fees are comprised of fees for advice regarding purchase price accounting and reporting standards in connection with an acquisition and income tax services provided to an executive officer.

Pre-Approval Policies and Procedures

The Audit Committee must pre-approve all non-audit services to be provided to the Fund or its subsidiary entities by its external auditors or the external auditors of the Fund's subsidiary entities.

PROMOTER

Ajay Virmani, a director and President and Chef Executive Officer of the GP, may be considered to be a promoter of the Fund by reason of his initiative in organizing the business and affairs of the Fund. The Virmani Family Trust, of which Mr. Virmani is a trustee, beneficially owns and exercises control over 1,808,693 Exchangeable LP Units. Mr. Virmani also owns 227,503 Units directly.

LEGAL PROCEEDINGS

Management is not aware of any legal proceedings outstanding, threatened or pending as of the date hereof by or against the Fund or its subsidiaries which would be material to a purchaser of Units.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as set out herein, as of the date hereof, no Trustee, director, executive officer or 10% security holder of the Fund or any associate or affiliate of any such person or company, has or had any material interest, direct or indirect, in any transaction that has materially affected or will materially affect the Fund or any of its subsidiaries.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Units is Computershare Investor Services Inc. at its principal transfer office in Toronto.

MATERIAL CONTRACTS

The only contracts, other than contracts entered into in the ordinary course of business, that are material to the Fund and were entered into in the financial period ended December 31, 2006, or in prior years that are still in effect are as follows:

1. the Fund Declaration of Trust, dated as of April 25, 2005 as amended and restated June 1, 2005, among Ajay Virmani, as initial trustee of the Fund, and Cargojet Holdings Ltd., as initial Unitholder, pursuant to which the Fund was established;

2. the Trust Declaration of Trust, dated as of April 25, 2005, among Ajay Virmani, as initial trustee of the Trust, and Cargojet Income Fund, as initial unitholder of the Trust, pursuant to which the Trust was established;

3. the Partnership Agreement, dated as of April 28, 2005, among the GP and the Trust as initial limited partner, governing the terms of the Partnership and the relationship among the limited partners and the GP thereunder;

4. the Underwriting Agreement, dated as of June 1, 2005, among the Fund, the Trust, the Partnership, the GP, the Company, Acquireco, the Virmani Family Trust, the Mills Family Trust, the Porteous Family Trust, Flagship International (Alberta) Limited, RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., Scotia Capital Inc and Genuity Capital Markets;

5. the Exchange Agreement, dated as of June 9, 2005, among the Fund, the Trust, the Partnership, the GP and certain security holders of the Fund and/or its subsidiaries, providing for the terms of exchange and related provisions governing the Exchangeable LP Units;

6. the Trust Note Indenture, dated as of June 9, 2005, among the Trust and Computershare Trust Company of Canada, governing the terms of the Trust Notes; and

7. the Operating Partnership Agreement, dated June 9, 2005, among Cargojet Holdings Limited Partnership and Cargojet Holdings Ltd.

The foregoing documents are filed on SEDAR at www.sedar.com. Copies of the foregoing documents may also be examined during normal business hours at the office of the Fund located at 350 Britannia Road East, Units 5 and 6 Mississauga, Ontario L4Z 1X9.

INTERESTS OF EXPERTS

The auditors of the Fund are Deloitte & Touche LLP, Chartered Accountants, Toronto, Ontario. The Fund's consolidated annual financial statements for the period ended December 31, 2006 have each been filed under National Instrument 51-102 in reliance on the report of Deloitte & Touche LLP, Chartered Accountants, given on their authority as experts in auditing and accounting. Deloitte & Touche LLP has confirmed to the Fund that it is independent within the meaning of the rules of professional conduct of the Institute of Chartered Accountants of Ontario.

ADDITIONAL INFORMATION

Additional information can be found on SEDAR at www.sedar.com.

Additional information, including the remuneration and indebtedness of Trustees, directors and officers of the Fund and its subsidiaries, principal holders of the Fund's securities and securities authorized for issuance under equity compensation plans, is contained in the Fund's information circular dated April 4, 2007. Additional financial information is provided in the Fund's financial statements and MD&A for the period ended December 31, 2006.

RISK FACTORS

The following are certain factors relating to the business of the Fund and its subsidiaries and the industry and structure of the Fund.

Risks Related to the Business

Loss of Key Contracts

The Company's 10 largest customers accounted for 80% of the 2006 revenues of the Company and the Company's top three customers each accounted for over 10% of the Company's 2006 revenues. The loss of any one of these significant contracts of the Company would cause immediate disruption and would adversely affect the Company's revenues. Any such loss of a significant contract would have an adverse effect on the results of operations of the Company and there is no assurance that the Company would be able to replace the loss of any significant contract with another customer on terms as favourable as the Company's existing contracts. If the Company's relationship with its customers or the financial health of the customers were to be negatively affected, the Company's financial results could suffer.

Most of the Company's contracts with its customers are for a term of three to five years with the ability to terminate generally upon six to twelve months notice or if the Company is not meeting specified performance targets. When these contracts expire, there is no assurance that the contracts will be renewed for an additional term or that the commercial terms of any such renewal would be as favourable to the Company as existing contracts. The inability of the Company to renew these contracts could have a material adverse effect on the Company's business, results of operations or financial condition. The Company has one customer contract up for renewal in 2007.

Canada — US Open Skies

The current Canada — US "Open Skies" agreement provides regulation of the airline industry, including the air cargo industry, within Canada and currently provides protection of domestic national carriers in each country. The agreement allows cross-border flights between Canada and the United States but provides major restrictions on carriers from operating flight routes between two points within the other's country. Recent amendments negotiated between the two countries reinforced the restriction of cabotage and does not allow United States carriers to establish domestic flight routes within Canada and Canadian carriers including the Company to establish domestic routes within the US. There is no assurance that this “Open Skies” agreement will continue in its present form in the future. Increased competition resulting from the liberalization or revocation of this agreement could affect the Company’s ability to compete for a market share, which in turn could have a material adverse effect on the Company’s business, results of operations or financial condition.

Competition

The Company competes within the industry of air-cargo courier services with other dedicated air cargo carriers. In addition, the Company competes for market share with motor carriers, express companies and other air couriers and airlines who offer cargo services on their regularly scheduled passenger flights. In May 2005, a major Canadian airline announced that it intended on increasing its cargo services and that it will operate routes that could compete with certain of the Company’s routes. The route was subsequently cancelled in August of 2005. Many of the Company’s competitors are larger and more recognizable companies that possess greater financial resources than Cargojet. In addition to competition from competitors, new companies may enter the domestic air cargo industry and may be able to offer services at discounted rates. Concentrating only on the air cargo industry does not allow the Company to compete in different modes of freight transportation which may provide a cheaper alternative to air cargo. The Company’s inability to compete for a market share of the air cargo industry under these circumstances would have a material adverse effect on the Company’s business, results of operations or financial condition. One of Cargojet’s main competitors in the dedicated air cargo business declared bankruptcy in November 2005.

Government Regulations

The Company’s operations are subject to complex aviation, transportation, environmental, labor, employment and other laws, treaties and regulations. These laws and regulations generally require the Company to maintain and comply with a wide variety of certificates, permits, licenses and other approvals. The Company’s inability to maintain required certificates, permits or licenses, or to comply with applicable laws, ordinances or regulations, could result in substantial fines or possible revocation of its authority to conduct operations.

The Company is routinely audited by various regulatory bodies including Transport Canada and the Canadian Transportation Agency to ensure compliance with all flight operation and aircraft maintenance requirements. To date, the Company has successfully passed all audits, however, there can be no assurance that the Company will pass all audits in the future. Failure to pass such audits could result in fines or grounding of the aircraft which could have a material adverse effect on the Company’s business, results of operations or financial condition.

The Company is subject to certain federal, provincial and local laws and regulations relating to environmental protection, including those governing past or present releases of hazardous materials. Certain of these laws and regulations may impose liability on certain classes of persons for the costs of investigation or remediation of such contamination, regardless of fault or the legality of the original disposal. These persons include the present or former owner or a person in care or control of a contaminated property and companies that generated, disposed of or arranged for the disposal of hazardous substances found at the property. As a result, the Company may incur costs to clean up contamination present on, at or under its facilities, even if such contamination was present prior to the commencement of the Company’s operations at the facility and was not caused by its activities which could have a material adverse effect on the Company’s business, results of operations or financial condition.

The Company cannot provide any assurance that existing laws, agreements, treaties or regulations will not be revised or that new laws, agreements, treaties or regulations, which could have an adverse impact on the Company’s operations, will not be adopted or become applicable to the Company. For example, the Company’s aircraft currently meet Transport Canada and FAA Stage III noise abatement guidelines. Any future implementation of Stage IV noise abatement guidelines would require the Company to incur expenses to ensure its aircraft meet such guidelines which expenses could negatively impact the Company’s earnings. The Company also cannot provide any assurance that it will be able to recover any or all increased costs of compliance from its customers or that the business and financial condition of the Company will not be adversely affected by future changes in applicable laws and regulations.

Insurance

Cargojet’s operations are subject to risks normally inherent in the air-cargo industry, including potential liability which could result from, among other circumstances, personal injury or property damage arising from disasters, accidents or incidents involving aircraft operated by Cargojet or its agents. The availability of, and ability to collect on, insurance coverage is subject to factors beyond the control of Cargojet. There can be no assurance that insurance coverage will be sufficient to cover one or more large claims, or that the applicable insurer will be solvent at the time of any covered loss. There can be no assurance that the Company will be able to obtain insurance at acceptable levels and costs in the future. Cargojet may become subject to liability for hazards which it cannot or may not elect to insure because of high premium costs or other reasons or for occurrences which exceed maximum coverage under its policies. The occurrence of an aircraft-related accident or mishap involving the Company could have a material adverse effect on the Company's business, results of operations or financial condition. In addition, Cargojet does not carry any business interruption insurance.

Maintaining Leased Aircraft and Availability of Future Aircraft

The Company currently owns six and leases six of its aircraft. The success of the Company will depend, in part, on its ability to replace owned aircraft when necessary and to maintain favourable leases for its leased aircraft. There can be no assurance that the Company will be able to purchase aircraft in the future on acceptable terms or to maintain favourable leases for its aircraft and such risk could have a material adverse effect on the Company's business, results of operations or financial condition.

Fixed Costs

The Company is subject to a high degree of operating leverage. Since fixed costs comprise a proportion of the operating costs of each flight route, the expenses of each flight route do not vary proportionately with the amount of shipments that the Company carries. Accordingly, a decrease in the Company's revenues could result in a disproportionately higher decrease in the Company's earnings as expenses would remain unchanged.

Fuel Prices

The Company requires significant quantities of fuel for its aircraft. The Company is therefore exposed to commodity price risk associated with variations in the market price for petroleum products. The price of fuel is sensitive to, among other things, the price of crude oil, refining costs, and the cost of delivering the fuel. Although the Company historically has implemented fuel surcharges to mitigate the earnings impact of unusually high fuel prices, competitive and other pressures may prevent the Company from passing these costs on to its customers in the future. The Company cannot provide any assurance that its supply of fuel will continue uninterrupted, that rationing will not be imposed or that the prices of, or taxes on, fuel will not increase significantly in the future. An extremely high fuel cost could adversely affect customer volumes as other cheaper modes of transportation are sought. Increases in prices that the Company is unable to pass on to its customers would have a material adverse effect on the Company's business, results of operations or financial condition.

Costs Related to Mechanical and Maintenance Problems and Replacement of Equipment and Parts

Although costs related to mechanical problems and to maintenance for Cargojet's aircraft have been forecasted and funded pursuant to its leasing arrangements and maintenance agreements, the actual costs may be higher than those anticipated. Unexpected repairs relating to mechanical problems and to maintenance are beyond the control of the Company and may have a material adverse effect on the Company's business, results of operations or financial condition. In addition, the ability of the Company to obtain equipment and replacement parts on satisfactory terms when required is not always certain. Any inability to obtain equipment or parts, or to obtain the required equipment or parts on satisfactory terms and on a timely basis could have a material adverse effect on the Company's business, results of operations or financial condition.

Foreign Exchange Fluctuations

The Company undertakes sales and purchase transactions in foreign currencies, and therefore is subject to gains and losses due to fluctuations in the foreign currencies. Changes in the value of the Canadian dollar relative to the U.S. dollar could have a negative effect on the profitability of the Company. For the year ended December 31, 2006, Cargojet had net expense exposure to the U.S. dollar of U.S. $4.7 million. To the extent that Cargojet does not adequately hedge its foreign exchange risk, changes in the exchange rate between the Canadian dollar and the U.S. dollar may have a material adverse effect on Cargojet's business, results of operations or financial condition.

Ability to Maintain Profitability and Manage Growth

There can be no assurance that the Company's business and growth strategy will enable the Company to sustain profitability in future periods. The Company's future operating results will depend on a number of factors, including general economic conditions and consumer confidence.

There can be no assurance that the Company will be successful in achieving its strategic plan or that this strategic plan will enable the Company to grow at historical rates or to sustain profitability. Failure to successfully execute any material part of the Company's strategic plan could have a material adverse effect on the Company's business, result of operations or financial condition.

There can be no assurance that the Company will be able to effectively manage its growth, and any failure to do so could have a material adverse effect on the Company's business, results of operations or financial condition.

Industry Risk and Economic Sensitivity

The Company serves numerous industries and customers that experience significant fluctuations in demand based on economic conditions and other factors beyond the control of the Company. Demand for the Company's services could be materially adversely affected by downturns in the businesses of its customers. The Company's revenues are impacted by the health of the economy in the regional markets in which the Company operates. Although the Company cannot specifically correlate the impact of macro-economic conditions on its business activities, the Company believes that a decline in economic conditions in Canada may result in decreased demand for the services the Company provides and, to the extent that this decline continues or increases in severity, the Company's business, results of operations or financial condition could be materially adversely affected.

Terrorist Activity

The terrorists' attacks of September 11, 2001 and their aftermath negatively impacted the air cargo industry. Additional terrorist attacks, the fear of such attacks or increased hostilities could further negatively impact the air cargo industry. The Company could experience a decrease in the use of its air cargo network as a means of transporting goods domestically and internationally and an increase in costs.

Dependence on Key Personnel

The Fund's success will be substantially dependent on the continued services of senior management of the Company. The loss of the services of one or more key members of senior management of the Company could have a material adverse effect on the Company's business, results of operations or financial condition. In addition, the Company's continued growth depends on the ability of the Company to attract and retain skilled managers and employees and the ability of its personnel to manage the Company's growth. The inability to attract and retain key personnel could have a material adverse effect on the Company's business, results of operations or financial condition.

Labour Relations

Currently, the Company's employees are not unionized. The maintenance of a productive and efficient labour environment and, in the event of unionization, the successful negotiation of a collective bargaining agreement, cannot be assured. Protracted and extensive work stoppages or labour disruptions such as strikes or lockouts could have a material adverse effect on the Company's business, results of operations or financial condition.

Severe Weather Patterns

The Company serves numerous industries and customers that experience significant fluctuations in demand based on economic conditions and other factors beyond the control of the Company. Demand for the Company's services could be materially adversely affected by downturns in the businesses of its customers. Severe weather during any extended period could prevent shipments from being delivered on a timely basis and could force flight cancellations. Any extended delay in meeting time sensitive shipping deadlines would have a material adverse effect on the Company's business, results of operations or financial condition.

Seasonal Fluctuations

Traditionally, the Company has experienced its best operating results in the third and fourth quarters of each year. Shipping activity is usually the best in the fourth quarter as a result of the holiday season and is usually the lowest in the first quarter. Accordingly, the seasonal nature of the business of the Company will effect the quarterly financial results of operation of the Company that will be reported.

Dependence on International Trade

The principal businesses of Cargojet is indirectly related to, and future performance is dependent upon, the volume of international trade, including cross-border trade between Canada and the US. Such trade is influenced by many factors, including North American and overseas economic and political conditions, major work stoppages, wars, terrorist acts or security operations, exchange controls, currency fluctuations and Canadian, US and foreign laws relating to duties, trade restrictions, foreign investment and taxation. There can be no assurance that trade-related events beyond the control of Cargojet, such as failure to reach or adopt trade agreements and an increase in trade restrictions, will not have a material adverse effect on the Company's business, results of operations or financial condition.

Risks Related to the Structure of the Fund

Dependence of the Fund on the Trust, the Partnership, and the Company

The cash distributions to the Unitholders will be entirely dependent on the ability of the Trust to pay its interest obligations under the Trust Notes, and to make distributions on the Trust Units. Payments by the Trust will depend, in turn, on the ability of the Partnership to satisfy its debt service obligations under the New Credit Facility and the Partnership's ability to pay distributions on the Partnership Units.

Distributions to the Unitholders will be entirely dependent on the ability of the Company to pay its operating expenses and to pay dividends or distributions, as applicable. The sole source of cash flow of the Company is the operation of the business. In the conduct of business, the Company pays expenses and incurs debt and obligations to third parties. These expenses, debts and obligations could impact the ability of the Company to produce positive operating results.

Credit Facilities and Restrictive Covenants

The Partnership has third party debt service obligations under the Credit Facility. The ability of the Fund and its subsidiaries to make distributions, pay dividends or make other payments or advances, will be subject to applicable laws and contractual restrictions contained in the instruments governing any indebtedness of those entities (including the Credit Facility). The degree to which the Partnership is leveraged could have important consequences to the holders of the Units, including: (i) a portion of the Company's cash flow from operations will be dedicated to the payment of the principal of and interest on the indebtedness, thereby reducing funds available for future operations and distribution to the Fund; (ii) certain of the Partnership's borrowings will be at variable rates of interest, which exposes the Partnership to the risk of increased interest rates; and (iii) the Company's ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited. The Partnership's ability to make scheduled payments of principal and interest on, or to refinance, its indebtedness will depend on its future operating performance and cash flow, which are subject to prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond its control. These factors might inhibit the Company from refinancing the indebtedness at all or on favourable terms, may increase the sensitivity of distributable cash to interest rate variations and could have a negative impact on the Fund's ability to make distributions on its Units.

The Credit Facility contains numerous restrictive covenants that limit the discretion of management with respect to certain business matters. These covenants place restrictions on, among other things, the ability of the Partnership to incur additional indebtedness, to create liens or other encumbrances, to pay distributions or make certain other payments, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity. In addition, the Credit Facility contains a number of financial covenants that require the Company to meet certain financial ratios and financial conditions tests. A failure to comply with the obligations in the agreements in respect of the Credit Facility could result in an event of default which, if not cured or waived, could permit acceleration of the relevant indebtedness. If the indebtedness under the Credit Facility were to be accelerated, there can be no assurance that the Company's assets would be sufficient to repay in full that indebtedness. In addition, the Credit Facility will mature no later than April 1, 2009. There can be no assurance that future borrowing or equity financing will be available to the Company, or available on acceptable terms, in an amount sufficient to fund the Company's needs.

Cash Distributions are Not Guaranteed and Will Fluctuate with the Company's Performance

Although the Fund intends to distribute the income earned by the Fund less expenses of the Fund and amounts, if any, paid by the Fund in connection with the redemption of Units, there can be no assurance regarding the amounts of income to be generated by the Company's businesses or ultimately distributed to the Fund. The actual amount distributed in respect of the Units will depend upon numerous factors, including profitability, fluctuations in working capital, obligations under applicable credit facilities, the sustainability of margins, capital expenditures and upgrade and renovation expenditures. The market value of the Units may deteriorate if the Fund is unable to meet its distribution targets in the future, and that deterioration may be significant. In addition, the composition of cash distributions for tax purposes may change over time and may affect the after-tax return for investors. See "Income Tax Matters" and "SIFT Proposals" below.

Nature of Units

Securities such as the Units are hybrids in that they share certain attributes common to both equity securities and debt instruments. The Units do not represent a direct investment in the Trust, the Partnership or the Company and should not be viewed by investors as securities in the Trust, the Partnership or the Company. As holders of Units, Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. The Units represent a fractional interest in the Fund. The Fund's primary assets will be Series 1 Trust Notes and the Trust Units. The price per Unit is a function of anticipated distributable cash of the Fund. The Units are not "deposits" within the meaning of the Canada Deposit Insurance Corporations Act (Canada) and are not insured under the provisions of that Act or any other legislation. Furthermore, the Fund is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

Restrictions on Potential Growth

The payout by the Company of substantially all of its operating cash flow will make additional capital and operating expenditures dependent on increased cash flow or additional financing in the future. Lack of such funds could limit the future growth of the Company and the related cash flow to the Fund.

Distribution of Securities on Redemption or Termination of the Fund

It is anticipated that the redemption right will not be the primary mechanism for Unitholders to liquidate their investments. Upon a redemption of Units or termination of the Fund, the Trustees may distribute Series 2 Trust Notes and Series 3 Trust Notes directly to the Unitholders, subject to obtaining all required regulatory approvals. There is currently no market for the Series 2 Trust Notes and Series 3 Trust Notes. In addition, the Series 2 Trust Notes and Series 3 Trust Notes are not freely tradable and are not currently listed on any stock exchange and no established market is expected to develop in such Series 2 Trust Notes and Series 3 Trust Notes. See "Description of the Fund — Redemption at the Option of Unitholders". Series 2 Trust Notes and Series 3 Trust Notes so distributed may not be qualified investments for trusts governed by Plans, depending upon the circumstances at the time.

The Fund May Issue Additional Units Diluting Existing Unitholders' Interests

The Fund Declaration of Trust authorizes the Fund to issue an unlimited number of Units and Special Voting Units for such consideration and on such terms and conditions as shall be established by the Trustees without the approval of any Unitholders. The Unitholders will have no pre-emptive rights in connection with such further issues. Additional Units will be issued by the Fund upon the exchange of the Exchangeable LP Units.

Future Sales of Units by the Retained Interest Shareholders

The Retained Interest Shareholders indirectly hold in aggregate, approximately 29.0% of the outstanding Units. If the Retained Interest Shareholders sell substantial amounts of Units in the public market, the market price of the Units could decrease. The perception among the public that these sales will occur could also produce such an effect.

Income Tax Matters

Cargojet is subject to federal and provincial income and capital taxes. Cargojet will become liable for tax in future years where its share of income from the Operating Partnership exceeds its deductible expenses.

Although the Fund is of the view that all expenses to be claimed by the Fund, the Trust, the Partnership, the Company and the Operating Partnership in the determination of their respective incomes under the Tax Act will be reasonable and deductible by the appropriate entity in accordance with the applicable provisions of the Tax Act, that the allocations of income and loss of the Partnership and Operating Partnership to be made for purposes of the Tax Act will be reasonable, and that the position adopted by Cargojet in computing its taxable capital for capital tax purposes is appropriate, there can be no assurance that the Tax Act or the interpretation of the Tax Act will not change, or that CRA or the provincial taxing authority will agree. Counsel can provide no opinion with respect to the reasonableness of any expense or of the allocation of income by a partnership. If CRA successfully challenges the deductibility of expenses or the allocation of income, Cargojet's liability to income tax may increase.

There can be no assurance that Canadian federal income tax law or the interpretation thereof, respecting the treatment of mutual fund trusts will not be changed in a manner which adversely affects the holders of Units. If the Fund ceases to qualify as a "mutual fund trust" under the Tax Act, the income tax considerations described under the heading "Certain Canadian Federal Income Tax Considerations" would be materially and adversely different in certain respects.

Currently, a trust will not be considered to be a mutual fund trust if it is established or maintained primarily for the benefit of non-residents of Canada unless all or substantially all of its property is property other than taxable Canadian property as defined in the Tax Act. On September 16, 2004, the Minister of Finance (Canada) released draft amendments to the Tax Act. Under the draft amendments, a trust would lose its status as a mutual fund trust if the aggregate fair market value of all units issued by the trust held by one or more non-resident persons or partnerships that are not Canadian partnerships is more than 50% of the aggregate fair market value of all the units issued by the trust where more than 10% (based on fair market value) of the trust's property is taxable Canadian property or certain other types of property. If the draft amendments are enacted as proposed, and if, at any time, more than 50% of the aggregate fair market value of units of the Fund were held by non-residents and partnerships other than Canadian partnerships, the Fund would thereafter cease to be a mutual fund trust. The draft amendments do not currently provide any means of rectifying a loss of mutual fund trust status. On December 6, 2004, the Minister of Finance (Canada) tabled a Notice of Ways and Means Motion which did not include these proposed changes. It is counsel's understanding that the Department of Finance has suspended implementation of these proposed changes pending further consultation with interested parties.

Series 2 Trust Notes and Series 3 Trust Notes received as a result of the redemption of Units will not be qualified investments for trusts governed by Plans and their acquisition may give rise to adverse consequences to a Plan and/or an annuitant under the Plan.

Interest on the Trust Notes accrues at the Fund level for Canadian federal income tax purposes, whether or not actually paid. The Fund Declaration of Trust provides that a sufficient amount of the Fund's net income and net realized capital gains will be distributed each year to Unitholders in order to eliminate the Fund's liability for tax under Part I of the Tax Act. Where such amount of net income (including interest on the Series 1 Trust Notes) and net realized capital gains of the Fund in a taxation year exceeds the cash available for distribution in the year, such excess net income and net realized capital gains will be distributed to Unitholders in the form of additional Units. Unitholders will generally be required to include an amount equal to the fair market value of those Units in their income, in circumstances when they do not directly receive a cash distribution.

Income fund structures where income is realized by a taxable corporation such as Cargojet, generally involve a significant amount of inter-company or similar debt, generating substantial interest expense, which serves to reduce net income and therefore income tax payable. There can be no assurance that taxation authorities will not seek to challenge the amount of interest expense deducted. If such a challenge were to succeed, it could materially adversely affect the amount of Distributable Cash available. The Fund believes that the interest expense inherent in the structure of the Fund is supportable and reasonable in light of the terms of the debt owed by the Company to the Partnership and the Fund. On October 31, 2003 the Department of Finance released, for public comment, proposed amendments to the Tax Act ("Proposed Amendments") that relate to the deductibility of interest and other expenses for income tax purposes for taxation years commencing after 2004. In general, the Proposed Amendments may deny the realization of losses in respect of a business if there is no reasonable expectation that the business will produce a cumulative profit over the period that the business can reasonably be expected to be carried on. As part of the release of the 2005 Federal Budget, the Minister of Finance (Canada) announced that an alternative proposal to replace the Proposed Amendments would be released for public comment at an early opportunity.

The Department of Finance has indicated that it will continue to monitor and evaluate the development of the business income trust market as part of its ongoing monitoring and assessment of Canadian financial markets and the Canadian tax system.

The 2004 Budget Proposals proposed to restrict direct and indirect holdings in certain "business income trusts" as defined in the 2004 Budget Proposals by certain tax-exempt entities (other than Plans). The 2004 Budget Proposals were originally scheduled to apply commencing after 2004. The Fund has not determined whether it would constitute a "business income trust" and whether its Units would constitute "restricted investment property" for the purposes of the 2004 Budget Proposals. On May 18, 2004, the Minister of Finance (Canada) announced that the application of the 2004 Budget Proposals was suspended to allow further consultation with representatives of the pension industry, the investment industry, provincial governments and other interested parties.

In the 2005 Budget Proposals, the Minister of Finance (Canada) announced that the Department of Finance would release a consultation paper on the tax issues related to business income trusts and other flow through entities. On September 8, 2005, the Department of Finance released a consultation paper and launched public consultations on tax and other issues related to publicly listed flow-through entities, including income funds. The focus of the paper was to, among other things, assess whether the tax system should be modified. In the consultation paper, the Department of Finance identified three possible policy responses to issues relating to flow-through entities: (i) limiting deductibility of interest expense by operating entities, (ii) taxing flow through entities in a manner similar to corporations, or (iii) making the tax system more neutral with respect to all forms of business organization by better integrating the personal and corporate tax system. The Department of Finance indicated that this was not an exhaustive list of the possible policy responses. On September 19, 2005, the Minister of Finance (Canada) announced, with the support of the Minister of National Revenue (Canada), that the CRA would postpone providing advance rulings respecting flow-through entity structures effective immediately, that the Department of Finance was closely monitoring developments in the flow-through entity market with a view to proposing measures in relation to the consultations and that consideration would be given to what, if any, transitional measures would be appropriate. On November 23, 2005, the Minister of Finance (Canada) announced that the public consultation process was ended and tabled in the House of Commons a Notice of Ways and Means Motion to implement a reduction in personal income tax on dividends with a view to establishing a better balance between the treatment of large corporations and that of income trusts. No measures were announced with respect to the taxation of flow-through entities and their investors. No assurance may be given that further review of the tax treatment of flow-through entities will not be undertaken or that Canadian federal income tax law respecting flow-through entities will not be changed in a manner which adversely affects the Fund and the Unitholders.

SIFT Proposals

On October 31, 2006, the Minister of Finance (Canada) announced proposals to impose a tax on distributions from certain publicly traded income trusts and partnerships and subsequently released a Notice of Ways and Means Motion in that regard (the ''SIFT Proposals''). The SIFT Proposals would apply to ''specified investment flow-throughs'' which are defined to include trusts resident in Canada whose units are listed on a stock exchange or other public market if the trust holds one or more ''non-portfolio properties'' (as defined in the SIFT Proposals). Generally, the SIFT Proposals will not apply to publicly traded trusts, such as Cargojet, or to its Unitholders for taxation years that end before 2011. If the SIFT Proposals apply to Cargojet and its Unitholders (management believes they will) commencing in 2011 and provided that certain other recently announced Tax Proposals are enacted in the form in which they have been proposed by the Minister of Finance (Canada), it is anticipated that, beginning in 2011, generally the aggregate tax payable by Cargojet and a Unitholder who is a Canadian resident individual, taxable at the top marginal rate, on certain income of Cargojet subject to the SIFT Proposals, would be approximately the same as the tax that would be payable on such distributions by such Unitholder if the SIFT Proposals were not enacted. However, no assurance can be given in this regard. Canadian resident Unitholders which are exempt from tax would be negatively affected by the application of the SIFT Proposals if applicable to Cargojet. No assurance can be given that the SIFT Proposals will be enacted as proposed or at all.

The SIFT Proposals did not include draft legislation and no assurance can be given as to the precise form that the SIFT proposals will take, if and when enacted. The SIFT Proposals provide that they reflect the present intentions of the Government but are subject to change in order to ensure that they meet the policy objectives that underlie them. The SIFT Proposals further provide that if there should emerge structures or transactions that are clearly designed to frustrate these policy objectives, any aspect of the SIFT Proposals may be changed and with immediate effect. The SIFT Proposals also provide that the application date of 2011 is subject to the possible need to foreclose inappropriate new avoidance techniques. The SIFT Proposals provide, as an example, that, while there is now no intention to prevent existing SIFTs from normal growth prior to 2011, any undue expansion of an existing SIFT (such as might be attempted through the insertion of a disproportionately large amount of capital) could cause this to be revisited. Provided that certain other recently announced Tax Proposals are enacted in the form in which they have been proposed by the Minister of Finance (Canada), it is anticipated that, beginning in 2011, generally the aggregate tax payable by Cargojet and a Unitholder who is a Canadian resident individual taxable at the top marginal tax rate, on certain income of Cargojet subject to the SIFT Proposals, would be approximately the same as the tax that would be payable on such distributions by such Unitholder if the SIFT Proposals were not enacted. However, no assurance can be given in this regard. Canadian resident Unitholders which are exempt from tax would be negatively affected by the application of the SIFT Proposals to Cargojet.

Increase in Interest Rates

One of the factors that may influence the price of the Units in public trading markets will be the annual cash-on-cash return from distributions by the Fund on the Units as compared to cash-on-cash returns on other financial instruments. Thus, an increase in market interest rates will result in higher cash-on-cash returns on other financial instruments, which could adversely affect the market price of the Units.

GLOSSARY OF TERMS

“2004 Budget Proposals” means the amendments to the Tax Act proposed by the Minister of Finance (Canada) on March 23, 2004.

“**2005 Federal Budget**” means the Canadian Federal Budget announced on February 23, 2005.

“**ACMI**” is an acronym for Aircraft, Crew, Maintenance and Insurance and means the operation of a dedicated aircraft on a leased basis whereby the customer is responsible for all costs of the operation and the owner provides the aircraft and crew and is responsible for the maintenance and insurance of the aircraft. This is also referred to as a “wet lease”.

“**Acquireco**” means Cargojet Acquisition Limited, a corporation incorporated under the laws of Ontario.

“**Acquisition Agreement**” means the acquisition agreement, dated June 9, 2005, among the Fund, the Trust, the Partnership, Acquireco, the GP, the Company, the Operating Partnership, the Selling Shareholders and Ajay Virmani.

“**Board**” means the board of directors of the GP.

“**Cargojet**” or “**Company**” means Cargojet Holdings Ltd., together with its subsidiaries and as the context so requires, includes the Operating Partnership.

“**CDS**” means CDS Clearing and Depository Securities Inc.

“**Closing Date**” means June 9, 2005.

“**CRA**” means the Canada Revenue Agency.

“**Distributable Cash**” means the amount of cash available for distribution to the Unitholders.

“**Exchangeable LP Units**” means the Class B limited partnership units of the Partnership.

“**Fund**” means Cargojet Income Fund, an unincorporated, open-ended limited purpose trust established under the laws of the Province of Ontario.

“**Fund Declaration of Trust**” means the declaration of trust dated as of April 25, 2005 as amended and restated as of June 1, 2005, pursuant to which the Fund was established, as it may be further amended, supplemented or restated from time to time.

“**GAAP**” means generally accepted accounting principles in Canada.

“**GP**” means Cargojet GP Inc., a corporation incorporated under the laws of the Province of Ontario.

"**GP Common Shares**" means common shares in the capital of the GP.

"**Credit Facility**" means the senior revolving credit facility in an aggregate principal amount of $28 million.

"**Offering**" means the offering of 5,954,545 Units issued and sold by the Fund pursuant to the (final) prospectus dated June 1, 2005.

"**Operating Partnership**" means Cargojet Partnership, the operating partnership established as a general partnership under the laws of the Province of Ontario.

"**Operating Partnership Agreement**" means the operating partnership agreement dated June 9, 2005.

"**Ordinary LP Units**" means the Class A limited partnership units of the Partnership, all of which are owned by the Trust.

"**Ordinary Resolution**" means a resolution passed by a simple majority of the votes cast at a meeting of Voting Unitholders.

"**Over-Allotment Option**" means the option granted by the Fund to the Underwriters to purchase up to 297,727 additional Units and exercised in full on June 30, 2005.

"**Partnership**" means Cargojet Holdings Limited Partnership, a limited partnership established under the laws of the Province of Ontario pursuant to the Partnership Agreement.

"**Partnership Agreement**" means the limited partnership agreement dated April 28, 2005.

"**Partnership Units**" means, collectively, the Ordinary LP Units and the Exchangeable LP Units.

"**Plans**" means trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans, each as defined in the Tax Act.

"**Redemption Price**" has the meaning given to it under "Description of the Fund — Redemption at the Option of Unitholders".

"**Retained Interest Shareholders**" means the Selling Shareholders, who, together with employees who hold their interest pursuant to an employee plan, indirectly acquired a 30% interest in the Fund, consisting of Units and Exchangeable LP Units on the Closing Date.

"**Selling Shareholders**" means the selling shareholders of the Company.

"**Series 1 Trust Notes**" means the series 1 notes of the Trust issued under the Trust Note Indenture.

"**Series 2 Trust Notes**" means the series 2 notes of the Trust issued under the Trust Note Indenture.

"**Series 3 Trust Notes**" means the series 3 notes of the Trust issued under the Trust Note Indenture.

"**Special Resolution**" means a resolution passed by the affirmative vote of the holders of not less than 66 2/3% of the Units and Special Voting Units who voted in respect of that resolution at a meeting of Voting Unitholders at which a quorum was present or a resolution or instrument signed in one or more counterparts by the holders of not less than 66 2/3% of the Units and Special Voting Units entitled to vote on such resolution.

"**Special Voting Units**" means the units of the Fund to be issued to represent voting rights in the Fund that accompany the Exchangeable LP Units.

"**Tax Act**" means the Income Tax Act (Canada) and the regulations thereunder.

"**Trust**" means Cargojet Operating Trust, an unincorporated, limited purpose trust established under the laws of the Province of Ontario.

"**Trust Declaration of Trust**" means the declaration of trust dated as of April 25, 2005 pursuant to which the Trust was established, as it may be amended, supplemented or restated from time to time.

"**Trustee**" or "**Trustees**" means the trustees of the Fund or any one of them.

"**Trust Note Indenture**" means the note indenture entered into between the Trust and Computershare Trust Company of Canada dated June 9, 2005 governing the Trust Notes.

"**Trust Notes**" means, collectively, the Series 1 Trust Notes and Series 2 Trust Notes of the Trust.

"**Trust's Trustees**" means the trustees of the Trust.

"**Trust Units**" means units of the Trust.

"**TSX**" means the Toronto Stock Exchange.

"**Underwriters**" means RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., Scotia Capital Inc. and Genuity Capital Markets.

"**Underwriting Agreement**" means the underwriting agreement entered into among the Fund, the Trust, the Partnership, the GP, the Company, Acquireco, the Selling Shareholders and the Underwriters dated June 1, 2005.

"**Unitholders**" means the holders of Units.

"**Units**" means units of the Fund other than Special Voting Units.

"**volumetric**" means a measurement for weighing cargo calculated by multiplying length by width by height (all in inches) and dividing by 166.

"**Voting Unitholders**" means holders of Units and Special Voting Units.

"**wet lease**" see definition for "ACMI".

SCHEDULE "A"

AUDIT COMMITTEE CHARTER

CHARTER OF THE AUDIT COMMITTEE

Purpose

The Audit Committee's mandate is to provide assistance to the Board of Trustees of Cargojet Income Fund (the "Fund") in fulfilling its financial reporting and control responsibility to the unitholders and the investment community.

Composition

The Audit Committee will be comprised of at least three trustees of the Fund, all of whom, subject to any exemptions set out in National Instrument 52-110 *Audit Committees* ("NI 52-110"), will be independent and financially literate. An "independent" trustee is a trustee who has no direct or indirect material relationship with the Fund. A "material relationship" is a relationship that could, in the view of the Board of Trustees of the Fund, be reasonably expected to interfere with the exercise of the trustee's independent judgement or a relationship deemed to be a material relationship pursuant to NI 52-110. A "financially literate" trustee is a trustee who has the ability to read and understand a set of financial instruments that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the financial statements of the Fund.

Responsibilities

Responsibilities of the Audit Committee generally include, but are not limited to, the undertaking of the following tasks:

1. Making recommendations to the Board of Trustees of the Fund regarding the selection, evaluation and compensation of the external auditors to he nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Fund. In making such recommendations, the Audit Committee will:

    (a) confirm the independence of the auditors and report to the Board of Trustees of the Fund its conclusions on the independence of the auditors and the basis for these conclusions; and

    (b) meet with the auditors and financial management to review the scope of the proposed audit for the current year, and the audit procedures to be used.

2. Overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Fund, including the resolution of disagreements between management and the external auditor regarding financial reporting. In overseeing such work, the Audit Committee will:

    (a) review with the external auditors any audit problems or difficulties and management's response;

    (b) at least annually obtain and review a report prepared by the external auditors describing (i) the auditors' internal quality-control procedures; and (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the auditors, and reviewing any steps taken to deal with any such issues;

    (c) serve as an independent and objective party to monitor the Fund's financial reporting process and internal control system and oversee management's reporting on internal control;

    (d) provide open lines of communication among the external auditors, financial and senior management, and the Board of Trustees of the Fund for financial reporting and control matters;

    (e) make inquires of management and the external auditors to identify significant business, political, financial and control risks and exposures and assess the steps management has taken to minimize such risks to the Fund; and

(f) establish procedures to ensure that the Audit Committee meets the external auditors on a regular basis in the absence of management.

3. Pre-approving all non-audit services to be provided to the Fund or its subsidiary entities by the Fund's external auditor, subject to any exemptions set out in NI 52-110. Notwithstanding the pre-approval process, the Audit Committee will ensure that the external auditors are prohibited from providing the following non-audit services and will determine the other non-audit services the external auditors are prohibited from providing:

   (a) bookkeeping or other services related to the accounting records or financial statements of the Fund;

   (b) financial information systems design and implementation;

   (c) appraisal or valuation services, fairness opinions, or contribution-in-kind reports;

   (d) actuarial services;

   (e) internal audit outsourcing services;

   (f) management functions or human resources;

   (g) broker, dealer, investment adviser or investment banking services;

   (h) legal services and expert services unrelated to the audit; and

   (i) any other service that the Audit Committee determines to be impermissible.

4. Reviewing the Fund's financial statements, MD&A and annual and interim earnings press releases before the Fund publicly discloses the information. In connection with such review, the Audit Committee will ensure that:

   (a) management has reviewed the financial statements with the Audit Committee, including significant judgments affecting the financial statements;

   (b) the members of the Audit Committee have discussed among themselves, without management or the external auditors present, the information disclosed to the Audit Committee; and

   (c) the Audit Committee has received the assurance of both financial management and the external auditors that the Fund's financial statements are fairly presented in conformity with Canadian GAAP in all material respects.

5. Ensuring that adequate procedures are in place for the review of the Fund's public disclosure of financial information extracted or derived from the Fund's financial statements, other than the public disclosure referred to in paragraph 4 above, and periodically assessing the adequacy of those procedures.

6. Establishing procedures for:

   (a) the receipt, retention and treatment of complaints received by the Fund regarding accounting, internal accounting controls, or auditing matters; and

   (b) the confidential, anonymous submission by employees of the Fund of concerns regarding questionable accounting or auditing matters.

7. Reviewing and approving the Fund's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Fund.

8. Annually reviewing and revising this Charter as necessary with the approval of the Board of Trustees of the Fund and the text relating to this Charter, which is required to appear in the annual information form of the Fund, as more specifically set out in Form 52-110FI *Audit Committee Information Required in an AIF*.

Authority

The Audit Committee has the authority to:

(a) engage independent counsel and other advisors as the Audit Committee determines necessary to carry out its duties;

(b) set and pay the compensation for any advisors employed by the Audit Committee; and

(c) communicate directly with the internal and external auditors.

Meetings

The Audit Committee will meet regularly at times necessary to perform the duties described above in a timely manner, but not less than four times a year. Meetings may be held at any time deemed appropriate by the Audit Committee.

At the discretion of the Audit Committee, meetings may be held with representatives of the external auditors and appropriate members of management.

The external auditors will have direct access to the Audit Committee at their own initiative

The Chairman of the Audit Committee will report periodically to the Board of Trustees of the Fund.