GROUPE AEROPLAN INC.

ANNUAL INFORMATION FORM

FOR THE FINANCIAL YEAR

ENDED DECEMBER 31, 2008

March 27, 2009

TABLE OF CONTENTS

GLOSSARY OF TERMS 3

EXPLANATORY NOTES 8
Forward-Looking Statements 8

CORPORATE STRUCTURE 8
General 8
Intercorporate Relationship 9

GENERAL DEVELOPMENT OF THE BUSINESS 9
History 9

THE BUSINESS 12
The Groupe Aeroplan Business 12
The Aeroplan Canada Business 19
The Groupe Aeroplan Europe Business 31
Logos and Trademarks 36
Competition 36
Regulatory 37
Employees 37
Debt Financing 38
Aeroplan Canada Miles Redemption Reserve 39
Facilities 39
Environmental 40

RISKS AND UNCERTAINTIES AFFECTING THE BUSINESS 40
Risks Related to the Business and the Industry 40
Risks Related to Groupe Aeroplan 46

DESCRIPTION OF CAPITAL STRUCTURE 47
Common Shares 47
Preferred Shares 48
Ratings 48

DIVIDENDS AND DISTRIBUTIONS 49
Dividend Policy 49
Cash Distributions 49

MARKET FOR SECURITIES 49
Trading Price and Volume 49

DIRECTORS AND OFFICERS 50
Directors 50
Officers 52
Biographies 52
Cease Trade Orders, Bankruptcies, Penalties or Sanctions 55
Conflicts of Interest 56

AUDIT COMMITTEE INFORMATION 56
Charter of the Audit Committee 56
Composition of the Audit Committee 56
Relevant Education and Experience of the Audit Committee Members 57
Pre-approval Policies and Procedures 57
Audit Fees 58

LEGAL PROCEEDINGS AND REGULATORY ACTIONS 58

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS 59

TRANSFER AGENT AND REGISTRAR 59
MATERIAL CONTRACTS 59
INTERESTS OF EXPERTS 59
ADDITIONAL INFORMATION 59

SCHEDULE A - CHARTER OF THE AUDIT, FINANCE AND RISK COMMITTEE A-1

GLOSSARY OF TERMS

In this Annual Information Form, unless the context otherwise requires, the terms defined below have the following meanings:

"**AC Flights**" means the flights operated by Air Canada and its affiliate, Jazz, and certain other carriers under the "AC" code;

"**Accumulation Partners**" means Commercial Partners that purchase loyalty marketing services, including Aeroplan Miles;

"**ACE Aviation**" means ACE Aviation Holdings Inc., a corporation incorporated under the CBCA;

"**ACE Aviation Plan of Arrangement**" has the meaning ascribed thereto under "General Development of the Business";

"**Acquisition Agreement**" has the meaning ascribed thereto under "General Development of the Business";

"**Acquisition Facility**" has the meaning ascribed thereto under "The Business — Debt Financing";

"**Acquisition Promissory Note**" means the promissory note issued by Aeroplan LP in favour of the Predecessor Partnership, as partial consideration under the Acquisition Agreement, in an amount equal to $125 million, representing (i) the $300 million drawn at the closing of the Initial Public Offering by Aeroplan LP under the Existing Credit Facilities, less (ii) $168 million, representing the amount used at the closing of the Initial Public Offering by Aeroplan LP to fund the portion of the Aeroplan Canada Miles Redemption Reserve not funded by the net proceeds of the Initial Public Offering and $7 million, representing the amount used at the closing of the Initial Public Offering by Aeroplan LP to fund certain capital expenditures;

"**Adjusted EBITDA**" means EBITDA adjusted for certain factors particular to Groupe Aeroplan's business, such as changes in deferred revenue and Future Redemption Costs. Adjusted EBITDA is not a measurement based on GAAP and is not considered an alternative to operating income or net income in measuring performance;

"**Aeroplan**" or "**Aeroplan Canada**" means Aeroplan Canada Inc., a corporation amalgamated under the CBCA, and a direct wholly-owned Subsidiary of Groupe Aeroplan, previously known as Aeroplan GP, and the successor of Aeroplan LP following the Reorganization. Where applicable, references to Aeroplan include references to Aeroplan LP;

"**Aeroplan Canada Miles Redemption Reserve**" has the meaning ascribed thereto under "The Business — Aeroplan Canada Miles Redemption Reserve";

"**Aeroplan GP**" means Aeroplan Holding GP Inc., now known as Aeroplan Canada;

"**Aeroplan GP common shares**" means the common shares of Aeroplan GP;

"**Aeroplan LP**" means Aeroplan Limited Partnership, a limited partnership established under the laws of the Province of Québec on June 21, 2005 and which was liquidated and dissolved on December 29, 2008;

"**Aeroplan Material Change**" has the meaning ascribed thereto under "The Business — The Aeroplan Canada Business — Long-Term Strategic Relationship with Air Canada — CPSA";

"**Aeroplan Miles**" means the miles, points or other loyalty program reward units issued by Groupe Aeroplan's Subsidiaries under the respective programs operated by each of the entities;

"**Aeroplan Program**" means the loyalty marketing program owned and operated by Aeroplan Canada;

"**Air Canada Material Change**" has the meaning ascribed thereto under "The Business — The Aeroplan Canada Business — Long-Term Strategic Relationship with Air Canada — CPSA";

"**AMEX**" means Amex Bank of Canada;

"**AMEX Agreement**" means, collectively, (a) the co-brand program agreement dated as of January 1, 2004, among Air Canada, Aeroplan LP and AMEX relating to co-branded cards, and (b) the membership rewards program agreement dated as of January 1, 2004, among Air Canada, Aeroplan LP and AMEX, as such agreements were assigned to Aeroplan Canada as at December 29, 2008;

"**Annual Information Form**" means this annual information form of Groupe Aeroplan dated March 27, 2009, together with all appendices hereto;

"**Arrangement**" has the meaning ascribed thereto under "Corporate Structure — General";

"**Audit Committee**" means the audit, finance and risk committee of Groupe Aeroplan;

"**Average Cost of Rewards per Mile**" means, for any reporting period, the cost of rewards for the period divided by the number of Aeroplan Miles redeemed for rewards during the period;

"**Board of Directors**" or "**Board**" means the board of directors of Groupe Aeroplan;

"**Breakage**" means estimated Aeroplan Miles sold which are not expected to be redeemed;

"**Bridge Facility**" has the meaning ascribed thereto under "The Business — Debt Financing";

"**Bridge Lenders**" has the meaning ascribed thereto under "The Business — Debt Financing";

"**Broken Miles**" means miles issued, but not expired and not expected to be redeemed;

"**CAW**" means the National Automobile, Aerospace, Transportation and General Workers Union of Canada, Local 2002;

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

"**CCAA**" means the *Companies' Creditors Arrangement Act*, as amended;

"**CEO**" means the President and Chief Executive Officer of Groupe Aeroplan, Mr. Rupert Duchesne;

"**CIBC**" means Canadian Imperial Bank of Commerce;

"**CIBC Agreement**" means the credit card agreement dated April 16, 2003 between CIBC and Air Canada, as amended, and as assigned by Air Canada to Aeroplan LP on July 5, 2004 and subsequently assigned to Aeroplan Canada on December 29, 2008;

"**ClassicFlight™ Rewards**" means the basic air rewards available to Groupe Aeroplan members currently representing 8% of Air Canada and Jazz seat capacity;

"**ClassicPlus Flight™ Rewards**" means the air rewards made available beginning in October 2006 to Groupe Aeroplan members in addition to ClassicFlight™ Rewards;

"**Commercial Partners**" means Accumulation Partners and Redemption Partners;

"**CPSA**" has the meaning ascribed thereto under "The Business — The Aeroplan Canada Business — Long-Term Strategic Relationship with Air Canada";

"**Credit Facilities**" has the meaning ascribed thereto under "The Business — Debt Financing";

"**Data Protection Act**" means the *Data Protection Act 1998*;

"**Database Agreement**" has the meaning ascribed thereto under "The Business — The Aeroplan Canada Business — Long-Term Strategic Relationship with Air Canada";

"**DBRS**" means DBRS Limited;

"**Director**" or "**Directors**" means the directors of Groupe Aeroplan or any one of such director;

"**EBITDA**" means earnings before interest, taxes, depreciation and amortization;

"**Existing Credit Facilities"** has the meaning ascribed thereto under "The Business — Debt Financing";

"**Existing Lenders**" has the meaning ascribed thereto under "The Business — Debt Financing";

"**Federal Privacy Act**" has the meaning ascribed thereto under "The Business — Regulatory — Privacy";

"**Fund**" means Aeroplan Income Fund, an unincorporated, open-ended trust established under the laws of the Province of Ontario, which was wound-up on December 30, 2008;

"**Futura**" means The Futura Loyalty Group Inc.;

"**Future Redemption Costs**" means the total estimated liability of the future cost of rewards for Aeroplan Miles which have been sold and remain outstanding, net of Breakage, and valued at the Average Cost of Rewards per Mile experienced during the most recent quarter (for interim periods) or fiscal year (for annual reporting purposes);

"**GAAP**" means generally accepted accounting principles in Canada as in effect from time to time;

"**Governance and Nominating Committee**" means the governance, nominating and corporate matters committee of Groupe Aeroplan;

"**Gross Billings**" means gross proceeds from the sale of Aeroplan Miles;

"**Groupe Aeroplan**" or "**Corporation**" means Groupe Aeroplan Inc., a corporation incorporated under the CBCA and, where applicable, means Aeroplan Income Fund, the predecessor entity to Groupe Aeroplan;

"**Groupe Aeroplan Europe**" means the division of Groupe Aeroplan that operates the businesses in the Europe and Middle East segment, including Nectar, I&C and Air Miles Middle East;

"**GSA**" has the meaning ascribed thereto under "The Business — The Aeroplan Canada Business — Long-Term Strategic Relationship with Air Canada";

"**HMRC**" means Her Majesty's Revenue & Customs;

"**Human Resources and Compensation Committee**" means the human resources and compensation committee of Groupe Aeroplan;

"**I&C**" means LMG Insight & Communication;

"**Independent**" means independent as defined in *National Policy 58-201 — Corporate Governance Guidelines*;

"**Initial Public Offering**" means the offering of 25,000,000 Units issued and sold by the Fund pursuant to the prospectus of the Fund dated June 22, 2005;

"**Jazz**" means Jazz Air LP;

"**LMG**" means Loyalty Management Group Limited, a corporation incorporated under the laws of England and Wales and, where the context requires, its Subsidiaries and associated companies;

"**LP Units**" means the limited partnership units of Aeroplan LP;

"**Management**" means the management of Groupe Aeroplan or its Subsidiaries, as the context requires;

"**Mileage Expiry Policy**" has the meaning ascribed thereto under "The Business — The Aeroplan Canada Business — Members — Membership";

"**miles**" means the miles issued under the Aeroplan Program by either Aeroplan or Air Canada or the points or other loyalty program reward units issued by Groupe Aeroplan's Subsidiaries under the respective programs operated by such entities;

"**MBNA**" means MBNA America Bank, N.A.;

"**MSA**" has the meaning ascribed thereto under "The Business — The Aeroplan Canada Business — Long-Term Strategic Relationship with Air Canada";

"**Nectar Points**" means the currency accumulated by collectors under the Nectar Program;

"**Nectar Program**" or "**Nectar**" means the loyalty marketing program operated by Groupe Aeroplan Europe;

"**Officers**" or "**Officer**" means the officers of Groupe Aeroplan or any one so such officer;

"**Over-Allotment Option**" has the meaning ascribed thereto under "General Development of the Business";

"**Person**" includes an individual, limited or general partnership, limited liability company, limited liability partnership, trust, joint venture, association, body corporate, trustee, executor, administrator, legal representative, government (including any governmental entity) or any other entity, whether or not having legal status;

"**Points Update Mailings**" means the primary direct mail method through which Nectar communicates with members;

"**Predecessor Partnership**" has the meaning ascribed thereto under "General Development of the Business";

"**Preferred Shares**" means the preferred shares in the share capital of Groupe Aeroplan;

"**Redemption Partners**" means Commercial Partners that offer air travel, shopping discounts or other rewards to members upon redemption of miles;

"**Redemption Reserve Term Loan**" has the meaning ascribed thereto under "The Business — Debt Financing";

"**Reorganization**" has the meaning ascribed thereto under "Corporate Structure — General";

"**Revolving Facility**" has the meaning ascribed thereto under "The Business — Debt Financing";

"**RMMEL**" means Rewards Management Middle East Limited;

"**RPI**" means the Retail Price Index in the United Kingdom as defined by the Office for National Statistics;

"**S&P**" means Standard & Poor's Ratings Services;

"**Shareholders**" means the holders of Shares;

"**Shares**" means the common shares in the share capital of Groupe Aeroplan;

"**Subsidiary**" means, with respect to any Person, a subsidiary (as that term is defined in the CBCA (for such purposes, if such person is not a corporation, as if such person were a corporation)) of such Person and includes any limited partnership, joint venture, trust, limited liability company, unlimited liability company or other entity, whether or not having legal status, that would constitute a subsidiary (as described above) if such entity were a corporation;

"**Term Facility**" has the meaning ascribed thereto under "The Business — Debt Financing";

"**Trademark License Agreements**" has the meaning ascribed thereto under "The Business — The Aeroplan Canada Business — Long-Term Strategic Relationship with Air Canada";

"**Trust**" means Aeroplan Trust, an unincorporated, open-ended trust established under the laws of the Province of Ontario, which was wound-up on December 30, 2008;

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

"**Units**" means units of the Fund; and

"**VAT**" means Value Added Tax.

EXPLANATORY NOTES

The information in this Annual Information Form is stated as at December 31, 2008, unless otherwise indicated.

Unless otherwise indicated in this Annual Information Form, *Groupe Aeroplan* refers to Groupe Aeroplan Inc., and, where the context requires, its Subsidiaries and associated companies or Aeroplan Income Fund, the predecessor entity to Groupe Aeroplan, and, where the context requires, its Subsidiaries and associated companies; *Aeroplan Canada* or *Aeroplan* refers to Aeroplan Canada Inc., the successor to Aeroplan LP following the Reorganization; *Groupe Aeroplan Europe* refers to the division of Groupe Aeroplan that operates the businesses in the Europe and Middle East segment, including Nectar, I&C and Air Miles Middle East; *Aeroplan Program* refers to the loyalty marketing program owned and operated by Aeroplan Canada; and *Nectar* or *Nectar Program* refers to the loyalty marketing program operated by Groupe Aeroplan Europe.

For an explanation of the capitalized terms and expressions and certain defined terms, please refer to the *Glossary of Terms* at the beginning of this Annual Information Form. Unless otherwise indicated, all dollar amounts are expressed in Canadian dollars and references to $ are to Canadian dollars.

FORWARD-LOOKING STATEMENTS

Groupe Aeroplan is entirely dependent upon the operations and financial condition of its Subsidiaries. The earnings and cash flows of Groupe Aeroplan are affected by certain risks. For a description of those risks, please refer to the section "Risks and Uncertainties Affecting the Business".

This Annual Information Form includes forward-looking statements within the meaning of applicable securities laws. These forward-looking statements are identified by the use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will", "would", and similar terms and phrases, including references to assumptions. Such statements may involve but are not limited to comments with respect to strategies, expectations, planned operations or future actions.

Forward-looking statements, by their nature, are based on assumptions and are subject to important risks and uncertainties. Any forecasts or forward-looking predictions or statements cannot be relied upon due to, amongst other things, changing external events and general uncertainties of the business and its corporate structure. Results indicated in forward-looking statements may differ materially from actual results for a number of reasons, including without limitation, risks related to the business and the industry, dependency on top Accumulation Partners, Air Canada or travel industry disruptions, Air Canada liquidity issues, airlines industry changes and increased airline costs, reduction in activity, usage and accumulation of Aeroplan Miles, retail market / economic downturn, greater than expected redemptions for rewards, industry competition, supply and capacity costs, unfunded Future Redemption Costs, failure to safeguard databases and consumer privacy, consumer privacy legislation, changes to the Aeroplan and Nectar Programs, seasonal nature of the business, other factors and prior performance, regulatory matters, VAT appeal, reliance on key personnel, labour relations and pension liability, technological disruptions and inability to use third party software, failure to protect intellectual property rights, currency fluctuations, interest rate and currency fluctuations, leverage and restrictive covenants in current and future indebtedness, dilution of Shareholders, uncertainty of dividend payments, level of indebtedness-refinancing risk, managing growth, as well as the other factors identified throughout this Annual Information Form. The forward-looking statements contained in this discussion represent the expectations of Management as of March 27, 2009, and are subject to change after such date. However, Groupe Aeroplan disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required under applicable securities regulations. See "Risks and Uncertainties Affecting the Business".

CORPORATE STRUCTURE

GENERAL

Groupe Aeroplan is the successor to the Fund following the completion of the reorganization of the Fund from an income trust structure to a corporate structure by way of a court-approved plan of arrangement under the CBCA on June 25, 2008 (the "**Arrangement**"). The Arrangement involved the exchange, on a one-for-one basis of all outstanding Units of the Fund for Shares of Groupe Aeroplan. As a result of the Arrangement, the holders of

Units became the sole Shareholders of Groupe Aeroplan which became the sole owner of all outstanding Units of the Fund.

On December 29 and 30, 2008, Groupe Aeroplan completed the reorganization (the "**Reorganization**") of its corporate structure which began with the closing of the Arrangement on June 25, 2008. As a result of this reorganization, Aeroplan LP was liquidated and dissolved and the Fund and the Trust were wound-up.

Groupe Aeroplan was incorporated on May 5, 2008 under the CBCA and did not carry on any active business prior to the Arrangement, other than executing the arrangement agreement pursuant to which the Arrangement was implemented.

Shares of Groupe Aeroplan are listed and posted for trading on the TSX under the symbol "AER".

Aeroplan Canada is a corporation resulting from the amalgamation under the CBCA of Aeroplan GP and 4421680 Canada Inc. on June 24, 2008, and a direct wholly-owned Subsidiary of Groupe Aeroplan. Aeroplan Canada was previously known as Aeroplan GP.

Groupe Aeroplan Europe is a division of Groupe Aeroplan that operates the businesses in the Europe and Middle East segment, including Nectar, I&C and Air Miles Middle East. All businesses are indirectly wholly-owned by Groupe Aeroplan, other than Air Miles Middle East which is held through a 60% interest in RMMEL.

The registered and head office of Groupe Aeroplan is located at 5100 de Maisonneuve Blvd. West, Montreal, Québec, Canada, H4A 3T2.

INTERCORPORATE RELATIONSHIP

The table below shows Groupe Aeroplan's main Subsidiaries, where they are incorporated or registered, and the percentage of voting securities that Groupe Aeroplan beneficially owns or directly or indirectly exercises control or direction over. Groupe Aeroplan has other Subsidiaries, but they have not been included in the table because each represents 10% or less of our total consolidated assets and 10% or less of our total consolidated operating revenues. These other Subsidiaries together represented 20% or less of our total consolidated assets and 20% or less of our total consolidated operating revenues at December 31, 2008.

Subsidiary	**Where Is it Incorporated or Registered**	**Percentage of Voting Securities that Groupe Aeroplan Holds at March 27, 2009**
Aeroplan Canada	Canada	100%
LMG	England and Wales	100%

GENERAL DEVELOPMENT OF THE BUSINESS

HISTORY

Prior to 2002, Aeroplan's operations were integrated with those of Air Canada. In 2001, management of Air Canada developed a formal plan to create a separate entity to carry on the operations of the Aeroplan Program. Effective January 1, 2002, an asset purchase agreement and other operating arrangements were entered into between Air Canada and Aeroplan LP, and Aeroplan was established as a wholly-owned subsidiary of Air Canada, later known as APLN Limited Partnership (the "**Predecessor Partnership**"). The major assets of the Predecessor Partnership included contracts, intellectual property and licenses, database information, furniture and fixtures and the previously acquired goodwill.

The financial obligation for Aeroplan Miles issued prior to 2002 remained with Air Canada up to a maximum of 103.4 billion Aeroplan Miles. As at October 13, 2006, Aeroplan LP and Air Canada agreed that Air

Canada's obligation for the cost of air rewards related to the redemption of Aeroplan Miles issued under the Aeroplan Program and earned by members prior to January 1, 2002 would increase from 103.4 to 112.4 billion Aeroplan Miles. As a result, revenue and expenses related to those 112.4 billion Aeroplan Miles are not reflected in Groupe Aeroplan's financial statements.

Immediately prior to the Fund's Initial Public Offering, Aeroplan LP was created. Pursuant to an acquisition agreement between the Predecessor Partnership and Aeroplan LP (the "**Acquisition Agreement**"), Aeroplan LP acquired all or substantially all of the assets of the Predecessor Partnership, subject to certain adjustments. In partial consideration for such sale, Aeroplan LP issued LP Units to the Predecessor Partnership. Concurrently with the completion of the Initial Public Offering, the Predecessor Partnership was liquidated. Consequently, the LP Units of Aeroplan LP held by the Predecessor Partnership were ultimately transferred to ACE Aviation as parent of the Predecessor Partnership.

On June 29, 2005, following the completion of the Initial Public Offering, the Fund issued 25,000,000 Units at a price of $10 per Unit for aggregate gross proceeds of $250,000,000 pursuant to the prospectus of the Fund dated June 22, 2005. In addition, on June 30, 2005, the Fund issued 3,750,000 additional Units at a price of $10 per Unit for additional gross proceeds of $37,500,000 as a result of the exercise of the option granted by the Fund to the underwriters to purchase up to 3,750,000 additional Units, exercisable for a period of 30 days from the closing of the Initial Public Offering (the "**Over-Allotment Option**").

Concurrent with the closing of the Initial Public Offering, the Fund used the proceeds from the sale of its Units to invest in LP Units. The Fund acquired, through Aeroplan Trust (the "**Trust**"), 25,000,000 (12.5%) of the LP Units in exchange for cash consideration of $250 million. On June 30, 2005, as a result of the exercise by the underwriters of the Over-Allotment Option, the Fund purchased through the Trust an additional 3,750,000 LP Units from ACE Aviation for cash consideration of $37.5 million. The net proceeds of the Initial Public Offering were used to fund a portion of the Aeroplan Canada Miles Redemption Reserve.

At the closing of the Initial Public Offering, an amount of $318 million was drawn under the Existing Credit Facilities for the following purposes: (i) $168 million was used to fund the remaining portion of the Aeroplan Canada Miles Redemption Reserve; (ii) $7 million was used for certain capital expenditures; (iii) $18 million was used for general and working capital purposes, and (iv) $125 million was used to repay the promissory note issued by Aeroplan LP in favour of the Predecessor Partnership, as partial consideration under the Acquisition Agreement. Such note was ultimately transferred to ACE Aviation upon the liquidation of the Predecessor Partnership.

As at December 31, 2005, following the completion of the Initial Public Offering and the exercise of the Over-Allotment Option by the underwriters, the Fund indirectly held 14.4% of Aeroplan LP and ACE Aviation held the remaining 85.6% of Aeroplan LP.

On the closing of the Initial Public Offering, the Fund, the Trust, ACE Aviation, Aeroplan LP and Aeroplan GP entered into the Investor Liquidity Agreement. The Investor Liquidity Agreement granted ACE Aviation or any entity controlled by it the right to effectively liquidate all or any portion of its LP Units and Aeroplan GP common shares and to exchange all or any portion of its LP Units and Aeroplan GP common shares into Units.

Effective March 3, 2006, ACE Aviation effected a special distribution of Units by way of reduction of capital to its shareholders of record as at such date. ACE Aviation had exercised its liquidity rights under the Investor Liquidity Agreement in order to convert 20,204,165 LP Units and 20,204,165 Aeroplan GP common shares into 20,204,165 Units which were distributed under the special distribution.

On March 31, 2006, pursuant to the Investor Liquidity Agreement, ACE Aviation exchanged an additional 500,000 LP Units and 500,000 Aeroplan GP common shares into 500,000 Units and transferred the 500,000 Units to a trustee for purposes of funding grants to employees under Aeroplan LP's initial long-term incentive plan.

At a special meeting on October 5, 2006, ACE Aviation's shareholders approved a statutory arrangement (the "**ACE Aviation Plan of Arrangement**") granting the board of directors of ACE Aviation the authority, from time to time, to make one or more special distributions of the securities of Subsidiaries or investee entities of ACE Aviation to its shareholders by way of reduction of capital.

The ACE Aviation Plan of Arrangement provided for an initial distribution of Units to eligible ACE Aviation shareholders before the end of 2006, subject to the prior receipt of an advance income tax ruling or opinion from the Canada Revenue Agency confirming that the distribution would be treated as a return of capital. As a result, on December 28, 2006, in anticipation of such distribution, ACE Aviation exchanged 50,000,000 LP Units and 50,000,000 Aeroplan GP common shares into 50,000,000 Units and caused such Units to be distributed to its eligible shareholders of record on January 10, 2007. ACE Aviation also exchanged on January 10, 2007, 60,000,000 LP Units and 60,000,000 Aeroplan GP common shares into 60,000,000 Units for internal reorganization purposes. Consequently, as at January 10, 2007, the Fund held approximately 79.7% and ACE Aviation held approximately 20.3% of Aeroplan LP and Aeroplan GP, and ACE Aviation had an overall position of approximately 50.3% indirect and direct ownership of Aeroplan LP.

On March 2, 2007, ACE Aviation announced a special distribution of 20,272,917 Units to its shareholders. The record date for the purpose of the special distribution was determined to be the close of business on March 14, 2007. For internal corporate reorganization purposes, on March 14, 2007, ACE Aviation also exercised its liquidity rights under the Investor Liquidity Agreement and exchanged its remaining 40,545,835 LP Units and 40,545,835 Aeroplan GP common shares into 40,545,835 Units.

On May 11, 2007, ACE Aviation announced a special distribution of 18,000,000 Units to its shareholders. The record date for the purpose of the special distribution was determined to be the close of business on May 24, 2007. Immediately following the special distribution, ACE Aviation held 62,285,585 Units, representing 31.1% of the 200,000,000 issued and outstanding Units of the Fund.

On October 1, 2007, ACE Aviation announced that it had entered into an agreement with a group of underwriters to sell an aggregate of 22,000,000 Units at a price of $21.90 per Unit, for gross proceeds of $481.8 million. The offering closed on October 22, 2007. Following completion of the offering, ACE Aviation retained 40,292,088 Units, representing 20.1% of the 200,000,000 issued and outstanding Units of the Fund.

Pursuant to a normal course issuer bid dated December 11, 2007, the Fund announced its intention to repurchase for cancellation, no later than February 29, 2008, up to 500,000 of its outstanding units. An aggregate of 320,000 units were repurchased and cancelled for a total cash consideration of $7.2 million.

On December 20, 2007, the Fund completed the acquisition, for a total consideration of £355.1 million (Cdn.$715.4 million), of LMG, a leading loyalty marketing and customer-driven insight and analysis company and owner and operator of the Nectar Program in the United Kingdom. In addition, an amount of £27.1 million (Cdn.$53.7 million) has been placed in escrow as contingent consideration pending the outcome of the VAT litigation. At the time of the acquisition, LMG was primarily engaged in the operation of multi-partner coalition loyalty programs and the provision of related analytical services to retailers and their suppliers. Following the acquisition, the LMG operations were folded into Groupe Aeroplan Europe.

On January 17, 2008, Groupe Aeroplan increased its interest in RMMEL from the 20% held upon completion of the LMG acquisition to 60% for a consideration of AED 40.7 million ($11.4 million).

On April 2, 2008, ACE Aviation announced that it had entered into an agreement with a group of underwriters to sell an aggregate of 20,400,000 Units at a price of $17.50 per Unit, for gross proceeds of $357 million. The offering closed on April 21, 2008. Following the completion of the offering, ACE Aviation retained 19,892,088 Units, representing approximately 9.9% of the 199,968,791 issued and outstanding Units of the Fund.

On May 28, 2008, ACE Aviation announced that it had sold in the market a total of 19,892,088 Units for total net proceeds to ACE Aviation of approximately $349.3 million, following which ACE Aviation retained no further interest in the Fund.

On June 25, 2008, the Fund and Groupe Aeroplan announced that the Arrangement providing for the reorganization of the Fund's trust structure into a growth-oriented, dividend-paying, global loyalty management public corporation, named "Groupe Aeroplan Inc." had been completed. As a result of the Arrangement, the holders of Units became the sole shareholders of Groupe Aeroplan, which became the sole owner of all outstanding Units.

On December 29 and 30, 2008, Groupe Aeroplan completed the reorganization of its corporate structure which began with the closing of the Arrangement on June 25, 2008. As a result of this reorganization, Aeroplan LP was liquidated and dissolved and the Fund and the Trust were wound-up.

As of March 27, 2009, there are 199,968,622 Shares issued and outstanding.

THE BUSINESS

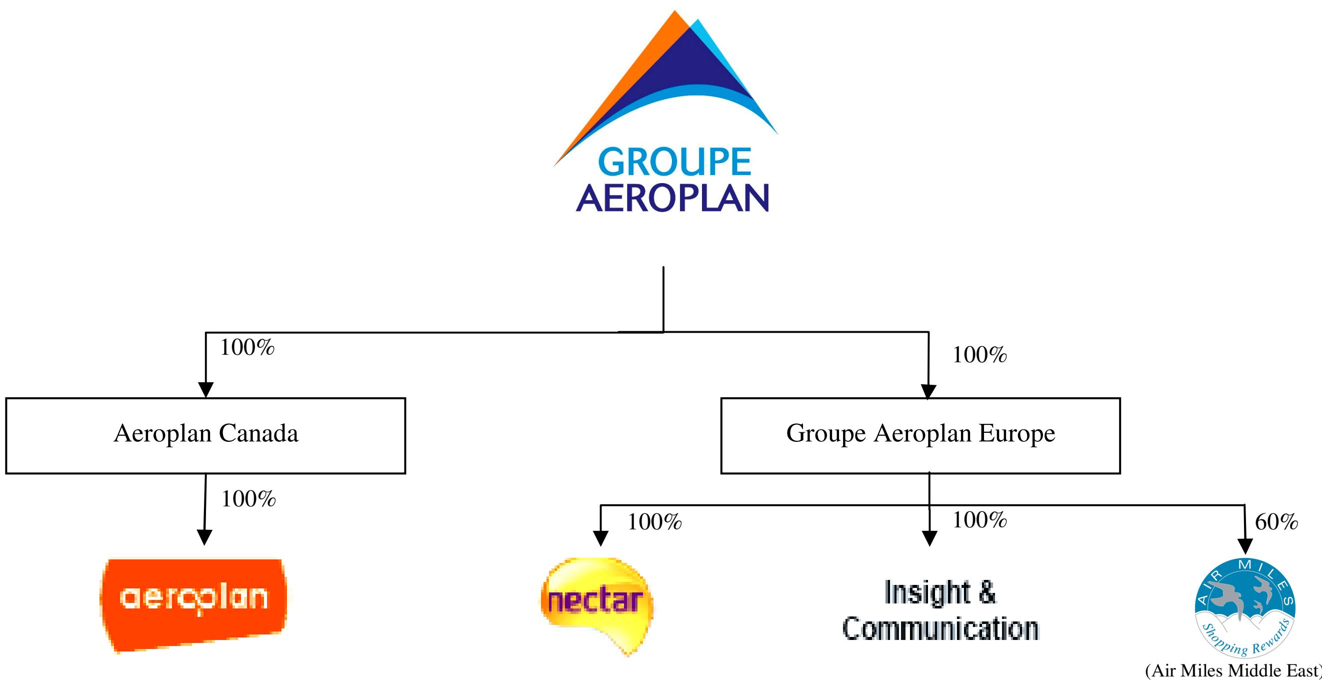
THE GROUPE AEROPLAN BUSINESS

Overview

Groupe Aeroplan is a leading international loyalty management corporation. As at December 31, 2008, Groupe Aeroplan operated in two business segments: Canada which includes the operations of Aeroplan Canada, and Europe and Middle East which includes Groupe Aeroplan Europe's operations in Europe and the Middle East.

Aeroplan Canada operates the Aeroplan Program, Canada's premier loyalty program, while Groupe Aeroplan Europe operates Nectar, the United Kingdom's leading coalition loyalty program and, in the Gulf Region, Air Miles Middle East, through its 60% interest in RMMEL. Groupe Aeroplan Europe also operates I&C, a customer-driven insight and data analytics business offering worldwide services to retailers and their suppliers.

The following chart illustrates the operational structure of Groupe Aeroplan as at March 27, 2009:



Note: The chart above does not reflect the actual corporate structure of Groupe Aeroplan but rather reflects Groupe Aeroplan's operational structure. Please refer to the section entitled "Corporate Structure − Intercorporate Relationship" for a description of the corporate structure of Groupe Aeroplan.

Strategy

Groupe Aeroplan's strategic vision and mission are:

To become the global leader in loyalty management; operating customer loyalty programs, providing exceptional insight into customer behaviour and delivering multi-channel communications to individual consumers.

Groupe Aeroplan intends to increase profitability by leveraging Aeroplan Canada and Groupe Aeroplan Europe's market positions and strong base of members and Commercial Partners. The strategy in Aeroplan and Nectar is executed through the following initiatives:

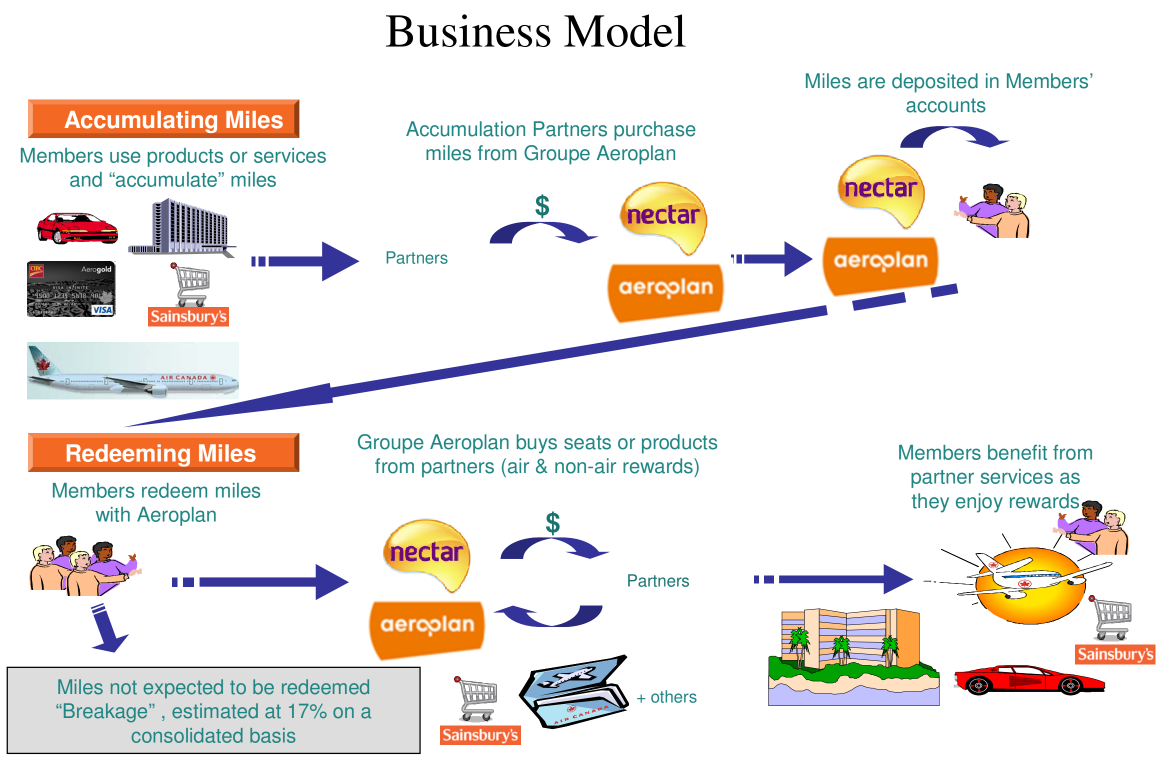
- enhancing partner value proposition;
- increasing member engagement in the Aeroplan and Nectar Programs by providing new mileage accumulation opportunities and offering a wider range of redemption opportunities;
- recruiting and activating new members by increasing brand and partnership awareness and continuously expanding and diversifying offered rewards; and
- adding new travel-related and innovative value-added products, services and rewards.

Groupe Aeroplan is also well positioned to capitalize on Aeroplan and Nectar's strong brands and value-added service offerings and to pursue development beyond the Aeroplan and Nectar Programs by:

- developing start-up customer loyalty programs in new geographic markets;
- seeking to acquire interests in frequent flyer programs and customer loyalty programs in new geographic markets; and
- extending the range of services to loyalty program clients to enable them to leverage the data generated through such programs.

Groupe Aeroplan's Business Model

In general terms, Groupe Aeroplan's principal business is based on two major streams of activity: (i) the sale of Aeroplan Miles and marketing services to Accumulation Partners; and (ii) delivering rewards to members through the purchase of rewards from its Redemption Partners.



Sale of Aeroplan Miles and Marketing Services to Accumulation Partners

Groupe Aeroplan derives its Gross Billings from the sale of Aeroplan Miles and marketing services to its Accumulation Partners. The marketing services consist primarily of advertising, promotion and data analytics. In addition, Groupe Aeroplan derives service fees from the management by Aeroplan Canada of Air Canada's tier membership program for its most frequent flyers.

Members accumulate Aeroplan Miles through their purchase of products and services from an extensive network of Accumulation Partners, representing brands in credit and charge cards, grocery, airline, and other industries.

The gross proceeds received by Groupe Aeroplan at the time of sale of Aeroplan Miles to its partners, known as Gross Billings, are deferred and recognized as revenue upon the redemption of Aeroplan Miles for GAAP purposes, except for Breakage as described below. Upon the redemption of Aeroplan Miles, Groupe Aeroplan purchases airline seats, shopping discounts or other products or services in order to deliver the reward chosen by the member. At such time, Groupe Aeroplan incurs and recognizes an expense equal to the cost of the reward, and the deferred revenue related to the Aeroplan Miles being redeemed is recognized as earned revenue from the sale of Aeroplan Miles for GAAP purposes. The other significant expenses incurred by Groupe Aeroplan include contact centre expenses and selling and administrative expenses.

Based upon past experience, management anticipates that a number of Aeroplan Miles issued will never be redeemed by members. This is known as Breakage. By its nature, Breakage is subject to estimates and judgment. The best estimate of the consolidated weighted average Breakage factor currently used by management is presently

17% of current Aeroplan Miles issued. Breakage is recognized as revenue over the estimated life of a mile, currently 30 months for the Aeroplan Program, which represents the average period elapsed between the sale of a mile and its redemption for rewards. The estimated life of a Nectar Point issued under the Nectar Program is 15 months. Breakage is estimated by management based on the terms and conditions of membership and historical accumulation and redemption patterns, as adjusted for changes to any terms and conditions that may affect members' redemption practices. During 2008, management assisted by an independent expert developed an econometric model that takes into account historical activity, and expected member behaviour, projected on a going concern basis. This tool will be used by Groupe Aeroplan to estimate and monitor the appropriate breakage estimates of the different programs it operates on a continuous basis. Groupe Aeroplan will no longer be relying on two independent expert studies to confirm the breakage rate every two years, however it will continue to use an independent expert every two years to validate the robustness of the newly implemented breakage tool.

The issuance and redemption of Aeroplan Miles are influenced by the nature and volume of Commercial Partners, the types of rewards offered, the general economic activity level and the activity level of competing loyalty marketing programs. These influences could affect redemption and Breakage rates. As of December 31, 2008, Groupe Aeroplan had approximately $1.9 billion in deferred revenue that will be recognized for GAAP purposes as revenue in the future, upon the redemption of outstanding unredeemed Aeroplan Miles.

On an ongoing basis, the total estimated future redemption cost for outstanding Aeroplan Miles is determined by Groupe Aeroplan as the product of (i) total outstanding number of unredeemed Aeroplan Miles on a specific measurement date net of estimated Breakage, and (ii) the average unit cost per Aeroplan Mile redeemed in the period. Given that the future unit cost per Aeroplan Mile redeemed may fluctuate, the Future Redemption Costs liability is periodically revalued using the actual average unit cost per Aeroplan Mile redeemed incurred in the most recent period.

Service fees are charged for the sale of marketing services to Groupe Aeroplan's partners and for the management of Air Canada's frequent flyer tier membership program. In addition, Groupe Aeroplan collects various fees that may be charged to members upon redemption of Aeroplan Miles, including booking, service and administrative fees. Groupe Aeroplan Europe also owns certain rights, trademark, know-how and other intellectual property of the Air Miles brand and receives royalty income from these assets.

The I&C business generates revenues through the provision of its Self-Serve tool to retailers and consumer packaged goods companies, and from operating targeted, multi-channel communication processes.

Redemption Rewards Purchased from Redemption Partners

Once members have accumulated a sufficient number of Aeroplan Miles, members are entitled to redeem their Aeroplan Miles from reward portfolios offered through Groupe Aeroplan's Redemption Partners.

Major Accumulation Partners and Significant Redemption Partner

Four Accumulation Partners account for a significant percentage of Gross Billings. Since Groupe Aeroplan's revenues are recognized based on redemptions by members as opposed to the issuance of Aeroplan Miles to members by the Accumulation Partners, the information on major customers is based on the Gross Billings of Aeroplan Miles issued through each Accumulation Partner to members. Gross Billings for each Accumulation Partner represent the contracted amounts invoiced to Accumulation Partners during each period. The four major Accumulation Partners accounted for significant issuance of Aeroplan Miles as follows:

Accumulation Partner	Year Ended December 31, 2008	Year Ended December 31, 2007
Air Canada	17%	25%
AMEX	10%	12%
CIBC VISA	38%	52%

Accumulation Partner	Year Ended December 31, 2008	Year Ended December 31, 2007
Sainsbury's	17%	–

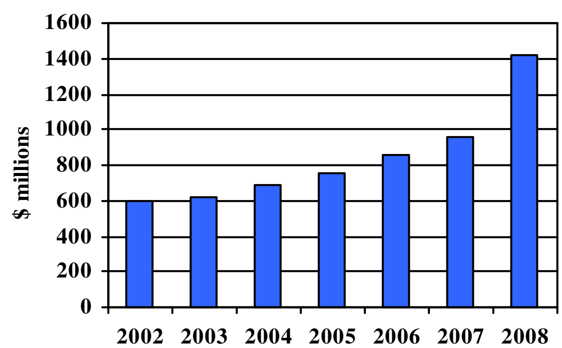
Air Canada is one of Groupe Aeroplan's largest Redemption Partners providing air-travel related rewards. The cost of rewards provided by Air Canada (and other Star Alliance Partners) as a percentage of total rewards represented 57% for the year ended December 31, 2008 compared to 90% for the year ended December 31, 2007.

Financial Highlights

For the year ended December 31, 2008, Groupe Aeroplan generated Gross Billings of $1.4 billion. Groupe Aeroplan's top four Accumulation Partners were responsible for 82% of Gross Billings for the year ended December 31, 2008.

The following chart illustrates Gross Billings[2] generated by Groupe Aeroplan for the years ended December 31, 2002, 2003, 2004, 2005, 2006, 2007 and 2008.

Gross billings from the Sale of Aeroplan Miles [1]



[1] 2002 to 2007 results presented for comparative purposes are those of Aeroplan LP.

Reported amounts for Groupe Aeroplan's[2] total revenue for the years ended December 31, 2002, 2003, 2004, 2005, 2006, 2007 and 2008 were $195.8 million, $380.1 million, $518.0 million, $639.9 million, $769.4 million, $906.4 million and $1,458 million, respectively. In addition, reported amounts for Groupe Aeroplan's[2] operating income for the years ended December 31, 2002, 2003, 2004, 2005, 2006, 2007 and 2008, were $14.7 million, $84.0 million, $100.5 million, $101.9 million, $140.5 million, $189.7 million and $219.1 million, respectively. The following charts illustrate Groupe Aeroplan's[2] total revenue and operating income for the years ended December 31, 2002, 2003, 2004, 2005, 2006, 2007 and 2008.

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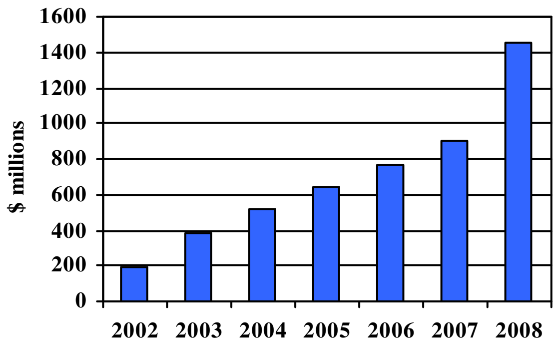
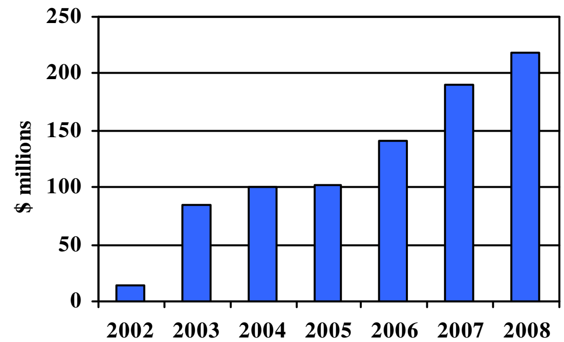
[2] 2002 to 2007 results presented are those of Aeroplan LP.

Groupe Aeroplan's Total Revenue (1)



(1) 2002 to 2007 results presented for comparative purposes are those of Aeroplan LP.

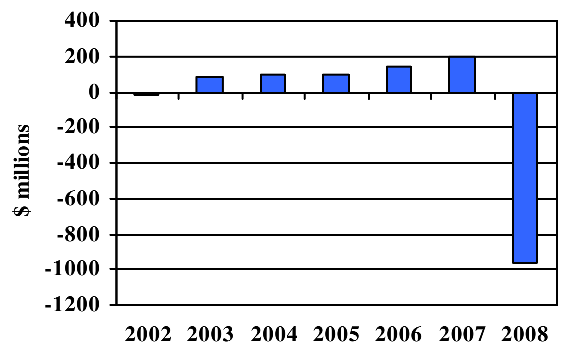
Groupe Aeroplan's Operating Income (1) (2)



(1) 2002 to 2007 results presented for comparative purposes are those of Aeroplan LP.
(2) 2008, after deducting $88 million of amortization of Accumulation Partners' contracts and technology.

Reported amounts for Groupe Aeroplan's[3] net income (loss) for the years ended December 31, 2002, 2003, 2004, 2005, 2006, 2007 and 2008, were $(22.2) million, $80.2 million, $100.8 million, $100.3 million, $143.5 million, $197.6 million and $(965.2) million, respectively. The following chart illustrates Groupe Aeroplan's[3] net income (loss) for the years ended December 31, 2002, 2003, 2004, 2005, 2006, 2007 and 2008.

Groupe Aeroplan's Net Income (loss) (1)



(1) 2002 to 2007 results presented for comparative purposes are those of Aeroplan LP.

As a result of the outcome of the long lived intangible assets and goodwill impairment tests required by GAAP, Groupe Aeroplan recorded an impairment charge as at December 31, 2008, relating to those assets in the amount of $1,161 million; with $841 million attributable solely to goodwill in the Canadian segment, and the difference of $320 million recorded in the European and Middle East segment, allocated to goodwill, Accumulation Partners' contracts, trademark and software and technology. Most of the goodwill had originally been recorded at the Groupe Aeroplan level, following the exchange by ACE Aviation of LP units for Units, as part of ACE's strategy to crystallize value and sell its participation in the Fund in the open market. Accordingly, approximately $2.4 billion of the pre-impairment balance of goodwill had not originated from any acquisition-related activities by the Corporation. The impairment loss is attributable to the increased discount rates used in determining fair values and a decline in expected future cash flows of the Corporation. These changes were triggered by the recent deterioration in the global capital markets' conditions and the economic environment, which are generally expected to affect general consumer spending and travel.

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(3) 2002 to 2007 results presented are those of Aeroplan LP.

Segmented Information

At December 31, 2008, Groupe Aeroplan has two business segments and reporting units: Canada which includes the operations of Aeroplan and is referred to as Aeroplan Canada, and Europe and Middle East which includes Groupe Aeroplan Europe's operations in Europe and the Middle East.

The table below summarizes the relevant gross billings, revenue and intangible assets information by segment:

GEOGRAPHIC BUSINESS SEGMENTATION REPORTING UNITS	CANADA AEROPLAN CANADA	EUROPE AND MIDDLE EAST GROUPE AEROPLAN EUROPE	CONSOLIDATED	CANADA AEROPLAN CANADA	EUROPE AND MIDDLE EAST GROUPE AEROPLAN EUROPE	CONSOLIDATED
(in thousands)	December 31, 2008			December 31, 2007		
	2008	2008	2008	2007	2007	2007
	$	$	$	$	$	$
GROSS BILLINGS	1,025,184	395,364	1,420,548	952,165	-	952,165
AEROPLAN MILES REVENUE	953,537	424,200	1,377,737	665,816	-	665,816
OTHER REVENUE	55,450	25,043	80,493	44,347	-	44,347
TOTAL REVENUE	1,008,987	449,243	1,458,230	710,163	-	710,163
SOFTWARE & TECHNOLOGY(1)	75,977	24,969	100,946	77,901	42,262	120,163
TRADE NAMES(2)	275,000	129,145	404,145	275,000	159,671	434,671
ACCUMULATION PARTNERS' CONTRACTS(3)	1,370,215	48,183	1,418,398	1,434,635	160,575	1,595,210
GOODWILL(4)	1,676,108	299,894	1,976,002	2,517,237	477,453	2,994,690

(1) Software and technology are recorded at cost and amortized using the straight-line method over 3 to 5 years.

(2) Trade names, which are considered intangible assets with indefinite lives, are recorded at cost, and are not amortized.

(3) Accumulation Partners' contracts are recorded at cost and are amortized using the straight-line method over their estimated lives, typically 5 - 25 years.

(4) Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on their fair values. Goodwill is not amortized.

THE AEROPLAN CANADA BUSINESS

History of the Aeroplan Program

The Aeroplan Program was created in July 1984 by Air Canada as an incentive program for its frequent flyer customers. Aeroplan's operations were integrated with those of Air Canada until the end of 2001. On January 1, 2002, Aeroplan was established as a wholly-owned limited partnership of Air Canada with a dedicated management team focused on the development of the Aeroplan Program.

Between 1984 and 1990, membership in the Aeroplan Program grew by approximately 100,000 new members per year. During this period, Aeroplan also added several travel-related partners to the Aeroplan Program in addition to Air Canada. By 1990, the Aeroplan Program had grown to over 700,000 members. In 1990, Aeroplan implemented the Elite™ and Prestige™ classifications designed to recognize and reward its more frequent travelers and to provide them with additional benefits. Aeroplan introduced in 1999 a third classification, Super Elite™, to reward and recognize those members who accumulated more than 100,000 Aeroplan Miles per year from frequent flyer travel.

In 1989, the EnRoute™ credit card, owned at the time by Air Canada, was introduced. This card was the first credit card which allowed its users to accumulate Aeroplan Miles based on amounts spent on their card. This relationship demonstrated the appeal of new and alternative accumulation methods for Aeroplan members beyond pure travel.

In 1991, with the successful launch of the CIBC Aerogold Visa card in partnership with CIBC, Aeroplan's first non-travel related partner, Aeroplan's growth began to accelerate. Between 1991 and 2000, the Aeroplan Program grew at an average of 450,000 new members per year. In 2001, as a result of the integration of Canadian Airlines' frequent flyer program, Canadian Plus, Aeroplan added approximately 845,000 new members to the Aeroplan Program.

In April 2003, Air Canada renegotiated its long-term agreement with CIBC. This renegotiation resulted in an increase in Gross Billings per Aeroplan Mile sold and also allowed for less restrictive exclusivity provisions. The agreement was assigned by Air Canada to Aeroplan LP in July 2004, and subsequently to Aeroplan Canada in December 2008. Aeroplan and Air Canada also entered into a long-term agreement with AMEX in January 2004 in respect of the creation of the AeroplanPlus card products and inclusion of Aeroplan in AMEX's Membership Rewards® program.

Beginning in 2003, Aeroplan made a strategic shift to expand the reward portfolio by offering non-flight and specialty rewards. Today, Aeroplan's roster of non-flight rewards includes more than 600 existing specialty, merchandise, and experiential rewards, as well as hotel and car rental rewards.

In October 2006, Aeroplan introduced ClassicPlus Flight™ Rewards. With the introduction of ClassicPlus Flight™ Rewards, the ClassicFlight™ Reward grid was not changed. In fact, very few changes have been made to the grid since program inception 25 years ago, and, as such, ClassicFlight™ Rewards continue to be a core element of Aeroplan's value proposition to members. ClassicFlight™ Rewards are made available through the supply of 8% of Air Canada and Jazz Air LP ("**Jazz**") seat capacity on every route, every month. ClassicPlus Flight™ Rewards were designed to improve the program's member value proposition and to offer Aeroplan members unrestricted access to available seat inventory across the Air Canada and Jazz networks in both Economy and Executive Class.

With ClassicPlus Flight™ Rewards, all capacity available over and above the 8% ClassicFlight™ Rewards capacity is offered to members at variable mileage levels. Aeroplan uses an innovative availability and booking tool to source seat inventory and to calculate redemption mileage levels on a real-time basis. The number of Aeroplan Miles required to redeem for ClassicPlus Flight™ Rewards is based on actual airline ticket prices – minus Aeroplan's negotiated discounts as the airline's largest purchaser of seats – and therefore varies in a way similar to airline pricing, depending on factors such as origin, destination, seasonality, time and day of travel.

Since 2004, Aeroplan has actively pursued opportunities to increase its Accumulation Partner base with the objective of further expanding its sources of Gross Billings. Aeroplan signed major, nationally recognized retail brand name partners such as Groupe Dumoulin, Home Hardware, Imperial Oil (Esso), Primus, Sobeys and Uniprix.

In late 2006, Aeroplan and CIBC announced an amendment to the CIBC Agreement to include a 50% multiplier for every dollar spent (1.5 Aeroplan Miles earned) at grocery stores, gas stations and drug stores in Canada and abroad for Aerogold cardholders.

In 2008, Aeroplan announced the signing of a multi-year partnership with Sobeys that will enable members of the Aeroplan Program to earn miles on groceries at Sobeys stores in certain provinces.

Also launched in 2008, Aeroplan eStore is an online shopping portal that allows members to earn Aeroplan Miles as they shop online from over 100 top-brand retailers in 12 different product categories.

In 2008, Aeroplan also announced the addition of two new Star Alliance carriers, Egyptair and Turkish Airlines, to its roster of travel partners, bringing the total number of airline partners to 31.

Today, Aeroplan has over 70 Accumulation Partners, representing over 150 brands, with whom Aeroplan members can accumulate Aeroplan Miles.

Overview

The Aeroplan Program is one of Canada's longest standing loyalty programs. It was founded in 1984 by Air Canada, Canada's largest domestic and full-service international airline, to manage the airline's frequent flyer program. Aeroplan benefits from its unique strategic relationship with Air Canada in addition to its contractual arrangements with leading Commercial Partners including AMEX, CIBC, Home Hardware, Imperial Oil (Esso), Sobeys, Star Alliance® member airlines and numerous hotel chains and car rental companies.

Aeroplan offers its over four million active members the ability to accumulate Aeroplan Miles throughout its Accumulation Partner network through purchases of products and services. Aeroplan sells loyalty marketing services, including Aeroplan Miles, to its extensive network of Accumulation Partners, representing brands in credit and charge card, airline, and other industries. Today, credit and charge card partners generate the majority of Groupe Aeroplan's Gross Billings. Once members have accumulated a sufficient number of Aeroplan Miles, they can redeem through Aeroplan such Aeroplan Miles for air travel and other attractive rewards offered by Aeroplan's Redemption Partners. Upon the redemption of Aeroplan Miles by its members, Aeroplan incurs the cost to acquire the desired reward.

Recent Management Initiatives

Over the recent years, Management has initiated a number of significant changes aimed at improving Aeroplan's operations and achieving growth in profitability. Most notably, Management implemented the initiatives described below.

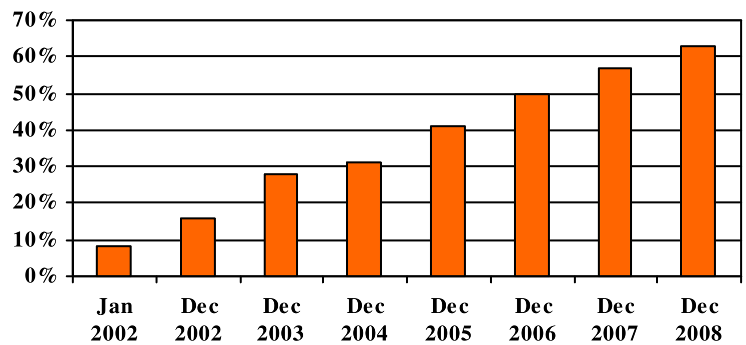
Member Services

Between 2006 and 2008, calls handled at Aeroplan's contact centres were up 5.1% on a year-to-year basis with 3.7 million calls being processed and the average transaction time for calls handled at the contact centres was increased by 5%, from 9.9 minutes per call to 10.4 minutes. The launch of ClassicPlus Flight™ Rewards at the end of October 2006 has contributed to the increase in the number of calls handled and the increased complexity of member requests has resulted in an increase of the average transaction time for calls handled, while the simpler, more straightforward reservation were increasingly handled through the web.

Aeroplan's customer service levels meet and frequently exceed industry standards in its comparative groups. With the launch of www.aeroplan.com in May 2002, Aeroplan invested significantly in the progressive development of its online presence, products and services. In 2005, a redesigned online redemption tool was launched for its suite of non-air rewards, increasing the scope of the program and significantly improving the redemption experience for members. In 2006, Aeroplan completely redesigned its website with a major focus on enhancing usability and the user experience. Aeroplan's new ClassicPlus Flight™ Rewards were also introduced online in 2006. Since 2005, Aeroplan has also designed and implemented direct connect car rentals and hotel rewards using state-of-the-art technology with an increasing number of partners**.** This allows members to shop and book car or hotel rewards in one easy step, directly on www.aeroplan.com. In 2008, Aeroplan upgraded the merchandise and gift card web redemption functionality to facilitate the redemption process and allow for a larger variety of rewards in the portfolio. In 2008, Aeroplan launched the eStore, enabling members to accumulate Aeroplan Miles at over 100 online retailers in 12 different categories. Also, substantial effort was focused on building a new online Air Rewards booking engine, which was launched during the first quarter of 2009.

Since May 2002, Aeroplan has experienced growth in the adoption and use of its website which currently accounts for about 60% of air travel bookings and about 70% of all rewards booked (including non-air rewards). Overall, the website issued over 1.4 million rewards in 2008.

Aeroplan Program Percentage of Online Air Bookings for Selected Months



In addition to the development of its contact centres and the www.aeroplan.com Internet site, Aeroplan also has an interactive voice recognition system to facilitate members' access to customer services. In December 2005, Aeroplan introduced an automated speech platform to improve self-service functionality which was progressively implemented throughout 2006 and was fully deployed in 2007. These complementary channels provide Aeroplan with an effective, multiple channel customer service strategy that offers its members a variety of options to communicate with Aeroplan.

Increasing Gross Billings from Credit and Charge Card Partners

In April 2003, Air Canada renegotiated its long-term agreement with CIBC, the operator of Canada's largest retail card franchise and Groupe Aeroplan's largest source of Gross Billings. This renegotiation resulted in an increase in Gross Billings per Aeroplan Mile sold and also allowed for less restrictive exclusivity provisions. The CIBC Agreement was assigned by Air Canada to Aeroplan LP in July 2004, and subsequently to Aeroplan Canada in December 2008. During the last quarter of 2006, Aeroplan and CIBC announced an amendment to the CIBC Agreement to include a 50% multiplier for every dollar spent (1.5 Aeroplan Miles earned) at grocery stores, gas stations and drug stores in Canada and abroad for Aerogold cardholders. In June 2008, CIBC launched the Unlimited Chequing Account with both a welcome bonus and the ability to earn monthly Aeroplan Miles as part of the customer benefit. CIBC also launched the Aerogold Infinite product and migrated a substantial part of the Aerogold customer base to this new product with enhanced benefits. Aeroplan and Air Canada also entered into a long-term agreement with AMEX in January 2004 in respect of the creation of the AeroplanPlus card products and the inclusion of Aeroplan in AMEX's Membership Rewards® program in Canada and the U.S.

Acquiring Additional Capacity from Air Canada

On October 16, 2006, in order to improve reward travel choices and provide greater flexibility to make travel arrangements, Aeroplan introduced ClassicPlus Flight™ Rewards which offer Aeroplan members unrestricted access to available seat inventory across the Air Canada and Jazz networks in both Economy and Executive Class. ClassicPlus Flight™ Rewards offer improved flexibility for reward travel, complementing Aeroplan's existing ClassicFlight™ and exclusive Star Alliance® Flight Rewards. Together, Aeroplan's flight products provide global reward travel options to more than 900 destinations worldwide.

With the introduction of ClassicPlus Flight™ Rewards, the ClassicFlight™ Reward grid was not changed. In fact, very few changes have been made to the grid since program inception 25 years ago, and, as such, ClassicFlight™ Rewards continue to be a core element of Aeroplan's value proposition to members. ClassicFlight™

Rewards are made available through the supply of 8% of Air Canada and Jazz seat capacity on every route, every month.

With ClassicPlus Flight™ Rewards, all capacity available over and above the 8% ClassicFlight™ Rewards capacity is offered to members at variable mileage levels. Aeroplan uses an innovative availability and booking tool to source seat inventory and to calculate mileage levels on a real-time basis. The number of Aeroplan Miles required to redeem for ClassicPlus Flight™ Rewards is based on actual airline ticket prices – minus Aeroplan's negotiated discounts as the airline's largest purchaser of seats – and therefore varies in a way similar to airline pricing, depending on factors such as origin, destination, seasonality, time and day of travel.

In 2008, Aeroplan and Air Canada introduced several "more seats" promotions that made additional ClassicFlight™ Rewards seats available during certain times of the year. These additional seats were over and above the 8% of ClassicFlight™ Rewards capacity normally available during the promotional periods. Such promotions may be re-introduced subject to Aeroplan and Air Canada business conditions in the future.

Air Canada is one of Groupe Aeroplan's top four Accumulation Partners.

Adding Accumulation Partners

Since 2004, Aeroplan has actively pursued opportunities to increase its Accumulation Partner base with the objective of further expanding its sources of revenue. Aeroplan signed major, nationally recognized retail brand name partners such as Groupe Dumoulin, Home Hardware, Imperial Oil (Esso), Primus, Sobeys and Uniprix. These new partners were selected from retail categories which represent substantial spending by Aeroplan's member base. Aeroplan will continue to seek to sign on and leverage highly recognizable national brand names. Aeroplan also intends to seek product categories where members can "double dip" on Aeroplan Miles. For example, if an Aeroplan member purchases gasoline at Esso using a CIBC Aerogold Visa card, such member receives Aeroplan Miles from both Esso and CIBC.

In February 2009, Aeroplan entered into a multi-year channel partnership agreement with the Futura Loyalty Group Inc. ("**Futura**") that will enable Futura to offer Aeroplan Miles to small and mid-size retailers and service providers across Canada. To date, Futura has contracted more than 40 new businesses that will offer Aeroplan Miles to customers.

Diversifying Reward Portfolio

Between 2003 and 2007, as part of its continuing strategy to expand and diversify reward opportunities for its members, Aeroplan added many new rewards to its non-air reward portfolio which by year-end offered over 600 such rewards to members for redemption. During 2007, the Aeroplan Music Store was launched, enabling members to exchange their miles for digital music downloads. Aeroplan members' concerns over the environment and global warming prompted the launch of a collection of eco-friendly rewards. Aeroplan also offered its members the option to offset the carbon emissions of their rewards flights. Aeroplan's online booking engine was further expanded to include hotel rewards from Starwood hotels including Sheraton, Westin, Meridien, and W Hotels. Member response has been consistently positive to the increasing choice and value that non-air rewards provide.

In 2008, responding to member interest in travel rewards, Aeroplan introduced electronic reward certificates for CruiseShipCentres (an Accumulation Partner) and added more options for packaged vacations from Air Canada Vacations. Aeroplan re-launched the Aeroplan Music Store as an all MP3 site, the first of its kind in Canada. New merchandise and entertainment rewards were also added throughout the year. Later in 2008, Aeroplan updated its non-air online booking engine with more flexible search options and new features to better support its growing portfolio of such rewards.

Air travel remains the most popular reward among members, representing approximately 75% of all rewards claimed by Aeroplan members in 2008. Air travel rewards issued under the Aeroplan Program exceeded eleven million in the last eleven years and 1.5 million in 2008 alone.

Retail Ghost Cards

In early November, 2006, Aeroplan launched a new member acquisition tool in the retail sector with its pharmacy partner Uniprix, with over 150 participating locations in Québec. Home Hardware, one of the largest home improvement stores in Canada with over 1,000 participating locations nationwide, followed in February of 2007. The ghost card product is a plastic Aeroplan member card with its own account number, but with no name attached. The card is packaged with information about the Aeroplan Program and partners, and is offered by cashiers at the register for instant swiping to accrue Aeroplan Miles with their purchase. Members then register the ghost card online following their transaction to assign the card to them individually, completing the enrolment process. Extensive training, signage and collateral are implemented at the store level. As a result, Aeroplan has been able to enrol close to 400,000 new members through this channel, accessing a valuable market segment - the leisure and infrequent traveler.

Accumulation Partners

Aeroplan attracts and retains Accumulation Partners based on the value of (i) its member base as a target market for such Accumulation Partners, (ii) the loyalty demonstrated by Aeroplan members with their sustained purchases of partners' products and services, and (iii) the portfolio of value-added marketing services offered by Aeroplan.

Today, Aeroplan has commercial relationships with Accumulation Partners which can be divided into three main categories:

- credit and charge cards;
- airlines; and
- others.

Credit and Charge Cards

CIBC. Pursuant to the CIBC Agreement, CIBC administers various Visa and other products through which Aeroplan members can accumulate Aeroplan Miles through their credit card and other spending. In exchange, Groupe Aeroplan receives Gross Billings for the Aeroplan Miles credited to participating CIBC Visa cardholders' accounts based on the value of the purchases charged to such cards and other products purchased. Members accumulate Aeroplan Miles based upon an earnings ratio specific to the particular type of card or other product for purchases charged to such card or amounts spent on other products. The CIBC Agreement has a term expiring in 2013 with renewal provisions. CIBC is the number one premium credit card issuer in Canada based on purchase volumes and outstanding balances.

Aeroplan's association with CIBC started in late 1991, with the launch of the CIBC Aerogold Visa card. Throughout this long-standing relationship, many card innovations have been implemented, enriching the portfolio with complementary products such as CIBC Aerogold Visa card for Business, the CIBC AeroClassic Visa card, as an entry product and the latest CIBC Aerogold Infinite Visa Card, a new premium Visa card in the Canadian market offering additional purchasing power as well as insurance and travel benefits. Each CIBC/Aeroplan co-branded Visa card offers a unique set of features and benefits.

Aeroplan's association with CIBC has also expanded into other banking products, providing customers with opportunities to earn Aeroplan Miles while signing-up and maintaining an AeroMortgage with CIBC and most recently, the Unlimited Chequing Account, which provides CIBC customers with the opportunity to earn Aeroplan Miles at time of account opening and ongoing on a monthly basis.

AMEX. Pursuant to the AMEX Agreement, AMEX administers various American Express products through which Aeroplan members can accumulate Aeroplan Miles through their card spending. In exchange, Groupe Aeroplan receives revenue for the Aeroplan Miles credited to participating AMEX cardholders' accounts based on the value of the purchases charged to such cards. Cardholders accumulate Aeroplan Miles based upon an earnings ratio specific to the particular type of card for purchases charged to such card. The AMEX Agreement has a term expiring in 2014 with renewal provisions.

AMEX currently offers three card products for consumers: AMEX AeroplanPlus, AMEX AeroplanPlus Gold and AMEX AeroplanPlus Platinum. AMEX also offers the AMEX AeroplanPlus Corporate card. Each AMEX card offers a unique set of features and benefits.

In addition, AMEX operates its own points program called Membership Rewards® that allows certain participants to convert points from Canadian or U.S. Membership Rewards accounts into Aeroplan Miles.

Bank of America. On May 15, 2002, Aeroplan entered into an agreement pursuant to which MBNA, now Bank of America, agreed to offer jointly branded Mastercard credit card products to Aeroplan members who are residents of the United States to allow those Aeroplan members to accumulate Aeroplan Miles through their credit card spending. Cardholders accumulate Aeroplan Miles based upon an earnings ratio specific to the particular card for purchases charged to such card.

Airlines

The airline category is comprised of 31 partners, most notably Air Canada, Jazz and other Star Alliance® member airlines.

Air Canada. Air Canada, Canada's largest domestic and international full-service airline, is one of Groupe Aeroplan's leading Accumulation Partners purchasing a high volume of Aeroplan Miles annually for the purpose of awarding Aeroplan Miles to its customers. Aeroplan members can accumulate Aeroplan Miles for travel on flights operated by Air Canada and Jazz. Please see the section "The Business — The Aeroplan Canada Business — Long-Term Strategic Relationship with Air Canada — CPSA".

Star Alliance®. Aeroplan members can accumulate Aeroplan Miles for travel on flights operated by all Star Alliance® member airlines. Air Canada is a founding member of the Star Alliance® network, the world's largest airline alliance group. Air Canada operates an extended global network in conjunction with its international partners. Since its inception in 1997, the Star Alliance® network has grown to include, as of March 2009, the following 21 airlines: Air Canada, Air China, Air New Zealand, ANA, Asiana Airlines, Austrian, bmi, Egyptair, LOT Polish Airlines, Lufthansa, Scandinavian Airlines, Shanghai Airlines, Singapore Airlines, South African Airways, Spanair, SWISS, TAP Portugal, THAI, Turkish Airlines, United and US Airways. The Star Alliance® network also includes three regional members: Blue 1, Adria Airways and Croatia Airlines.

Others

Cars and Hotels. Many of the leading Canadian and internationally recognized car rental and hotel companies have joined the Aeroplan Program. Aeroplan's broad-reaching car rental and hotel partner network provides its members with the opportunity to accumulate Aeroplan Miles at a variety of partner locations and also the benefit of being recognized as an Aeroplan Program member when they travel domestically and internationally.

Consumer Products and Services. The consumer products and services sector is the newest sector to be added to the Aeroplan Program.

Aeroplan's top two partners in this sector based on Gross Billings are currently Imperial Oil (Esso) and Home Hardware. Pursuant to a Canada-wide, multi-year relationship entered into in October 2004, Aeroplan members can accumulate Aeroplan Miles on purchases of eligible products and services, including fuel and convenience items, at almost 2,000 Esso-branded service stations throughout Canada.

Aeroplan launched its multi-year relationship with Home Hardware, Canada's largest independent home renovation retailer, in February 2007. Aeroplan members can accumulate one Aeroplan Mile for every $2 spent at more than 1,000 Home Hardware, Home Building Centre, Home Hardware Building Centre or Home Furniture stores across Canada and on over 100,000 products.

Launched in mid-2008, Aeroplan eStore is an online shopping portal that allows members to earn Aeroplan Miles as they shop online from over 100 top-branded retailers in 12 different product categories. This greatly expands the Aeroplan Miles accumulation opportunities to members giving them the ability to earn one (1) Aeroplan Mile for every $1 they spend on top-brands such as Apple Store Canada, Dell Canada and chapters.indigo.ca.

In September 2008, Aeroplan launched its first grocery store relationship with Sobeys. As part of the new Club Sobeys rewards program, Aeroplan members can sign-up to automatically convert their Club Sobeys points into Aeroplan Miles, earning one Aeroplan Mile for every two points. To earn points, members simply swipe their Club Sobeys card every time they shop to earn one point for every dollar spent, with additional opportunities to earn bonus points through in-store promotions.

Other partners in this category include Groupe Dumoulin, Direct Energy, Pepsi QTG, Primus and Uniprix.

In February 2009, Aeroplan entered into a multi-year channel partnership agreement with Futura that will enable Futura to offer Aeroplan Miles to small and mid-size retailers and service providers across Canada. To date, Futura has contracted more than 40 businesses that will offer Aeroplan Miles to customers.

This partnership builds on Aeroplan's strategy to expand its roster of national partners with select businesses in local communities. The partnership with Futura will enable Aeroplan to broaden the reach of its program in local neighborhoods from coast to coast, offering members more options to earn Aeroplan Miles close to home with a number of new categories, such as home furnishings, health and fitness, landscaping, catering and business services. This also provides local merchants with a compelling opportunity during these challenging economic times to encourage new and existing customers to do business with them.

Working closely with Aeroplan, Futura will acquire and manage the new local business relationships. Futura will use its card "swipe" point-of-sale terminal solution or the new web-based Mile issuance solution jointly created with Aeroplan to execute these relationships.

Through the joint development of the web-based Aeroplan issuance solution with Futura, Aeroplan expands its suite of Aeronote Program solutions that companies can use to offer Aeroplan Miles to their customers. The Aeronote Program allows businesses to offer Aeroplan Miles for consumer incentive programs, B2B programs and general promotions in categories such as packaged goods, media and entertainment, telecommunications and automotive. In addition, Aeroplan offers businesses the opportunity to use Aeroplan Miles for manufacturer, distributor and employee incentive programs through its channel partnership with Pareto Corporation and the Elevate Incentives business.

Members

Membership

The Aeroplan Program currently has over four million active members, consisting of those members who have completed at least one transaction (either accumulating or redeeming an Aeroplan Mile) during the last twelve months.

Pursuant to the rules and conditions relating to mileage expiry under the Aeroplan Program (the "**Mileage Expiry Policy**"), (i) Aeroplan Miles that are unused after 7 years (84-months) in a member's account will expire, and will be deducted from the total balance in the member's account. All Aeroplan Miles issued prior to January 1, 2007 are considered as having been accumulated on December 31, 2006 for the purpose of the 7 year period, resulting in a potential expiry date of December 31, 2013 and, (ii) members must transact with the Aeroplan Program, through either one accumulation or one redemption, at least once in the prior consecutive 12-month period, failing which, accumulated Aeroplan Miles in the account will be expired.

Expired Aeroplan Miles may be reinstated for an administrative fee of $30 plus $0.01 per restored Aeroplan Mile.

Communications to Members

Regular communication with individual members is a cornerstone of the Aeroplan Program. Subsequent to the completion of a study in 2003 and 2004 on the effectiveness of its member communications, Aeroplan's portfolio of member communications and its list of strategic suppliers were revised in 2005 to offer members more choice in channels, more flexible tools and increased potential for highly targeted and relevant messages. The evolution of Aeroplan's member communication continued in 2006 with the implementation of automated marketing management tools which increased Aeroplan's capacity to accommodate the communication needs of its growing list of Commercial Partners. In addition, both on-line and off-line communication vehicles were re-designed in 2006 and deployed in 2007 in order to be better positioned to leverage Aeroplan's segmentation models and increased campaign management effectiveness.

Over 2.6 million members now receive newsletters and partner information from Aeroplan by electronic mail.

Protecting the Privacy of Aeroplan's Members

As set out in Aeroplan's privacy policy, Aeroplan is committed to protecting the personal information of its members and of foremost concern is its members' trust in Aeroplan's custodianship of their personal information. Aeroplan is committed to constant self-evaluation of its practices and procedures and to responding to members' comments in order to meet their expectations in this regard. Aeroplan collects, uses, and discloses member information to administer the Aeroplan Program and to offer its members rewards, benefits, products, goods and services under the Aeroplan Program. Aeroplan does not collect, use or disclose personal information about a member without consent except as may otherwise be permitted or required by law. Aeroplan's members may opt out of its marketing lists which are used to promote special offers from Aeroplan and its partners. Aeroplan uses contractual provisions to ensure that its Commercial Partners are bound to protect consumer privacy. Aeroplan's privacy policy is designed to meet or exceed the requirements of Canadian privacy law, including the Federal Privacy Act, and the principles set forth in the Canadian *National Standard for the Protection of Personal Information* (CAN/CSA- Q830-96). Groupe Aeroplan's Code of Ethics and Business Conduct reinforces its commitment to protecting privacy. Groupe Aeroplan's investment in this regard contributes to building corporate trust, its reputation, and brand.

Operations

Member Segmentation and Data Analysis

Aeroplan's member segmentation model leverages its members' purchasing behaviour data and insights obtained through its proprietary research panel, Aeroplan Advisors. The model identifies different segments of members based on key behavioural indicators including travel patterns, accumulation sources, tenure in the Aeroplan Program, as well as segments' needs and attitudes. Aeroplan's communications with its members have become more relevant and meaningful to members, and the information emerging from the segmentation models drives such communications whether in support of Accumulation Partners or the redemption side of the business.

Aeroplan's capacity to provide targeted communications presents a value-added marketing tool to its Commercial Partners at competitive rates to alternative mass media. The objectives of such targeted communication are: (i) to increase members' spending and accumulation of Aeroplan Miles with greater number of Accumulation Partners, (ii) to accelerate the activation of new members, and (iii) to maximize the engagement of members in the Aeroplan Program by encouraging their active participation in the Aeroplan Program through accumulation and redemption.

All Accumulation Partners are given communications access to targeted members through Aeroplan's member communications, including direct mail, email and new member fulfillment materials, and Aeroplan's Internet site www.aeroplan.com. Aeroplan has specialized marketing planning and analytics expertise for each of the major industry sectors in which it has significant Accumulation Partners. Aeroplan also offers dedicated and coalition marketing promotions for Accumulation Partners which often take the form of multi-channel national campaigns, including point-of-sale promotions, national advertising and direct marketing. Similarly, Aeroplan applies targeting algorithms to the redemption side of the business by making reward related communication as customized and relevant as possible to specific members.

Member Servicing and Distribution

Prior to 2002, Aeroplan rewards were exclusively distributed through contact centres. Since then, other channels have been developed and distribution is now handled through a combination of contact centres and

Aeroplan's Internet site www.aeroplan.com. In December 2005, Aeroplan began introducing an automated speech platform to improve self-service functionality which was progressively implemented throughout 2006 and was fully deployed in July 2007. These channels provide Aeroplan with an effective distribution strategy that offers its members a variety of options when redeeming rewards.

Contact Centre Operations. There are two Aeroplan contact centres, one located in Vancouver and the other in Montreal. The contact centres are staffed by a skilled workforce who receive extensive training upon joining Aeroplan and on an ongoing basis. The Vancouver and Montreal contact centres are staffed with 588 and 360 full-time equivalent agents, respectively. The centres are managed by a team of contact centre managers who are accountable for performance and continued productivity improvements.

The centres handle approximately 3.7 million calls per year, which are primarily for booking air reward redemptions. Agents' knowledge of the Aeroplan Program allows them to guide and advise members on how best to utilize the Aeroplan Program. In addition, the contact centres provide product support by answering member queries and provide administrative support for product fulfillment, including ticketing and account crediting.

Aeroplan's Website: aeroplan.com. Aeroplan's website, first introduced in 2002, now accounts for about 60% of all air travel rewards issued by Aeroplan. It also accounts for all non-air travel rewards issued. Over the last seven years, major investments in Aeroplan's Internet site have allowed Aeroplan to offer a self-service alternative to members, to optimize communications to members, and to lower overall costs. In 2006, Aeroplan implemented the next phase of development of its Internet site, introducing enhanced user experience, a state-of-the-art booking engine with shopping cart functionality and increased on-line booking functionality. Aeroplan has also designed and implemented direct connect car rentals and hotel reservations using state-of-the-art technology. This allows members to shop and book car or hotel rewards in one easy step, directly on www.aeroplan.com.

The number of visits to *aeroplan.com* was over 25 million in 2008.

Systems and Infrastructure

Aeroplan's technology organization consists of skilled individuals with strong business knowledge. While project management, systems analysis, strategy and architecture functions are performed internally, Aeroplan relies on external technology partners to perform systems operations and applications development. All systems and infrastructure are designed to safeguard and protect Aeroplan's members' data from unauthorized access, use or disclosure.

Direct Marketing (DM) System. Aeroplan's core system is where member profile information and transactional data is managed and stored. Data is exchanged electronically through a set of predefined solutions to suit Aeroplan's partners' requirements. Connectivity to DM can be batch or real-time allowing access to up-to-the minute information. The DM system was designed by Aeroplan, providing it with a competitive advantage. The system has the ability to host multiple loyalty programs.

Business Intelligence (BI) Infrastructure. Aeroplan's business intelligence system was implemented in 2004 and uses industry leading analytical tools. It features three components providing Aeroplan and its partners significant strategic benefits:

- highly sophisticated analytical software enabling predictive modeling and trend analysis;
- on-line campaign management; and
- enterprise and partner self-service reporting, including daily and monthly accumulation reporting for financial purposes and partner verification.

Telephony. The telephone system used by Aeroplan is a highly advanced and integrated system. Together with its call forecasting and workforce management system, it maximizes use of resources available at the Vancouver and Montreal contact centres.

<u>**Long-Term Strategic Relationship with Air Canada**</u>

Aeroplan has a long-term strategic relationship with Air Canada, Canada's largest domestic and international full-service airline.

Aeroplan's strategic relationship with Air Canada results in several competitive advantages to Aeroplan, including:

- an affiliation with the strong Air Canada brand;
- Aeroplan's role as Air Canada's exclusive loyalty marketing provider based in Canada;
- attractive rates for seat capacity on the Air Canada and Jazz networks based on Aeroplan's status as Air Canada's largest customer; and
- access to Air Canada's passengers for the purposes of acquiring new Aeroplan members.

Aeroplan is a party to the following principal agreements with Air Canada: (i) an Amended and Restated Commercial Participation and Services Agreement dated June 9, 2004, as amended (the "**CPSA**"); (ii) a Database Agreement dated May 13, 2005, effective January 1, 2002 (the "**Database Agreement**"); (iii) an Amended and Restated Master Services Agreement dated May 13, 2005, effective January 1, 2005 (the "**MSA**"); (iv) a General Services Agreement dated May 13, 2005, effective January 1, 2005 (the "**GSA**"); and (v) Trademark License Agreements dated May 13, 2005 and November 23, 2006 (the "**Trademark License Agreements**").

CPSA

Pursuant to the CPSA, Aeroplan offers its ClassicFlight™ Rewards through a fixed seat capacity allocation on AC Flights, consisting of a total of 8% of the seat capacity on flights operated by Air Canada and its affiliate, Jazz, and certain other air carriers under the "AC" code at a fixed rate per mile flown. Pursuant to a September 24, 2007 amendment to the CPSA, the rates charged for such seat capacity are fixed and increase modestly on a yearly basis through the end of 2010. Thereafter, any upwards or downwards adjustments to such rates are based on an identified set of parameters. As of October 16, 2006 Aeroplan gained access to unlimited seat capacity on AC Flights with the introduction of its ClassicPlus Flight™ Rewards product. Under these recent arrangements, no changes were made to the ClassicFlight™ Rewards terms, and Aeroplan continues to have access to 8% of the seat capacity on AC Flights at a fixed rate (subject to adjustments described above) and is able to purchase additional inventory based on published fares with a variable discount depending on fare type. Any future adjustments to this variable discount would be based on an identified set of parameters. The CPSA also provides that Aeroplan would be charged the most favourable rates charged to any other loyalty program, taking into account Aeroplan's status as the largest consumer of Air Canada's seat inventory. These new arrangements allowed Aeroplan to provide its members with significant improved access to air travel rewards.

Air Canada, including other Star Alliance® partners, is Aeroplan's largest Redemption Partner. Air Canada pays a fee to participate in the Aeroplan Program which is based on the Aeroplan Miles awarded to Air Canada customers who travel on AC Flights and is included under Gross Billings in the financial statements of Groupe Aeroplan.

Pursuant to the CPSA, Aeroplan is required to purchase annually a minimum number of reward travel seats on AC Flights, which number is based on a function of the number of seats utilized in the three preceding calendar years. Based on the three years ended December 31, 2008, Aeroplan is required to purchase reward travel seats with an exchange amount of approximately $391.9 million each year.

While Air Canada can change the number of Aeroplan Miles under the Aeroplan Program awarded to members per flight without Aeroplan's consent, Air Canada is required to purchase, on an annual basis, a pre-established number of Aeroplan Miles at a specified rate. The annual commitment is based on 85% of the average total Aeroplan Miles actually issued in respect of Air Canada flights or Air Canada airline affiliate products and services in the three preceding calendar years. The estimated minimum requirement for 2009 is $207.9 million.

The CPSA also provides that Aeroplan shall, in return for a service fee, manage Air Canada's frequent flyer tier membership program for Air Canada Super Elite™, Elite™ and Prestige™ customers, as well as perform certain marketing and promotion services for Air Canada, including contact centre services for the frequent flyer tier membership program.

The CPSA prevents any other transportation business that competes with Air Canada (other than Star Alliance® member airlines) from participating in the Aeroplan Program, provided that Groupe Aeroplan can have, as Commercial Partners, certain transportation companies such as car rental companies and cruise ship lines with Air Canada's prior approval (not to be unreasonably withheld). This exclusivity provision shall cease to apply if, in four consecutive quarters based on a quarterly, year-over-year comparison, a very significant decrease occurs in the total seat capacity of Air Canada and Jazz (the "**Air Canada Material Change**"). Alternatively, Aeroplan may terminate the CPSA upon the occurrence of an Air Canada Material Change.

Air Canada is not permitted during the term of the CPSA to create or participate in any other frequent flyer program or customer loyalty recognition program other than programs with certain alliance partners who have agreed to give Aeroplan reciprocal access and internal programs that are not denominated in a reward currency, as well as certain other programs operated by third parties if particular conditions are met. This exclusivity provision shall cease to apply if, in four consecutive quarters based on a quarterly, year-over-year comparison, a very significant decrease occurs in the total number of Aeroplan Miles accumulated in the Aeroplan Program, provided that such decrease is unrelated to material reductions in the seat capacity of Air Canada and Jazz (the "**Aeroplan Material Change**"). Alternatively, Air Canada may terminate the CPSA upon the occurrence of an Aeroplan Material Change.

Subject to the foregoing, the CPSA expires on June 29, 2020, subject to four automatic renewals of five years each, unless either party provides written notice to the other of its intention not to renew at least 12 months prior to the expiry of the initial term or the then current renewal term.

Amendment to the CPSA dated October 13, 2006

Under the CPSA, Air Canada retained responsibility for Aeroplan Miles to be redeemed from accumulations of Aeroplan Miles up to December 31, 2001. Aeroplan assumed responsibility for all Aeroplan Miles issued beginning January 1, 2002. Pursuant to the October 13, 2006 amendment to the CPSA, Aeroplan and Air Canada agreed to revise Air Canada's obligation for the cost of air rewards related to the redemption of Aeroplan Miles issued under the Aeroplan Program and earned by members prior to January 1, 2002 from 103.4 to 112.4 billion Aeroplan Miles.

Amendment to the CPSA dated September 24, 2007

Aeroplan and Air Canada entered into an amendment to the CPSA on September 24, 2007 relating to fixed capacity redemption rates to be paid by Aeroplan, in connection with airline seat redemptions, for the period beginning January 1, 2008 through to December 31, 2010. The rates for such seat capacity are fixed and increase modestly on a yearly basis through the end of 2010. The outcome falls within the pre-established contractual parameters and is in line with Aeroplan's business expectations.

Acceleration of Payment Terms Agreement dated November 27, 2008

On November 27, 2008, Aeroplan entered into an agreement with Air Canada to temporarily accelerate the contractual payment terms under the CPSA for air travel rewards purchased from Air Canada for the period from October 2008 to May 2009. Under this arrangement, at December 31, 2008, Aeroplan had paid Air Canada $63 million in advance of normal settlement terms. This impact will reverse in 2009 upon expiry of this agreement. The payments by Air Canada to Aeroplan for the purchase of Aeroplan Miles are based on the original terms of settlement. In consideration of the foregoing, Aeroplan and Air Canada agreed to certain commercial arrangements to their mutual benefit.

Database Agreement

Pursuant to the Database Agreement, Aeroplan manages Air Canada's passenger information database. The Database Agreement allows Aeroplan to access and use the Air Canada database information for statistical purposes, as well as for revenue generating and general marketing purposes by using such information to conduct market research for other Aeroplan partners who are not in direct competition with Air Canada. Moreover, Air Canada is entitled to access and use the Aeroplan database information for certain limited purposes, including pre-approved targeted marketing activities. The access and usage by each of Aeroplan and Air Canada is subject to adherence to any applicable confidentiality restrictions and pre-established fees based on information access or use, which fees are invoiced on a quarterly basis and are subject to revision annually. During 2008, no fees were billed or paid under the Database Agreement.

The Database Agreement expires on June 29, 2020. In addition, the Database Agreement automatically terminates in the event that the CPSA is terminated.

MSA

Pursuant to the MSA, Air Canada has agreed to provide certain services to Aeroplan in return for a fee based on Air Canada's fully allocated cost of providing such services to Aeroplan plus a mark-up to reflect overhead and administrative costs. For 2008, such fees were calculated based on Air Canada's fully allocated cost of providing the services, plus a pre-determined mark-up to reflect overhead and administrative costs. The services contemplated by the MSA provide Aeroplan with infrastructure support and are mostly administrative in nature, including information technology and human resources. The most significant services relate to information technology whereby Aeroplan benefits from agreements signed by Air Canada with various suppliers as well as Air Canada's internal information technology resources.

Aeroplan may elect to terminate any services under the MSA (without terminating the whole MSA) or the entire MSA, upon six months' prior written notice. Air Canada may elect to terminate any services under the MSA (without terminating the whole MSA) or the entire the MSA, upon 18 months' prior written notice. These termination rights do not exist with regard to the information technology services provided pursuant to the MSA as those services shall only be terminated contemporaneously with the termination of the agreements between Air Canada and each of IBM and Bell Canada.

In all events of termination, Aeroplan benefits from certain transition obligations to be provided by Air Canada.

Aeroplan is in the process of isolating its technology footprint from Air Canada's networks and systems. By the end of 2009, we expect that the majority of networks and systems will be contracted out directly by Aeroplan to technology suppliers.

GSA

The GSA provides Aeroplan with the services of a group of unionized contact centre employees of Air Canada. Aeroplan must reimburse Air Canada for all costs, including salary and benefits, related to the contact centre employees on a fully allocated basis. With regard to the shortfall in the pension plan maintained by Air Canada which covers, among other things, these contact centre employees, Aeroplan has agreed to pay an amount not to exceed $11.3 million for the period beginning on December 31, 2007 and ending on December 31, 2013, to compensate Air Canada for contact centre employees' share of the unfunded Air Canada pension liability. The GSA has an indefinite term but it can be terminated, subject to certain conditions, by either party upon six months' prior written notice.

The employees provided to Aeroplan by Air Canada are covered by a collective agreement between the National Automobile, Aerospace, Transportation and General Workers Union of Canada, Local 2002 ("**CAW**") and Air Canada until May 31, 2009. On November 14, 2008, Aeroplan announced that, as originally contemplated upon the spin-off of Aeroplan in 2000, and in accordance with the termination provisions of the GSA, it would notify Air Canada of its plans to terminate the GSA, effective June 1, 2009. On November 27, 2008, Aeroplan delivered to Air Canada its formal six-month notice of termination of the GSA and subsequently offered all agents continued employment as of June 1, 2009, in the same positions, unless, if eligible, they elect to return to Air Canada. On January 14, 2009, Aeroplan announced that it had come to a tentative three-year agreement with the CAW and Air Canada with respect to the transition of the contact centre employees from Air Canada to Aeroplan employment. The agreement included a detailed transition plan for affected employees in addition to a new labour contract. On January 28, 2009, Aeroplan announced that the tentative labour agreement had not been ratified and that all agents working in Aeroplan's contact centres in Vancouver and Montreal are being offered continued employment effective

June 1, 2009 as per the original offer. On March 4, 2009, the CAW filed an application before the Canada Industrial Relations Board in relation to the transition of contact centre agents from Air Canada to Aeroplan to clarify certain issues related to the transition. Please see the section "Employees".

Trademark License Agreement dated May 13, 2005

Air Canada granted Aeroplan a royalty-free, non-exclusive, non-sublicensable, non-assignable right to use certain trademarks registered by Air Canada around the world which incorporate the Air Canada name, and/or Air Canada's roundel design, solely in association with the Aeroplan Program. The Trademark License Agreement dated May 13, 2005 can be terminated in the event the CPSA is terminated.

Trademark License Agreement dated November 23, 2006

Aeroplan granted Air Canada a royalty-free, non-exclusive, non-sublicensable, non-assignable right to use certain trademarks registered by Aeroplan around the world which incorporate the Aeroplan name, and/or other trademarks, solely in association with the loyalty marketing program operated by Aeroplan, the management of Air Canada's tier program for frequent travelers and scheduled and charter air transportation services. The Trademark License Agreement dated November 23, 2006 can be terminated in the event the CPSA is terminated.

THE GROUPE AEROPLAN EUROPE BUSINESS

Business Overview

Groupe Aeroplan Europe is primarily engaged in the operation of multi-partner coalition loyalty programs and the provision of related analytical services to retailers and their suppliers. It currently operates in the following principal areas:

- Nectar;
- I&C; and
- Air Miles Middle East.

Groupe Aeroplan Europe also owns certain rights, trademarks and other intellectual property of the Air Miles brand and receives royalty income from these assets.

The Nectar Program is the United Kingdom's leading coalition loyalty program. It was launched in September 2002 and enables its over 10 million active members to earn Nectar Points for making everyday household purchases at leading retailers and service providers. Current Accumulation Partners include household names such as American Express, BP, EDF Energy, Expedia, Inc., Ford and Sainsbury's. Members can then redeem Nectar Points with Redemption Partners for rewards ranging from merchandise and shopping discounts to flights and admissions to leisure attractions. The Nectar Program enables Accumulation Partners to improve customer loyalty, influence customer buying behaviour, improve marketing effectiveness and obtain customer data and analytics. Redemption Partners are able to access a discrete distribution channel and a large pool of Nectar members.

The I&C business was established in 2007 to provide analytical and targeted communication services to retailers and their suppliers. The business combines customer data, usually, but not exclusively, generated through a loyalty card program, and electronic point of sale data generated when specific goods and services are purchased including their price, location and time of purchase. This data is then analysed and the insight generated used to enhance decision making in the pricing, ranging, assortment, supply and promotion of products for resale by large retail companies.

Air Miles Middle East manages loyalty programs under the Air Miles Shopping Rewards trademark. Air Miles Middle East operates in Middle Eastern markets, principally the United Arab Emirates, Bahrain and Qatar. The Air Miles Middle East business model is very similar to that of the Nectar Program. Commercial Partners in the program include domestic businesses such as Damas and the grocery retailer, Spinney's, as well as international companies such as HSBC, Bridgestone, Adidas and Hertz. On January 17, 2008, Groupe Aeroplan increased its interest in RMMEL, the company through which it holds its interest in Air Miles Middle East, from the 20% held as at December 31, 2007 to 60% for a consideration of AED 40.7 million ($11.4 million).

Nectar Program

History of the Nectar Program

The original loyalty program in the United Kingdom was Green Shield Stamps, which gained widespread popularity in the 1970's. The 1980's witnessed the rise of international airline frequent flyer programs, notably the introduction of the American Airlines Advantage and United Airlines Mileage Plus programs. Air Miles was founded in 1988 and launched as a paper based coalition program involving multiple retailers and service companies. In 1990, British Airways adopted Air Miles as its frequent flyer program.

Air Miles broadened the appeal of loyalty programs for frequent shoppers by offering consumers the opportunity to earn travel rewards from shopping at major retailers and/or using major service providers. Over time, the growing popularity of these programs led retailers to build their own proprietary loyalty offerings including Tesco Clubcard, Boots Advantage and Homebase Spend and Save.

Until the launch of the Nectar Program in September 2002, the United Kingdom consisted primarily of stand-alone consumer loyalty programs operated by individual retailers (other than the Air Miles Program). Many of these models required substantial infrastructure, marketing investments and costs to provide limited value to customers and therefore resulted in limited consumer behaviour change. In addition, many of the companies operating stand-alone loyalty programs did not maximise the potential of the customer data they collected. This was because they did not have the necessary database design or functionality, the expertise to effectively mine and analyse the data or the budget required to action the data collected. Consumers were required to join multiple programs in order to earn rewards across a wide selection of household spend resulting in a cumbersome and fragmented proposition which required carrying numerous cards in one's purse or wallet. Furthermore, any one in-house, stand-alone loyalty program only addresses a small fraction of total household expenditure and therefore limited the opportunities to collect and redeem points of meaningful value in any single program.

In September 2002, the Nectar Program was introduced to address this consumer and retailer need by creating a new coalition-based approach to customer loyalty in the United Kingdom. This model allows a consumer to collect and redeem Nectar Points across a wide network of Accumulation Partners which cover a significant proportion of household spending categories and offers a variety of reward opportunities. The Nectar Program launched with four Accumulation Partners, including Sainsbury's and BP. As part of the launch, the launch partners terminated their participation in their existing loyalty programs and encouraged members of their existing loyalty programs to register with Nectar and in the case of Sainsbury's, members of its existing loyalty program were able to convert their outstanding points in Sainsbury's existing program into Nectar Points. The Nectar Program has rapidly grown into the leading coalition loyalty program in the United Kingdom. This benefit enables Nectar to capture a large portion of total household expenditure, to facilitate greater attainability of rewards for consumers and to increase customer loyalty.

Overview

The Nectar Program enables its members to earn Nectar Points for making everyday household purchases at 13 market leading Accumulation Partners. Current Accumulation Partners include household names such as American Express, BP, EDF Energy, Expedia, Inc., Ford and Sainsbury's, many of whom have entered into long-term contracts with Nectar. Members earn Nectar Points based upon either their level of spend (typically two Nectar Points per £1 spent) or through activity (for example being a customer of an Accumulation Partner). Members can then redeem these Nectar Points with Redemption Partners for rewards ranging from merchandise and shopping discounts to flights and admissions to leisure attractions.

Nectar updates members regularly on their Nectar Points balance and also communicates tailored marketing offers through direct to home mailings and email.

Nectar enables participating Accumulation Partners to improve customer loyalty, influence customer buying behaviour, improve marketing effectiveness and obtain customer data and analytics at a lower cost than can be provided through an in-house single participant loyalty program. Redemption Partners are able to access a discrete distribution channel and a large pool of Nectar members.

Nectar earns the majority of its Gross Billings by receiving a marketing service fee from its Accumulation Partners for each Nectar Point issued to members. Accumulation Partners, generally have long-term contracts containing minimum commitments. When members redeem Nectar Points for rewards, Nectar pays Redemption Partners a redemption service fee for fulfilling the reward to the members.

Operating costs, not included in the cost of providing rewards, include the maintenance of the systems used to manage Nectar Points balances and securely hold customer data, marketing costs such as advertising and communications, employee costs and contact centre costs.

Nectar has rapidly emerged as the United Kingdom's leading coalition loyalty program with over 10 million active members. In order to drive member interest and engagement, Nectar focuses on five key program drivers:

- the number of members registering in Nectar;
- frequency of card usage (activation);
- the number of Accumulation Partners that a member visits in a given period;
- the number of Nectar Points a member earns; and
- redemption behaviour including the number of Nectar Points a member uses for specific rewards, the frequency of redemption and the level of members' understanding of the redemption process and portfolio.

These indicators provide management with important information on the spending behaviour of members and the health of Nectar more generally.

Nectar also operates the "Nectar business", a business-to-business loyalty program which enables small and medium sized businesses to collect Nectar Points. These Nectar Points can be earned across a range of consumer and dedicated business-to-business Accumulation Partners and redeemed for rewards in a similar manner using Nectar Redemption Partners.

An internet shopping portal, Nectar e-Stores, was launched in October 2005. This portal offers members the opportunity to earn Nectar Points on purchases from over two hundred online businesses, including Amazon, Argos, eBay, Dell, Apple and United Kingdom domestic retailers covering an extensive range of consumer spending. The number of visits on average to nectar.com each month in the last quarter of 2008 was over one million and over 480,000 members have purchased through Nectar e-Stores.

In July 2008, Nectar announced the execution of a multi-year Accumulation Partner agreement with Expedia, Inc., the leading online travel company. With over 450 airlines available, over 80,000 properties to choose from and the facilities for members to build their own trip, Expedia, Inc. has a wide range of products and services on which members can earn points.

In addition, in August 2008, Nectar launched the Nectar Music Store enabling members to redeem their Nectar Points online instantly for digital music. Nectar partnered with Hip Digital Media to bring this source to members. Hip Digital Media is also the agency behind the Aeroplan Music Store which launched in Canada in 2007.

During 2008, Nectar has further invested in its digital capabilities to enhance the member experience and reduce costs. As a result, Nectar now has the capability to issue Nectar Point statements electronically and members have the ability to sign-up to receive offers via the Nectar website as well as through the traditional printed media.

Furthermore, in March 2009, Nectar and Homebase, the UK's second largest home improvement retailer, announced that, starting during the summer of 2009, Homebase will become Nectar's do-it-yourself partner, and customers at Homebase's more than 300 stores will be able to earn Nectar Points. Homebase will be the first and only major do-it-yourself chain to be featured in Nectar's loyalty program and Nectar members will also be able to redeem their Nectar Points at Homebase.

Accumulation Partners

The contracts which form the basis of each Accumulation Partner's participation in the Nectar Program generally contain the following characteristics:

- Long-term in nature (i.e., generally at least two years in length);
- Annual minimum financial commitments; and
- Annual, RPI linked program support fees.

These contract terms result in predictable and recurring cash flows. In general, contracts prevent an Accumulation Partner from participating in competitive programs and provide the Accumulation Partner with the exclusive right to issue Nectar Points within its category, use the Nectar brand in its marketing activities and identify other Nectar members who are currently not its own customers via Nectar's marketing initiatives. The Nectar database, together with other intellectual property used to operate Nectar, is owned exclusively by Nectar.

Nectar continues to seek opportunities to secure new long-term Accumulation Partner commitments while seeking to renew existing agreements. To the extent possible, the contract term of Accumulation Partner agreements are staggered in order to minimise concurrent contract renewal negotiations.

Redemption Partners

Members have the opportunity to redeem rewards across a wide spectrum of goods and services. Nectar contracts with a wide network of Redemption Partners who can broadly be divided into three categories:

In Store Discounts: Members can redeem Nectar Points to receive immediate discounts upon making a purchase at various retail locations. Significant retail suppliers include Sainsbury's and Argos.

Entertainment and Gifts: Members can redeem Nectar Points for discounts and gifts from various entertainment and lifestyle-oriented suppliers such as theme parks, concerts, video rental and cinema tickets. Significant suppliers of entertainment and gifts include Blockbuster and Vue Cinemas.

Travel and Leisure: Members can redeem Nectar Points for more traditional rewards such as flights and hotel reservations. eBookers, the online travel company provides a comprehensive fulfilment system to Nectar allowing members to search for flights and hotels online and complete transactions using Nectar Points or part Nectar Points and cash in real-time.

Operations

Systems and Database Management: Management of Nectar has utilised its past experience in building loyalty programs to design and build a modern, proprietary, loyalty database system which is robust, reliable and scalable. Nectar continually invests in its technology platform for the benefit of its Commercial Partners and members. Nectar's technology infrastructure is also portable and can be used to launch programs in new geographic markets and to provide outsourced services to customers interested in launching or managing their own loyalty programs.

Nectar has contracted with Infosys Technologies to develop Nectar's comprehensive dedicated technology platform. The system was delivered prior to the launch of Nectar in September 2002, and continues to be maintained by internal IT specialists as well as on-going support from Infosys Technologies. The system is hosted by SAVVIS, a leading provider of data hosting services and is supported by back-up and recovery systems. There is ongoing investment in the platform, which is regularly upgraded and enabled with new analytical tools. As a result, management believes its platform is among the most sophisticated in the industry.

Print and Production: Since 2004, Nectar has worked with a variety of suppliers across Europe including some market leaders (*e.g.* Mohn). This has enabled it to develop a range of innovative, personalized, alternative formats for communicating with members. Data processing is achieved through an in-house and outsource approach, which capitalizes on the data knowledge and quality initiatives led by Nectar and the processing software and know-how of mailing houses. By directly managing these aspects of the business, Nectar maintains full control over the process and consistently achieves cost reduction in the average cost of each communication.

Registration and Fulfilment: In addition to the Points Update Mailing, the print and production function is responsible for sourcing all materials and production of registration kits. Registration and fulfilment consist primarily of registration of new collectors and replacement of lost, stolen or damaged cards. A key tag product was launched in 2006 and this has been issued to high worth members showing the best demographic fit to this product.

Contact Centres: Nectar's telephone, email, webchat and mail interactions with members are handled though outsourced contact centres operated by Sitel. The call centre handles all member service inquiries and certain redemption reward bookings. Calls handled at the offshore site in Mumbai, India, are predominantly administrative in nature. Calls handled in the United Kingdom at the Sitel site in Newcastle are predominantly more complex complaints, redemption calls plus email, web chat and mail responses.

I&C

I&C was established in 2007 to provide analytical and targeted communication services to retailers and their suppliers enabling them to gain a competitive advantage by making more effective decisions based on in-depth understanding of their customers' shopping behaviour. The business combines customer data, usually, but not exclusively, generated through a loyalty card program, and electronic point of sale data generated when specific goods and services are purchased including their price, location and time of purchase at retailers till points. This data is then analysed and the insight generated used to enhance decision making in the pricing, ranging, assortment, supply and promotion of products for resale by large retail companies and to offer highly targeted, relevant and timely communications to customer.

Over the last two years, I&C has developed a world class analytics tool – "Self Serve" – to help retailers get faster access to insight and to commercialize the customer data to the shared benefit of the retailer and supplier. Both of these parties can analyze the shopping behaviour of consumers to provide accurate and detailed category management capabilities and targeted marketing communications; all of which are designed to improve retail sales performance. Through the mutual transfer of skills, expertise and best practices, it is expected that Aeroplan will also have a unique opportunity to leverage this data analytics expertise in Canada as part of its expansion initiative to drive future growth.

I&C also provides analytical services to retail suppliers to help them better understand the performance of their products compared to competing consumer brands and assist them further in new product development, product supplies and marketing communications.

Air Miles Middle East

On January 17, 2008, Groupe Aeroplan increased its interest in RMMEL, the company through which it holds its interest in Air Miles Middle East, from the 20% held at December 31, 2007 to 60% for a consideration of AED 40.7 million ($11.4 million).

Air Miles Middle East was established in 2001 in the United Arab Emirates and operates a loyalty program under the Air Miles Shopping Reward trademark. Air Miles Middle East is the Middle East's leading multi-participant loyalty program with more than 1.4 million members enrolled from over 700,000 households in the United Arab Emirates, Qatar and Bahrain. The business model is very similar to that of Nectar. Members earn points when they spend money on household purchases, general consumer goods and services and also when they pay for these goods and services using HSBC credit cards. The program has more than 130 Accumulation Partners, including domestic businesses such as Damas, Rotana Hotels, Lamcy Plaza Mall, Gulf Greetings, Sun & Sand Sports and the grocery retailer, Spinney's, as well as international companies such as HSBC, Bridgestone, Adidas and Hertz.

Air Miles Middle East has expanded since its launch across the Middle East region and now operates an Air Miles Shopping Reward branded loyalty program in Bahrain and Qatar as well as continuing to operate in the United Arab Emirates. During 2007 Air Miles Middle East commenced the provision of additional services to HSBC through the "My Rewards" points' program to their credit card customers in Egypt, Lebanon, Oman and Jordan.

Air Miles Middle East also operates the business performance recognition program Air Miles Incentives, which gives companies the opportunity to capitalize on a wealth of rewards for employees, sales teams, operators, trade partners and corporate customers.

LOGOS AND TRADEMARKS

Management believes that its trademarks are important to its competitive position. Groupe Aeroplan owns many registered trademarks, including, without limitation, registrations for the following trademarks in Canada: Aeroplan, Aéroplan, AeroCorporate, AéroEntreprise, Aeroplan Plus, Aéroplan Plus, Aerogold, Aéro Or and Aeromove. Air Canada has granted Aeroplan a license to use the Air Canada trade name and the Air Canada trademarks, including Air Canada® and Air Canada Roundel®, solely in connection with Air Canada's participation in the Aeroplan Program. Please see the section "The Business — The Aeroplan Canada Business — Long-Term Strategic Relationship with Air Canada".

Groupe Aeroplan Europe is the registered owner of the following trademarks in the United Kingdom and/or the European Community: the word mark "Nectar", in addition to the Nectar logo and Nectar card. The Nectar word, logo and card are also registered in Japan, USA and Australia. The Nectar card is registered as an EU Registered Community Design. In addition Groupe Aeroplan Europe is the registered owner of the Air Miles, Air Miles Travel the World and Air Miles Shopping Rewards word marks and logos in various countries and has granted licences to use such marks in the United Kingdom, Canada, Holland, Spain and the Middle East.

Groupe Aeroplan's intangible assets are an important part of its business. It benefits from the goodwill established for its brand names and protects its proprietary information, including its trademarks and database, through trademark laws, contractual provisions and confidentiality procedures. Employees, service providers and Commercial Partners are contractually bound to protect the Groupe Aeroplan's proprietary information in order to control access to and the distribution of any such information.

COMPETITION

Groupe Aeroplan generally competes with other forms of marketing services, including advertising, promotions and other loyalty incentives, both traditional and on-line, for a portion of a client's total marketing budget.

Aeroplan competes against proprietary loyalty programs developed by Aeroplan's existing and potential Commercial Partners. Aeroplan's principal competitors in Canada include the Air Miles™ program, frequent flyer programs operated by airlines, and loyalty programs operated by consumer products and services retailers, credit and charge card institutions including RBC Avion™, and gasoline retailers.

Similarly, Nectar generally competes with other forms of marketing services, including advertising, promotions and other loyalty incentives, both traditional and on-line, for a portion of a client's total marketing budget. With over 10 million active members, Nectar is the leading coalition loyalty program in the United Kingdom. The rest of the market is largely fragmented as the vast majority of loyalty programs in the United Kingdom represent single retailer in-house programs (the main one being Boots' Advantage card). Nectar's principal competitors which operate loyalty programs are Tesco, Clubcard and the Air Miles™ program.

For each of Aeroplan's and Nectar's marketing services, it is expected that competition will remain intense in the respective markets. In addition, competitors of the Aeroplan and Nectar Programs may target their Accumulation Partners and members as well as draw rewards from Redemption Partners. The ability to generate Gross Billings from Accumulation Partners will depend on their ability to differentiate themselves through the products and services offered and the attractiveness of the programs to members. The continued attractiveness of the programs will depend in large part on the ability to remain affiliated with Commercial Partners that are valuable to members and to offer rewards that are both attainable and attractive to members. For database marketing services, the ability to continue to capture detailed transaction data on members is critical to providing effective customer relationship management strategies for Accumulation Partners.

REGULATORY

Privacy

A number of privacy laws have been enacted in Canada. Aeroplan has a privacy policy which is designed to meet or exceed the requirements of Canada's federal private sector privacy legislation, *The Personal Information Protection and Electronic Documents Act* (Canada) (the "**Federal Privacy Act**"). The Federal Privacy Act governs the collection, use and disclosure of personal information in the course of commercial activities. Pursuant to the Federal Privacy Act, organizations may collect, use or disclose personal information only for purposes that a reasonable person would consider appropriate in the circumstances. Furthermore, the knowledge and consent of the individual are required for the collection, use or disclosure of his or her personal information except in certain circumstances as set out in the Federal Privacy Act. Québec, Alberta and British Columbia also have private sector privacy legislation and that legislation has been declared substantially similar to the Federal Privacy Act. The Canadian Radio-television and Telecommunications Commission governs rules for telemarketing and the National Do Not Call List. Management believes that its privacy policy and practices comply with applicable law. Please see the section "The Business — The Aeroplan Canada Business — Members — Protecting the Privacy of Aeroplan's Members".

The Data Protection Act and various statutory instruments give effect in United Kingdom law to the EC Directive 94/46/EC. The Data Protection Act requires Nectar, as a business which handles personal information, to comply with data protection principles which make sure that personal information is: fairly and lawfully processed, processed for limited purposes, adequate, relevant and not excessive, accurate and up to date, not kept for longer than is necessary, processed in line with the individual's rights, secure and not transferred to countries outside the European Union without adequate protection. The Data Protection Act also provides individuals with important rights, including the right to find out what personal information is held on computer and most paper records. The Information Commissioner's Office is the independent public body set up in the United Kingdom to protect personal information and has legal powers (including the power to issue information and enforcement notices, conduct audits and prosecute offenders) to ensure that organisations comply with the requirements of the Data Protection Act. Nectar has registered with the Information Commissioner's Office in the United Kingdom as required by the Data Protection Act. Management believes that Nectar's Policy on Privacy and Data Protection, cookie policy and practices comply with the applicable law.

EMPLOYEES

Aeroplan Canada has offices in Montreal, Vancouver and Toronto, with 948 full-time equivalent contact centre agents and 325 management employees.

The Montreal offices serve as Groupe Aeroplan's headquarters and house one of Aeroplan's contact centres, with 360 full-time equivalent contact centre agents. Aeroplan's Vancouver offices house Aeroplan's second contact centre with 588 full-time equivalent contact centre agents. The Toronto office serves as Aeroplan's base for commercial development of the Aeroplan Program.

The contact centre agents are currently employees of Air Canada. Access to such employees is provided to Aeroplan pursuant to the GSA. While the contact centre agents are covered by the terms and conditions of a collective agreement between Air Canada and the CAW effective August 7, 2003 and expiring on May 31, 2009, Aeroplan supervises this sub-set of the larger bargaining unit. On November 14, 2008, Aeroplan announced that, as originally contemplated upon the spin-off of Aeroplan in 2000, and in accordance with the termination provisions of the GSA, it would notify Air Canada of its plans to terminate the GSA, effective June 1, 2009. On November 27, 2008, Aeroplan delivered to Air Canada its formal six-month notice of termination of the GSA and subsequently offered all agents continued employment as of June 1, 2009, in the same positions, unless, if eligible, they elect to return to Air Canada. On January 14, 2009, Aeroplan announced that it had come to a tentative three-year agreement with the CAW and Air Canada with respect to the transition of the contact centre employees from Air Canada to Aeroplan employment. The agreement included a detailed transition plan for affected employees in addition to a new labour contract. On January 28, 2009, Aeroplan announced that the tentative labour agreement had not been ratified and that all agents working in Aeroplan's contact centres in Vancouver and Montreal are being offered continued employment effective June 1, 2009 as per the original offer. On March 4, 2009, the CAW filed an application before the Canada Industrial Relations Board in relation to the transition of contact centre agents from Air Canada to Aeroplan to clarify certain issues related to the transition. Please see the section "The Business — The Aeroplan Canada Business — Long-Term Strategic Relationship with Air Canada".

Groupe Aeroplan Europe has offices in London, Amsterdam and in the Middle East. The London office serves as its head office. Nectar has no contact centre employees, as these services are provided by a third party outsource provider.

As at December 31, 2008, Groupe Aeroplan Europe employed a total of 249 employees in its London office, with 91 employees working for Nectar, 52 employees working for I&C, 68 in operations and 38 providing support functions across the Groupe Aeroplan Europe business.

Air Miles Middle East has offices in the United Arab Emirates, Qatar and Bahrain, as well as a small presence in each of Jordan, Oman and Egypt. Air Miles Middle East employs a total of 73 employees, the majority of which are based in Dubai in the United Arab Emirates, where the regional head office and call centre are located.

DEBT FINANCING

On June 25, 2008, Groupe Aeroplan entered into an amended and restated credit agreement, which agreement amends and restates the credit agreement dated June 29, 2005 (executed concurrently with the closing of the Initial Public Offering) and amended by an amendment No. 1 to credit agreement dated as of December 23, 2005, an amendment No. 2 to credit agreement dated as of August 28, 2006 and an amendment No. 3 to credit agreement dated as of December 19, 2007 (the "**Existing Credit Facilities**" and, together with the Redemption Reserve Term Loan, collectively the "**Credit Facilities**"), comprising a $300 million (or the U.S. dollar equivalent thereof) term credit facility (the "**Term Facility**"), a $100 million (or the US dollar equivalent thereof) acquisition facility (the "**Acquisition Facility**") and a $150 million (or the U.S. dollar equivalent thereof) revolving credit facility (the "**Revolving Facility**").

The Existing Credit Facilities are provided by a syndicate of lenders (the "**Existing Lenders**") with the Royal Bank of Canada acting as the administrative agent. Each of the facilities under the Existing Credit Facilities will mature on December 19, 2010.

The Term Facility was available in one drawdown on the closing of the Initial Public Offering to fund a portion of the Aeroplan Canada Miles Redemption Reserve and certain capital expenditures in the aggregate amount of $7 million, with the remainder available to repay the Acquisition Promissory Note. The Acquisition Facility is available for multiple drawings to fund permitted acquisitions. Under the Revolving Facility, up to $25 million was available on the closing of the Initial Public Offering for general corporate and working capital purposes with the balance fully available thereafter. A swingline facility of up to $5 million is also available as a sub-component of the Revolving Facility for cash management and working capital purposes.

As at December 31, 2008, $300 million are drawn under the Term Facility and $100 million are drawn under the Acquisition Facility.

The redemption reserve term loan (the "**Redemption Reserve Term Loan**") provides for a $300 million senior secured bridge credit facility (the "**Bridge Facility**") under an amended and restated senior secured bridge credit agreement entered into by Groupe Aeroplan on June 25, 2008, which agreement amends and restates the senior secured bridge credit agreement dated as of December 19, 2007.

The Redemption Reserve Term Loan is provided by a syndicate of lenders (the "**Bridge Lenders**") with the Royal Bank of Canada acting as the administrative agent. Unless prepaid in advance in accordance with the terms of the Redemption Reserve Term Loan, the Bridge Facility matures on June 19, 2009 and the total amount borrowed under this facility may, under certain conditions, be extended to December 19, 2009, and an amount of $100 million may be further extended to June 19, 2010.

The Bridge Facility was made available for the sole purpose of financing the Aeroplan Canada Miles Redemption Reserve to an amount equal to $400 million (when combined with borrowings of $100 million under the Existing Credit Facilities) and was fully drawn on December 19, 2007.

The outstanding Credit Facilities are secured by substantially all the present and future assets of Groupe Aeroplan.

The Credit Facilities are subject to Groupe Aeroplan's ability to maintain financial covenants related to leverage and debt service ratios of ≤ 3.0 and interest coverage of ≥ 3.0, as well as other affirmative and negative covenants.

Each Credit Facility contains customary representations and warranties and is subject to customary terms and conditions (including, positive, negative and financial covenants and a regime of events of default) for facilities of this nature and size, including limitations on the payment of dividends (see below) and the incurrence of debt.

Each Credit Facility includes certain covenants limiting the aggregate amount of dividends declared by Groupe Aeroplan to its Shareholders exceeding 50% of Adjusted Consolidated Free Cash Flow (as defined in the Credit Facilities) of Groupe Aeroplan and its restricted Subsidiaries during the applicable period. Payment of dividends by Groupe Aeroplan and certain of its Subsidiaries are also prohibited upon the occurrence and continuance of an event of default under the Credit Facilities.

AEROPLAN CANADA MILES REDEMPTION RESERVE

At the closing of the Initial Public Offering, the Fund, the predecessor entity to Groupe Aeroplan, established a reserve (the "**Aeroplan Canada Miles Redemption Reserve**") to fund a portion of Management's estimate of the Future Redemption Costs in respect of unredeemed Aeroplan Miles outstanding at the closing of the Initial Public Offering in respect of the Aeroplan Program. The Aeroplan Canada Miles Redemption Reserve is available to be used to supplement cash flow generated from operations in order to pay for rewards in the event of unusually high redemption activity.

The Aeroplan Canada Miles Redemption Reserve was initially based on a portion of the estimated Future Redemption Costs of Aeroplan Miles outstanding at the closing of the Initial Public Offering. At the closing of the Initial Public Offering, $400 million was deposited in the Aeroplan Canada Miles Redemption Reserve account, funded from the net proceeds of the Initial Public Offering and from a drawdown on the Term Facility. As at December 31, 2008, the Aeroplan Canada Miles Redemption Reserve amounted to $400 million. Management is of the opinion that the Aeroplan Canada Miles Redemption Reserve is sufficient to cover redemption costs, including redemption costs incurred in periods of unusually high redemption activity, as they come due, in the normal course of business. Management reviews the adequacy of the Aeroplan Canada Miles Redemption Reserve periodically and may adjust the level of the Aeroplan Canada Miles Redemption Reserve depending upon the outcome of this review. To date, Groupe Aeroplan has not had to use the funds held in the Aeroplan Canada Miles Redemption Reserve.

In accordance with its investment policy, Aeroplan invests the Aeroplan Canada Miles Redemption Reserve and excess cash, included in short-term investments and cash and cash equivalents in commercial paper or corporate bonds with a minimum rating of R-1 (high) or AA(low) and term deposits, subject to certain thresholds to reduce undue exposure to any one issuer.

Interest or other income earned in connection with the investment of amounts held in the Aeroplan Canada Miles Redemption Reserve account, accrues to the benefit of Groupe Aeroplan and does not increase the total amount held in the Aeroplan Canada Miles Redemption Reserve account.

In connection with the operation of the Aeroplan Canada Miles Redemption Reserve, Management may seek such advice and retain such experts as Management may deem prudent or as otherwise may be required by applicable securities laws.

At December 31, 2008, the Aeroplan Canada Miles Redemption Reserve as well as other assets held to comply with a contractual covenant with a major Accumulation Partner represented 45% of the consolidated Future Redemption Cost liability.

FACILITIES

Aeroplan rents from Air Canada 42,195 square feet of office space and contact centre space located at the Vancouver International Airport at 6001 Grant McConachie, Richmond, British Columbia. Aeroplan rents

107,461 square feet of office space and contact centre space at 5100 de Maisonneuve Boulevard West, Montreal, Québec, 11,522 square feet of office space at 50 Bay Street, Toronto, Ontario and subleases 6,156 square feet at 740 Notre-Dame Street West, Montreal, Québec.

The lease for the Montreal premises is at market rates for a five-year term commencing on January 1, 2004, with certain renewal and expansion rights. In October 2008, Aeroplan extended the lease for an additional three-year term beyond the lease expiry date of December 31, 2008, and exercised its option to expand its leased premises by a further 9,911 square feet in 2009 and 13,788 square feet in 2010 once Air Canada's lease expires.

The lease for the Vancouver premises is at market rates for a five-year term commencing on January 1, 2004, with certain expansion rights. The lease was extended for an additional five-year term to December 31, 2013.

The lease for the Toronto premises was entered into at market rates as of January 1, 2004 for a five-year term, with certain renewal and expansion rights. In November 2008, Aeroplan extended the lease for an additional four-year term beyond the lease expiry date of December 31, 2008, and exercised its option to expand its leased premises by a further 5,036 square feet beginning in July 2009, until the end of the lease. Aeroplan has entered into a sublease with Air Canada to lease 4,354 square feet until March 29, 2009; this space forms part of the expanded premises beginning July 2009.

Groupe Aeroplan Europe leases 23,767 square feet of office space located at 3rd Floor, 80 Strand, London, WC2. The lease expires on February 25, 2016, subject to a termination option, enabling it to terminate the lease on July 21, 2013, provided it gives the landlord 12 months notice. The lease is at market rates. In addition, it leases 60 square meters of office space located at Papelaan 85-W, 2252 EG Voorschoten, Netherlands. The lease commenced on January 1, 2005, and continues for successive one-year periods unless terminated on six months notice.

Air Miles Middle East leases three offices. The main office in located on the 2nd floor, Building 15, Dubai Internet City, Dubai, United Arab Emirates and is 5,845 square feet. It houses the main back office support team, including the call centre for the region. The lease is renewed annually in January and is linked to the issuance of the business' trade licence in the United Arab Emirates. The office in Qatar is 1,230 square feet located at Office 316B, Royal Plaza, Doha Qatar and is currently on an annual lease, due to expire in March 2010. The landlord has recently expressed a desire to move to a longer term lease going forward. In Bahrain the office is 1,326 square feet located at Office 13, 1st Floor, Building 2415, Road 2831, Al Seef District, Manama, Bahrain and is on a 3 years lease, due to expire 31st August 2009. All the above leases are at market rates.

ENVIRONMENTAL

Groupe Aeroplan has not identified any existing or potential environmental hazards at any of its leased facilities, nor has it received any inquiry or notice that has resulted, or may reasonably be expected to result in, actual or potential proceedings, claims, lawsuits or losses related to environmental liabilities.

RISKS AND UNCERTAINTIES AFFECTING THE BUSINESS

The results of operations and financial condition of Groupe Aeroplan are subject to a number of risks and uncertainties, and are affected by a number of factors outside of the control of Management. The following section summarizes certain of the major risks and uncertainties that could materially affect future business results going forward. The risks described below may not be the only risks faced by Groupe Aeroplan. Other risks which currently do not exist or which are deemed immaterial may surface and have a material adverse impact on Groupe Aeroplan's results of operations and financial condition.

RISKS RELATED TO THE BUSINESS AND THE INDUSTRY

Dependency on Top Accumulation Partners

Groupe Aeroplan's top four Accumulation Partners were responsible for 82% of Gross Billings for the year ended December 31, 2008. A decrease in sales of Aeroplan Miles to any significant partner, for any reason, including a decrease in pricing or activity, or a decision to either utilize another service provider or to no longer outsource some or all of the services provided, could have a material adverse effect on Gross Billings. Subject to the minimum number of Aeroplan Miles to be purchased by Air Canada under the CPSA, Air Canada can change the number of Aeroplan Miles awarded per flight without Aeroplan's consent, which could result in a significant reduction in Gross Billings. There is no assurance that Aeroplan and Nectar will be able to renew their contracts with their principal Accumulation Partners on similar terms, or at all when they expire.

Air Canada or Travel Industry Disruptions

Aeroplan's members' strong demand for air travel creates a significant dependency on Air Canada in particular and the airline industry in general. Any disruptions or other material adverse changes in the airline industry, whether domestic or international, affecting Air Canada or a Star Alliance® member airline, could have a material adverse impact on the business. This could manifest itself in Aeroplan's inability to fulfill member's flight redemption requests or to provide sufficient accumulation opportunities. As a result of airline or travel services industry disruption, such as those which resulted from the terrorist attacks on September 11, 2001, or as might result from political instability, other terrorist acts or war, or from increasingly restrictive security measures, such as the current restrictions on the content of carry-on baggage, too much uncertainty could result in the minds of the traveling public and have a material adverse effect on passenger demand for air travel. Consequently, members might forego redeeming miles for air travel and therefore might not participate in the Aeroplan Program to the extent they previously did which could adversely affect revenue from the Aeroplan Program. A reduction in member use of the Aeroplan Program could impact Aeroplan's ability to retain its current partners and members and to attract new Commercial Partners and members.

Air Canada Liquidity Issues

In the past, Air Canada has sustained significant operating losses and may sustain significant losses in the future. In its most recent public filings Air Canada has indicated that it is currently faced with several risks that may have a material impact on future operating results and liquidity. Such risks include slowing passenger and cargo revenues resulting from weakening demand for air travel as a result of the current economic environment, volatile fuel prices, pension funding deficits, labour conflicts or disruptions and the ability to secure additional financial arrangements to manage liquidity. While Air Canada management believes it has developed action plans to mitigate such risks, there can be no assurance that Air Canada will be successful in executing on its strategy and that it will conclude arrangements providing sufficient liquidity to meet its financial liabilities and other contractual obligations.

The bankruptcy or insolvency of Air Canada could lead to a termination or renegotiation of the CPSA. Upon such a renegotiation Aeroplan may be required to pay more for seat capacity from Air Canada than the currently negotiated rates under the CPSA. If the CPSA is terminated, Aeroplan would have to purchase seat capacity from other airlines. Seat capacity from other airlines could be more expensive than comparable seat capacity under the CPSA, and the routes offered by the other airlines may be inconvenient or undesirable to the redeeming members. As a result, Aeroplan would experience higher air travel redemption costs, while at the same time member satisfaction with the Aeroplan Program may be adversely affected by requiring travel on other carriers.

Airline Industry Changes and Increased Airline Costs

Air travel rewards remain the most desirable reward for consumers under the Aeroplan Program. An increase in low cost carriers and the airline industry trend which has major airlines offering low cost fares may negatively impact the incentive for consumers of air travel services to book flights with Air Canada or participate in the Aeroplan Program. Similarly, any change which would see the benefits of Star Alliance® reduced either through Air Canada's, or, less importantly, another airline's withdrawal from Star Alliance® or its dissolution could also have a negative impact since Aeroplan's members would lose access to the existing portfolio of international reward travel. In addition, the growth or emergence of other airline alliance groups could have a negative impact on Aeroplan by reducing traffic on Air Canada and Star Alliance® member airlines.

The airline industry has been subject to a number of increasing costs over the last several years, including increases in the cost of fuel and insurance, and increased airport user fees and air navigation fees. These increased costs may be passed on to consumers, increasing the cost of redeeming Aeroplan Miles for air travel rewards. This may negatively impact consumer incentive to participate in the Aeroplan Program.

Reduction in Activity, Usage and Accumulation of Aeroplan Miles

A decrease in Gross Billings from any Accumulation Partner, for any reason, including a decrease in pricing or activity, or a decision to either utilize another service provider or to no longer outsource some or all of the services provided, or a decrease in the accumulation of Aeroplan Miles by members could have a material adverse effect on Gross Billings and revenue.

Retail Market/Economic Downturn

The markets for the services that Aeroplan and Nectar offer may fail to expand or may contract and this could negatively impact growth and profitability. Loyalty and database marketing strategies are relatively new to retailers, and there can be no guarantee that merchants will continue to use these types of marketing strategies. In addition, Gross Billings are dependent on levels of consumer spend with Accumulation Partners, and any slowdown or reduction in consumer activity may have an impact on Aeroplan Miles issuance.

Greater Than Expected Redemptions for Rewards

A significant portion of profitability is based on estimates of the number of Aeroplan Miles that will never be redeemed by the member base. The percentage of Aeroplan Miles that are not expected to be redeemed is known as "Breakage" in the loyalty industry. Breakage is estimated by Management based on the terms and conditions of membership and historical accumulation and redemption patterns, as adjusted for changes to any terms and conditions that may affect members' redemption practices. During 2008, Management assisted by an independent expert developed an econometric model that takes into account historical activity, and expected member behaviour, projected on a going-concern basis. This tool will be used by Groupe Aeroplan to estimate and monitor the appropriate Breakage estimates of the different programs it operates on a continuous basis. Groupe Aeroplan will no longer be relying on two independent expert studies to confirm the Breakage rate every two years. However, it will continue to use an independent expert every two years to validate the robustness of the newly implemented Breakage tool. Based on the results of the application of the model, incorporating the adjustments to the Breakage rates applicable to the respective programs operated by each of the Subsidiary entities, the consolidated weighted average estimated Breakage factor is 17% (2007: 16%). Breakage is recognized rateably over the estimated average life of a mile or point issued being 30 and 15 months for the Aeroplan and Nectar Programs, respectively, which has been determined in a rational and systematic manner. Breakage for the Aeroplan and Nectar Programs may decrease as such programs grow and a greater diversity of rewards become available. If actual redemptions are greater than current estimates, profitability could be adversely affected due to the cost of the excess redemptions. Furthermore, the actual mix of redemptions between air and non-air rewards could adversely affect profitability. Total Broken Miles amounted to 125.0 billion miles as at December 31, 2008 and include 112.4 billion Aeroplan Miles. The responsibility to provide rewards for these 125.0 billion total Broken Miles, if ever redeemed, rests with Aeroplan and Nectar. While Management believes that a material portion of the estimated 112.4 billion Aeroplan Miles will not be redeemed, there can be no such assurances.

Industry Competition

Competition in the loyalty marketing industry is intense. New and existing competitors may target Accumulation Partners and members, as well as draw rewards from Redemption Partners. The continued attractiveness of the Aeroplan and Nectar Programs will depend in large part on their ability to remain affiliated with existing Commercial Partners or add new partners, that are desirable to consumers and to offer rewards that are both attainable and attractive to consumers. With respect to database marketing services, the ability to continue collecting detailed transaction data on consumers is critical in providing effective marketing strategies for Accumulation Partners. Many of Aeroplan and Nectar's current competitors may have greater financial, technical, marketing and other resources. Aeroplan and Nectar cannot ensure that they will be able to compete successfully against current and potential competitors, including in connection with technological advancements by such competitors.

Supply and Capacity Costs

Costs may increase as a result of supply arrangements with Air Canada and other suppliers. Aeroplan may not be able to satisfy its members if the seating capacity made available to Aeroplan by Air Canada, Jazz and Star Alliance® member airlines or other non-air rewards from other suppliers are inadequate to meet their redemption demands at specific prices.

If, upon the renegotiation of the rates charged to Aeroplan under the CPSA which takes place every three years based on agreed-to metrics (with the next rate renegotiation scheduled for 2010) or upon the expiry of the CPSA, Aeroplan is unable to negotiate new rates or a replacement agreement with Air Canada on similarly favourable terms or if Air Canada sharply reduces its seat capacity, Aeroplan may be required to pay more for seat capacity from Air Canada than the currently negotiated rates under the CPSA or to purchase seat capacity from other airlines. Seat capacity from other airlines could be more expensive than comparable seat capacity under the CPSA, and the routes offered by the other airlines may be inconvenient or undesirable to the redeeming members. As a result, Aeroplan would experience higher air travel redemption costs, while at the same time member satisfaction with the Aeroplan Program may be adversely affected by requiring travel on other carriers on certain routes.

Unfunded Future Redemption Costs

Most Gross Billings are derived from the sale of Aeroplan Miles to Accumulation Partners. The earnings process is not complete at the time an Aeroplan Mile is sold as most of the costs are incurred on the redemption of the Aeroplan Mile. Based on historical data, the estimated period between the issuance of an Aeroplan Mile and its redemption is currently 30 months for the Aeroplan Program and 15 months for the Nectar Program; however, Aeroplan and Nectar have no control over the timing of the redemption of Aeroplan Miles or the number of Aeroplan Miles redeemed. Aeroplan and Nectar currently use proceeds from Gross Billings (which are deferred for accounting purposes) in the fiscal year from the issuance of Aeroplan Miles to pay for the redemption costs incurred in the year. As a result, if Aeroplan or Nectar were to cease to carry on business, or if redemption costs incurred in a given year were in excess of the revenues received in the year from the issuance of Aeroplan Miles, they would face unfunded Future Redemption Costs, which could increase the need for working capital and, consequently, affect the payment of dividends to Shareholders.

Failure to Safeguard Databases and Consumer Privacy

As part of the Aeroplan and Nectar Programs and in connection with the I&C business' activities, member databases are maintained which contain member information including account transactions. Although Aeroplan and Nectar have security procedures, the databases may be vulnerable to potential unauthorized access to, or use or disclosure of member data. If Aeroplan or Nectar were to experience a security breach, their reputation may be negatively affected and an increased number of members may opt out from receiving marketing materials. The use of marketing services by partners could decline in the event of any publicized compromise of security. Any public perception that Aeroplan or Nectar released consumer information without authorization could subject Aeroplan or Nectar to complaints and investigation by the applicable privacy regulatory bodies and adversely affect relationships with members and partners. In addition, any unauthorized release of member information, or any public perception that member information was released without authorization, could lead to legal claims from consumers or regulatory enforcement actions.

Consumer Privacy Legislation

The enactment of new, or amendments to existing, legislation or industry regulations relating to consumer privacy issues and/or marketing, including telemarketing, could have a material adverse impact on marketing services. Any such legislation or industry regulations could place restrictions upon the collection and use of information and could adversely affect Aeroplan and Nectar's ability to deliver marketing services.

Changes to the Aeroplan and Nectar Programs

From time to time Aeroplan and Nectar may make changes to the Aeroplan and Nectar Programs that may not be well received by certain segments of the membership and may affect their level of engagement. In addition, these members may choose to seek such legal and other recourses as available to them, which if successful, could have a negative impact on results of operations and /or reputation.

Seasonal Nature of the Business, Other Factors and Prior Performance

Aeroplan has historically experienced lower Gross Billings from the sale of Aeroplan Miles in the first and second quarters of the calendar year and higher Gross Billings from the sale of Aeroplan Miles in the third and fourth quarters of the calendar year. In addition, Aeroplan has historically experienced greater redemptions and therefore costs for rewards, in the first and second quarters of the calendar year and lower redemptions and related costs for rewards in the third and fourth quarters of the calendar year. This pattern results in significantly higher operating cash flow and margins in the third and fourth quarters for each calendar year compared to the first and second quarters. This pattern may however vary in future years as the degree of seasonality evolves over time.

Nectar's Gross Billings from the Nectar Program are seasonal with fourth quarter gross billings typically higher than the preceding quarters, as a result of the impact of Christmas shopping. Gross Billings for the other quarters are broadly similar. Redemption activity in the Nectar Program is more seasonal than Gross Billings. More than 40% of all redemptions for the Nectar Program take place during the fourth quarter, as a result of members redeeming for gifts and other rewards prior to Christmas. Consequently, operating results for any one quarter may not be necessarily indicative of operating results for an entire year.

Demand for travel rewards is also affected by factors such as economic conditions, war or the threat of war, fare levels and weather conditions. Due to these and other factors, operating results for an interim period are not necessarily indicative of operating results for an entire year, and operating results for a historical period are not necessarily indicative of operating results for a future period.

Regulatory Matters

Groupe Aeroplan's businesses are subject to several types of regulation, including legislation relating to privacy, telemarketing, consumer protection, competition, advertising and sales, and lotteries, gaming and publicity contests. As well, an increasing number of laws and regulations pertain to the Internet.

These laws and regulations relate to liability for information retrieved from or transmitted over the Internet, online content regulation, user privacy, taxation and the quality of products and services. Moreover, the applicability to the Internet of existing laws governing intellectual property ownership and infringement, copyright, trademark, trade secret, obscenity, libel, employment, personal privacy and other issues is uncertain and developing. In addition, Air Canada, one of Aeroplan's leading Commercial Partners, and several other Aeroplan Commercial Partners operate in the highly regulated airline industry. Changes in regulations affecting Aeroplan, Nectar, Air Canada, the airline industry in general, or the implementation of additional limitations or adverse regulatory decisions affecting such entities, may have a material adverse effect on Groupe Aeroplan's businesses, results from operations and financial condition.

During the month of March 2009, the Canadian Senate Standing Committee on Banking Trade and Commerce and the House of Commons Standing Committee on Industry, Science and Technology announced that they would study the credit card systems and their relative rates and fees including, among other things, credit cards' interchange rates. While the ultimate outcome and recommendations of such study are not determinable, a downward change in the credit cards' interchange rates could lead to a decrease in revenue for credit card companies and, as a result, could require Aeroplan to renegotiate certain agreements with certain of its credit and charge cards' partners.

VAT Appeal

Nectar has been in litigation with HMRC since 2003 relating to the VAT treatment of the Nectar Program as it applies to the deductibility of input tax credits in the remittance of VAT owed, and has paid an assessed amount of £13.8 million.

Nectar appealed to the VAT and Duties Tribunal and won. HMRC then appealed to the High Court which found in favour of HMRC. Nectar, in turn, appealed to the Court of Appeal, who issued a judgement in favour of Nectar on October 5, 2007 requiring the refund of the assessed amount and confirming Nectar's eligibility to deduct input tax credits in the future. As a result of this event, an amount receivable of £13.8 million (approximately $27.1 million) was recorded in the accounts at December 31, 2007, and subsequently collected in January 2008.

HMRC appealed the Court of Appeal's decision to the House of Lords which granted leave to appeal in order to facilitate a reference to the European Court of Justice on April 3, 2008. The case will be heard at a future date to be set. Until the outcome is known, it is unclear whether Nectar will have to repay amounts awarded under the October 5, 2007 judgment, as well as any VAT recovered as a deduction in calculating input tax credits until such time as a decision is rendered, together with interest thereon. At December 31, 2008, Nectar had recorded in its accounts the benefit of VAT input tax credits in the aggregate amount of £27.8 million ($49.8 million).

At this time, the outcome of this contingency is not determinable and no provision for a liability has been included in the financial statements. An unfavourable judgment would impact Nectar's profitability and accordingly the value of the Nectar business.

Reliance on Key Personnel

Groupe Aeroplan's success depends on the abilities, experience, industry knowledge and personal efforts of senior Management and other key employees, including the ability to retain and attract skilled employees for Aeroplan and Nectar. The loss of the services of such key personnel could have a material adverse effect on the business, financial condition or future prospects of Groupe Aeroplan. Groupe Aeroplan's growth plans may also put additional strain and demand on senior Management and key employees and produce risks in both productivity and retention levels. In addition, Groupe Aeroplan may not be able to attract and retain additional qualified Management as needed in the future.

Labour Relations and Pension Liability

Aeroplan contact centre agents are currently employees provided by Air Canada pursuant to the GSA. The employees are covered by a collective agreement between the CAW and Air Canada until May 31, 2009. On November 14, 2008, Aeroplan announced that, as originally contemplated upon the spin-off of Aeroplan in 2000, and in accordance with the termination provisions of the GSA, it would notify Air Canada of its plans to terminate the GSA, effective June 1, 2009. On November 27, 2008, Aeroplan delivered to Air Canada its formal six-month notice of termination of the GSA and subsequently offered all agents continued employment as of June 1, 2009, in the same positions, unless, if eligible, they elect to return to Air Canada. On January 14, 2009, Aeroplan announced that it had come to a tentative three-year agreement with the CAW and Air Canada with respect to the transition of the contact centre employees from Air Canada to Aeroplan employment. The agreement included a detailed transition plan for affected employees in addition to a new labour contract. On January 28, 2009, Aeroplan announced that the tentative labour agreement had not been ratified and that all agents working in Aeroplan's contact centres in Vancouver and Montreal are being offered continued employment effective June 1, 2009 as per the original offer. On March 4, 2009, the CAW filed an application before the Canada Industrial Relations Board in relation to the transition of contact centre agents from Air Canada to Aeroplan to clarify certain issues related to the transition. Aeroplan is hopeful that the June 1, 2009 transition of contact centre agents from Air Canada employment to Aeroplan employment will be seamless, however, challenges by any affected party of Aeroplan's actions to implement the transition and/ or if the relevant parties are unable to renegotiate the collective agreement, it could result in work stoppages and other labour disturbances which could have a material adverse effect on Aeroplan's business.

Upon transition of the contact centre agents from Air Canada to Aeroplan employment on June 1, 2009, Aeroplan will face increased costs relating to a large unionized workforce, including costs necessary to implement payroll systems and associated matters. Given that the outcome of any future negotiations with the CAW and/or Air Canada related to the collective agreement and the potential transfer of the pension liability, respectively, is unclear at this time, it is difficult to determine, with any degree of certainty, the amount of the pension funding obligations Aeroplan may have to assume, if any, and the impact of their result on operating results.

Technological Disruptions and Inability to use Third-Party Software

Aeroplan and Nectar's ability to protect their data and contact centres against damage from fire, power loss, telecommunications failure and other disasters is critical. In order to provide many of their services, they must be able to store, retrieve, process and manage large databases and periodically expand and upgrade their capabilities. While Aeroplan and Nectar have in place, and continue to invest in, technology security initiatives and disaster recovery plans, these measures may not be adequate or implemented properly. Any damage to data and contact centres, any failure of telecommunication links that interrupts operations or any impairment of the ability to use licensed software could adversely affect the ability to meet Commercial Partners' and members' needs and their confidence in utilizing Aeroplan or Nectar in the future.

In addition, proper implementation and operation of technology initiatives is fundamental to the ability to operate a profitable business. Aeroplan and Nectar continuously invest in new technology initiatives to remain competitive, and their continued ability to invest sufficient amounts to enhance technology will affect their ability to operate successfully.

<u>Failure to Protect Intellectual Property Rights</u>

Third parties may infringe or misappropriate Aeroplan or Nectar's trademarks or other intellectual property rights or may challenge the validity of trademarks or other intellectual property rights, which could have a material adverse effect on Aeroplan or Nectar's business, financial condition or operating results. The actions that are taken to protect trademarks and other proprietary rights may not be adequate. Litigation may be necessary to enforce or protect intellectual property rights, trade secrets or determine the validity and scope of the proprietary rights of others. Aeroplan and Nectar cannot ensure that they will be able to prevent infringement of intellectual property rights or misappropriation of proprietary information. Any infringement or misappropriation could harm any competitive advantage Aeroplan and Nectar currently derive or may derive from proprietary rights. Third parties may assert infringement claims against Aeroplan and Nectar. Any such claims and any resulting litigation could result in significant liability for damages. An adverse determination in any litigation of this type could require Aeroplan or Nectar to design around a third party's patent or to license alternative technology from another party. In addition, litigation may be time-consuming and expensive to defend and could result in the diversion of time and resources. Any claims from third parties may also result in limitations on the ability to use the intellectual property subject to these claims.

<u>Currency Fluctuations</u>

Aeroplan is affected by fluctuations in the Canada/U.S. dollar exchange rate. Aeroplan incurs expenses in U.S. dollars for such items as air, car rental and hotel rewards issued to redeeming Aeroplan members, while a substantial portion of its revenues are generated in Canadian dollars. A significant deterioration of the Canadian dollar relative to the U.S. dollar would increase the costs of Aeroplan.

RISKS RELATED TO GROUPE AEROPLAN

<u>Interest Rate and Currency Fluctuations</u>

Groupe Aeroplan may be exposed to fluctuations in interest rates under its borrowings. Increases in interest rates may have an adverse effect on the earnings. In addition, financial results are sensitive to the changing value of the Canadian dollar and foreign operations are sensitive to the fluctuations of the British pound and the United Arab Emirates dirham. Groupe Aeroplan may be unable to appropriately hedge the risks associated with fluctuations in exchange rates.

<u>Leverage and Restrictive Covenants in Current and Future Indebtedness</u>

The ability of Groupe Aeroplan to pay dividends, make distributions or make other payments or advances is subject to applicable laws and contractual restrictions contained in the instruments governing any indebtedness (including the Credit Facilities). The degree to which Groupe Aeroplan is leveraged has important consequences to Shareholders, including: (i) that Groupe Aeroplan's ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited; (ii) that a significant portion of cash flow from operations may be dedicated to the payment of the principal of and interest on its indebtedness, thereby reducing funds available for future operations; (iii) that certain borrowings will be at variable rates of interest, which exposes Groupe Aeroplan to the risk of increased interest rates; and (iv) that Groupe Aeroplan may be more vulnerable to economic downturns and be limited in its ability to withstand competitive pressures.

In addition, the Credit Facilities contain a number of financial and other restrictive covenants that require Groupe Aeroplan to meet certain financial ratios and financial condition tests and limit the ability to enter into certain transactions. A failure to comply with the obligations in the Credit Facilities could result in a default which, if not cured or waived, could permit acceleration of the relevant indebtedness. If the indebtedness under the Credit Facilities, including any possible hedge contracts with the lenders, were to be accelerated, there can be no assurance that the assets of Groupe Aeroplan would be sufficient to repay in full that indebtedness.

Groupe Aeroplan may need to refinance its available Credit Facilities or other debt and there can be no assurance that it will be able to do so or be able to do so on terms as favourable as those presently in place. If Groupe Aeroplan is unable to refinance these Credit Facilities or other debt, or is only able to refinance these Credit Facilities or other debt on less favourable and/or more restrictive terms, this may have a material adverse effect on Groupe Aeroplan's financial position, which may result in a reduction or suspension of payments of dividends to

Shareholders. In addition, the terms of any new credit facility or debt may be less favourable or more restrictive than the terms of the existing Credit Facilities or other debt, which may indirectly limit or negatively impact the ability of Groupe Aeroplan to pay dividends.

Dilution of Shareholders

Groupe Aeroplan is authorized to issue an unlimited number of Shares and an unlimited number of Preferred Shares issuable in series for that consideration and on those terms and conditions as shall be established by the Board of Directors. The Shareholders have no pre-emptive rights in connection with such further issues. Groupe Aeroplan may make future acquisitions or enter into financings or other transactions involving the issuance of securities of Groupe Aeroplan which may be dilutive.

Uncertainty of Dividend Payments

Payment of dividends are dependent upon operating cash flows generated by Subsidiaries of Groupe Aeroplan, financial requirements of Groupe Aeroplan and the satisfaction of solvency tests on the payment of dividends pursuant to the CBCA.

Level of Indebtedness – Refinancing Risk

The level of Groupe Aeroplan's indebtedness from time to time could impair Groupe Aeroplan's ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise.

Managing Growth

The inability of Groupe Aeroplan to manage growth effectively could have a material adverse impact on its business, operations and prospects.

DESCRIPTION OF CAPITAL STRUCTURE

The authorized capital of Groupe Aeroplan consists of an unlimited number of Shares and an unlimited number of Preferred Shares issuable in series. The summary below of the rights, privileges, restrictions and conditions attaching to the shares of Groupe Aeroplan is subject to, and qualified by reference to, Groupe Aeroplan's articles and by-laws.

COMMON SHARES

Each Share shall entitle the holder thereof to one (1) vote at all meetings of Shareholders (except meetings at which only holders of another specified class of shares are entitled to vote, pursuant to the provisions of the CBCA).

The holders of Shares shall be entitled to receive, as and when declared by the Directors, subject to the rights, privileges, restrictions and conditions attaching to the Preferred Shares and to any other class of shares ranking senior to the Shares, dividends which may be paid in money, property or by the issue of fully paid shares in the capital of Groupe Aeroplan.

In the event of the liquidation, dissolution or winding-up of Groupe Aeroplan, whether voluntary or involuntary, or other distribution of assets of Groupe Aeroplan among Shareholders for the purpose of winding up its affairs, subject to the rights, privileges, restrictions and conditions attaching to the Preferred Shares and to any other class of shares ranking senior to the Shares, the holders of Shares shall be entitled to receive the remaining property of Groupe Aeroplan. In the event of an insufficiency of property and assets to pay in full the amounts which the holders of Shares are entitled to receive upon such liquidation, dissolution or winding-up, the holders of Shares shall participate rateably among themselves in accordance with the amounts to which they are respectively entitled upon such liquidation, dissolution or winding-up.

PREFERRED SHARES

The Directors of Groupe Aeroplan may, at any time and from time to time, issue the Preferred Shares in one (1) or more series, each series to consist of such number of shares as may, before issuance thereof, be determined by the Directors. The Directors may from time to time fix, before issuance, the designation, rights, privileges, preferences, restrictions, conditions and limitations attaching to the Preferred Shares of each series, the whole subject to the issuance of a certificate of amendment in respect of articles of amendment in the prescribed form to designate a series of shares.

The holders of the Preferred Shares shall not be entitled (except as required pursuant to the provisions of the CBCA) to receive notice of, nor to attend or vote at meetings of the shareholders of Groupe Aeroplan.

The holders of the Preferred Shares shall be entitled to receive, as and when declared by the Directors, in preference and priority to any dividends on the Shares of Groupe Aeroplan and any other shares of Groupe Aeroplan ranking junior to the Preferred Shares, dividends which may be paid in money, property or by the issue of fully paid shares in the capital of Groupe Aeroplan.

In the event of the liquidation, dissolution or winding-up of Groupe Aeroplan or other distribution of assets of Groupe Aeroplan among shareholders for the purpose of winding-up its affairs, the holders of the Preferred Shares shall, before any amount shall be paid to or any property or assets of Groupe Aeroplan distributed among the holders of the Shares or any other shares of Groupe Aeroplan ranking junior to the Preferred Shares, be entitled to receive an amount equal to the consideration received by Groupe Aeroplan upon the issuance of such shares together with, in the case of cumulative Preferred Shares, all unpaid cumulative dividends (which, for such purpose, shall be calculated as if such cumulative dividends were accruing from day to day for the period from the expiration of the last period for which cumulative dividends have been paid, up to and including the date of distribution) and, in the case of non-cumulative Preferred Shares, all declared and unpaid non-cumulative dividends, but shall not be entitled to share any further in the distribution of the property or assets of Groupe Aeroplan.

RATINGS

Groupe Aeroplan has been assigned issuer credit ratings of BBB with a stable trend by DBRS Limited ("**DBRS**") and BBB− with a stable outlook by Standard & Poor's Ratings Services ("**S&P**"). Issuer credit ratings are intended to convey the opinion of a rating agency in respect of an obligor's overall financial capacity to pay its financial obligations.

Both DBRS and S&P rate issuers, with ratings ranging from "AAA", the highest issuer credit rating, to "D", for issuers that are in payment default. According to the DBRS rating system, long-term debt rated BBB is of adequate credit quality. Protection of interest and principal is considered acceptable but the entity is fairly susceptible to adverse changes in financial and economic conditions, or that there may be other adverse conditions present which reduce the strength of the entity and its related securities. A DBRS rating may be modified by the addition of "(high)" or "(low)" to indicate the relative standing of a credit within a particular rating category. According to the S&P rating system, an obligor that is rated in the BBB category is considered by S&P to have an adequate capacity to meet its financial commitments. However, S&P considers that adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the issuer to meet its financial commitments. An S&P rating may be modified by the addition of a plus "(+)" or minus "(–)" to show relative standing within the particular major rating category.

Ratings are intended to provide investors with an independent assessment of the credit quality of an issue or issuer of securities and do not speak to the suitability of particular securities for any particular investor. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating organization. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be withdrawn or revised entirely by a rating agency at any time if in its judgment circumstances so warrant.

DIVIDENDS AND DISTRIBUTIONS

DIVIDEND POLICY

Groupe Aeroplan's current policy is to declare dividends of $0.125 per Share per quarter. On October 21, 2008, Groupe Aeroplan declared its first dividend, in the amount of $0.125 per Share, payable in respect of the quarter ended September 30, 2008. On February 26, 2009, Groupe Aeroplan further declared a quarterly dividend of $0.125 per Share payable in respect of the quarter ended December 31, 2008. Dividends payable by Groupe Aeroplan to its Shareholders are recorded when declared.

The declaration of dividends is subject to the discretion of the Board of Directors and may vary depending on, among other things, Groupe Aeroplan's earnings, financial requirements, debt covenants, the satisfaction of solvency tests imposed by the CBCA for the declaration of dividends and other conditions existing at such future time.

CASH DISTRIBUTIONS

As the Fund, the predecessor entity to Groupe Aeroplan, was an income trust, it did not pay dividends. The initial distribution for the period from the closing of the Initial Public Offering on June 29, 2005 to July 31, 2005 was made on August 15, 2005 in an amount of $0.0622 per Unit, representing a monthly distribution per Unit of $0.0583. Subsequent monthly cash distributions of: (i) $0.0583 per Unit were made from August 2005 to June 2006; (ii) $0.0625 per Unit from July to November 2006; (iiii) $0.0700 per Unit from December 2006 to June 2008.

MARKET FOR SECURITIES

The Shares are listed for trading on the TSX under the symbol "AER". The Units were traded on the TSX under the symbol "AER.UN" until completion of the Arrangement.

TRADING PRICE AND VOLUME

The following table shows the monthly range of high and low closing prices per Unit, the total monthly volumes, and the average daily volumes of Units traded on the TSX (and other alternative platforms) for the period from January 1, 2008 until June 26, 2008, as quoted on Bloomberg.

2008 Month	Price per Unit ($) Monthly High	Price per Unit ($) Monthly Low	Units Total Monthly Volume	Units Average Daily Volume
January	24.40	18.85	21,993,973	999,726
February	21.07	18.97	8,742,258	437,113
March	19.85	14.84	28,067,305	1,403,365
April	18.00	15.06	35,043,620	1,592,892
May	17.60	15.37	47,045,877	2,240,280
June 2 – June 26[1]	17.74	15.98	29,113,287	1,532,278

1. The Units of the Fund were delisted from the TSX on June 27, 2008.

The following table shows the monthly range of high and low closing prices per Share, the total monthly volumes, and the average daily volumes of Shares traded on the TSX (and other alternative platforms, including Alpha Trading Systems) for the period from June 27, 2008 until December 31, 2008, as quoted on Bloomberg.

2008 Month	Price per Share ($) Monthly High	Price per Share ($) Monthly Low	Shares Total Monthly Volume	Shares Average Daily Volume
June 27 – July 31[1]	17.35	13.37	22,562,038	940,085
August	16.60	13.20	23,944,162	1,197,208
September	16.73	13.19	27,303,268	1,300,156
October	12.92	8.67	27,901,308	1,268,241
November	11.11	6.40	24,991,770	1,249,589
December	8.68	6.95	20,516,192	976,962

1. The Shares commenced trading on the TSX on June 27, 2008.

DIRECTORS AND OFFICERS

DIRECTORS

The articles of Groupe Aeroplan provide for the Board of Directors to consist of a minimum of three (3) and a maximum of twelve (12) Directors, a minimum of twenty-five (25) percent of whom must be residents of Canada. The Board of Directors is comprised, as at March 27, 2009, of nine (9) members as set out in the following table.

Name, Municipality and Province of Residence	Position with Groupe Aeroplan	Principal Occupation	Director Since
Robert E. Brown Montreal, Québec, Canada	Chairman of the Board	President and Chief Executive Officer, CAE Inc.	June 21, 2005
Roman Doroniuk(1) Toronto, Ontario, Canada	Director	Consultant	June 21, 2005
Rupert Duchesne Toronto, Ontario, Canada	Director	President and Chief Executive Officer, Groupe Aeroplan	June 21, 2005
Joanne Ferstman(1)(3) Toronto, Ontario, Canada	Director	Vice Chair, Chief Financial Officer and Head of Capital Markets, DundeeWealth Inc. and Executive Vice President and Chief Financial Officer, Dundee Corporation	June 21, 2005
Michael M. Fortier(2) Town of Mount-Royal, Québec, Canada	Director	Partner, Ogilvy Renault LLP	January 19, 2009
John M. Forzani(2)(3) Calgary, Alberta, Canada	Director	Non-Executive Chairman, The Forzani Group Ltd.	July 17, 2007
David H. Laidley(1) Westmount, Québec, Canada	Director	Chairman Emeritus, Deloitte & Touche LLP (Canada)	January 19, 2009
Douglas D. Port(2)(3) Oakville, Ontario, Canada	Director	Consultant	July 17, 2007
Alan P. Rossy(2) Town of Mount-Royal Québec, Canada	Director	President and Chief Executive Officer, Copley Investments Inc.	July 17, 2007

(1) Member of the Audit Committee.
(2) Member of the Governance and Nominating Committee.
(3) Member of the Human Resources and Compensation Committee.

OFFICERS

The following table sets out, as at March 27, 2009, for each of the current executive officers, the person's name, municipality of residence, position, principal occupation and date of start of office.

Name, Municipality and Province of Residence	Position and Principal Occupation	Executive Officer Since
David L. Adams Beaconsfield, Québec, Canada	Executive Vice President and Chief Financial Officer of Groupe Aeroplan	July 16, 2007
Tony Buffin Darley Abbey, Derby, England	Executive Vice President and Managing Director – Groupe Aeroplan Europe	October 22, 2008
Rupert Duchesne Toronto, Ontario, Canada	President and Chief Executive Officer of Groupe Aeroplan	August 1, 2000
Liz Graham Pointe-Claire, Québec, Canada	Executive Vice President and Chief Operating Officer of Groupe Aeroplan	November 1, 2000
Mark Hounsell, Montreal, Québec, Canada	Senior Vice President, General Counsel and Corporate Secretary of Groupe Aeroplan	October 2, 2006
Melissa Sonberg Montreal, Québec, Canada	Senior Vice President, Corporate Services of Groupe Aeroplan	June 25, 2001
Vincent R. Timpano Toronto, Ontario, Canada	President of Aeroplan Canada and Executive Vice President of Groupe Aeroplan	November 3, 2008

As at March 27, 2009, the Directors and Officers of Groupe Aeroplan as a group owned, directly or indirectly, or had control or direction over 139,878 Shares representing approximately 0.07% of the issued and outstanding Shares.

BIOGRAPHIES

The following are biographies of the Directors of Groupe Aeroplan, and the current executive officers of Groupe Aeroplan.

David L. Adams was previously appointed Executive Vice President, Finance and Chief Financial Officer of Aeroplan in July 2007. Upon completion of the reorganization of the Fund into Groupe Aeroplan on June 25, 2008, he was appointed Executive Vice President and Chief Financial Officer of Groupe Aeroplan. Mr. Adams has executive responsibility for the overall financial strategic direction, control, reporting and financial monitoring of Groupe Aeroplan's operations. He also oversees the organization's access to and engagement with global capital markets. Before joining Aeroplan, he was Senior Vice President and Chief Financial Officer at Photowatt Technologies Inc. Prior to Photowatt, he acted as Senior Vice President Finance and Chief Financial Officer of SR Telecom Inc. Mr. Adams previously held a variety of executive finance positions at CAE Inc., a global market leader in the production of flight simulators and control systems. Prior to these roles, he held a number of progressively senior roles with the Bank of Nova Scotia and Clarkson Gordon (Ernst &Young). Mr. Adams is a CA and holds a Bachelor of Commerce and Finance Degree from the University of Toronto and has completed the Stanford Executive Program.

Robert E. Brown is President and Chief Executive Officer of CAE Inc., a provider of simulation and modeling technologies as well as integrated training services for both civil aviation and defence customers. Mr. Brown is a director of CAE Inc. and ACE Aviation. He was Chairman of Air Canada from 2003 to 2004. Mr. Brown joined Bombardier Inc. in 1987 and was responsible for the Bombardier Aerospace sector from 1990 to 1999. He was President and Chief Executive Officer of Bombardier Inc. (aerospace, transportation and recreational products) from 1999 to 2002. Mr. Brown also held various senior positions in federal ministries with economic vocations, including the position of Associate Deputy Minister in the Department of Regional Industrial Expansion.

Tony Buffin previously held the position of Chief Financial Officer for LMG, which was acquired by the Fund in December 2007. Upon completion of the reorganization of the Fund into Groupe Aeroplan on June 25, 2008, he was appointed Senior Vice President, Corporate Development for the Groupe Aeroplan. As a result of further reorganization, he is now responsible for leading all business units under Groupe Aeroplan Europe, including Nectar, I&C and Air Miles Middle East. Mr. Buffin joined LMG as Chief Financial Officer in September 2006. He was a member of the LMG Board and Executive Committee and was responsible for financial matters relating to the Group. He also took Board responsibility for legal and human resource matters. Prior to joining LMG, he was Group Financial Controller of the Boots Group, a $10 bn market cap UK based retailer. He held various positions within the Boots Group since joining the company in 1999, including Head of Strategy for Boots Healthcare International and Finance Director of Boots Healthcare Germany. He started his career as an accountant at Ernst & Young in 1994. Mr. Buffin was born in the UK, holds a first class undergraduate degree from Downing College, Cambridge and is a member of the Institute of Chartered Accountants in England & Wales.

Roman Doroniuk is a consultant providing financial and strategic advisory services to a variety of companies in the healthcare, industrial manufacturing and media industries. He also serves on the board of directors of The Forzani Group Ltd. Mr. Doroniuk was Executive Vice President of Magna International Inc. and Chief Operating Officer of Magna Entertainment Corp. from January 2003 to October 2003, President of Lions Gate Entertainment from October 1998 to April 2000, and Chief Financial Officer of Alliance Communications Corporation from October 1995 to September 1998. Mr. Doroniuk holds a Bachelor of Business Management from Ryerson University and is a Chartered Accountant.

Rupert Duchesne is President and Chief Executive Officer of Groupe Aeroplan. Prior to his current position, Mr. Duchesne spent twelve years in strategy and investment consulting around the world before he joined Air Canada in 1996 as Vice President, Marketing, and in 1999 was promoted to Senior Vice President, International. During that year, he served on the Executive team which defeated the Onex take-over bid, and was appointed Chief Integration Executive, overseeing the integration of Canadian Airlines and Air Canada. He was appointed to the position of President and CEO of Aeroplan in August 2000. Mr. Duchesne holds a Masters in Business Administration from the University of Manchester and a Bachelor Honours degree in Pharmacology from the University of Leeds, both in England. He is a member of the Art Gallery of Ontario's Board of Trustees, where he is Chair of the Photography Committee and is a member of the Finance and Development Committees. He is also a member of the Boards of the NeuroScience Canada Partnership, and NeuroScience Canada Foundation; the Canadian Business for the Arts; the Luminato Festival; as well as the Université de Montréal's Centre for International Studies (CÉRIUM). He was previously a member of the Board of Directors of Alliance Atlantis up to its sale to CanWest Communications.

Joanne Ferstman is Vice Chair, Chief Financial Officer and Head of Capital Markets of DundeeWealth Inc. and Executive Vice President and Chief Financial Officer at Dundee Corporation. Over the past decade, Ms. Ferstman has held a variety of positions with the Dundee group of companies and has recently assumed leadership of Dundee Capital Markets, including all Investment Banking activities. Prior to joining the Dundee Group of companies in 1998, Ms. Ferstman spent four years as chief financial officer for a national securities firm and five years at a major international accounting firm. Ms. Ferstman is also a trustee of Dundee Real Estate Investment Trust and a director of Breakwater Resources Ltd. Ms. Ferstman holds a Bachelor of Commerce from McGill University and is a Chartered Accountant.

Michael M. Fortier joined Ogilvy Renault LLP in January 2009 as a partner in the business law group. Between February 2006 and October 2008, Mr. Fortier held various positions in the Government of Canada, most recently as Minister of International Trade and Minister responsible for Greater Montreal. Prior to that, Mr. Fortier had been active in the investment banking industry, first as a Managing Director with Credit Suisse First Boston (1999-2004) and then as a Managing Director with TD Securities (2004-2006). Mr. Fortier also practiced law with Ogilvy Renault LLP from 1985 to 1999 in the areas of corporate finance and mergers and acquisitions. He was based in London (England) for several years during this period. Mr. Fortier holds a Bachelor of Laws from Université Laval.

John M. Forzani is the founder (1974) of The Forzani Group Ltd., Canada's largest retailer of sporting goods with over 600 stores under eight different banners. He is presently Chairman of the Board and has held the positions of Chief Executive Officer, President and Chief Operating Officer. He is currently Chairman of Swiss based Intersport International, the world's largest sporting goods retailer and purchasing group with over 7,000 stores world wide. Mr. Forzani is a graduate of Utah State University with a Bachelor of Science Degree. He also played for the Calgary Stampeders of the Canadian Football League and is currently a partner and Chairman of the club.

Liz Graham was appointed Chief Operations Officer, Aeroplan in June 2007. Upon completion of the reorganization of the Fund into Groupe Aeroplan on June 25, 2008, she was appointed Executive Vice President and Chief Operating Officer of Groupe Aeroplan. In her current role, Mrs. Graham is responsible for delivering the business-building capabilities for Groupe Aeroplan through the management of a diverse set of critical commercial services driving alignment and expense management, while providing oversight of Groupe Aeroplan's overall cost structure. She oversees the business services provided to the entire enterprise through shared technology infrastructure management, oversight of all major projects and delivery of business initiatives, strategic procurement, rewards management and call centre operations. Mrs. Graham joined Aeroplan in November 2000 as Vice President, Customer Service. Prior to Aeroplan, she spent 27 years with Air Canada in increasingly complex and senior operational roles, including General Manager – Call Centres & Aeroplan, Senior Director – Customer Service Support, Senior Director – Business Development Alliances & Regionals, General Manager – Customer Service Europe. In 1998, Mrs. Graham was appointed Vice President, Airports where she was responsible for all airport and cargo operations in North America.

Mark Hounsell was appointed Vice President and General Counsel of Aeroplan in October 2006 and Corporate Secretary in November 2006. Upon completion of the reorganization of the Fund into Groupe Aeroplan on June 25, 2008, he was appointed Senior Vice President, General Counsel and Corporate Secretary of Groupe Aeroplan. He has overall responsibility for the development and management of the legal framework for Groupe Aeroplan's various business, as well as leadership of the enterprise's corporate secretariat and governance portfolios. Prior to joining Groupe Aeroplan, from 1997 to 2006, Mr. Hounsell held various senior positions within the BCE group of companies, most recently as Assistant General Counsel for Bell Canada. In this role, Mr. Hounsell was responsible for managing Bell's legal commercial group to service the needs of Bell's Québec enterprise operations. Mr. Hounsell's previous work with BCE concentrated on M&A, financing initiatives and corporate governance, as well as various counsel positions at Bell Canada International Inc., including the position of Vice-President, Law and Corporate Secretary. After having received his degree in law at the Université de Montréal in 1991 and having been called to the Québec Bar in 1992, Mr. Hounsell worked in private practice as a corporate commercial lawyer specializing in securities prior to moving in-house. He is a member of the Canadian Bar Association.

David H. Laidley is Chairman Emeritus of Deloitte & Touche LLP (Canada), where he served as a partner from 1975 until his retirement in 2007. A chartered accountant, he has enjoyed a distinguished career spanning 40 years with Canada's largest professional services firm, with specialization in its tax and audit practices. He was elected Chairman of the firm in 2000 and served in that capacity until 2006. He currently serves as a director of the boards of three other public companies: Biovail Corporation (TSX/NYSE), EMCOR Group Inc. (NYSE) and Prosep Inc. (TSX). He is a director of the Bank of Canada, Chairman of the Board of Nautilus Indemnity Limited and Aviva Canada Inc., the Fraser Institute, the Institute of Corporate Directors, the Lester B. Pearson College of the Pacific, the McGill University Health Centre Foundation, and the Desautels Faculty of Management of McGill University. Mr. Laidley is a Fellow of the Québec Order of Chartered Accountants and holds a Bachelor of Commerce from McGill University.

Douglas D. Port is a consultant providing advisory services on airport issues and tourism development. He has over 30 years experience in airline transportation, including 11 years as an executive with Air Canada, where he led major portfolios such as Airports, International, Marketing and Sales, Sales and Product Distribution, Corporate Affairs and Government Relations, Corporate Communications, and latterly Customer Service. He also served as Chairman of the Air Transport Association of Canada, Chairman of Galileo Canada (computer reservation system) and Chairman and CEO of Air Canada Vacations.

Alan P. Rossy is President and Chief Executive Officer of Copley Investments Inc., a real estate company which purchases, develops and leases properties in Montreal and Toronto. Mr. Rossy was Executive Vice-President of Store Operations at Dollarama L. P., a national chain of dollar stores operating at the 1$ or less price point, from 1991 to 2007. His responsibilities included new store growth, sales, merchandising, advertising and human resources consulting. A founding family member of Dollarama and current shareholder, Mr. Rossy continues to serve in a consulting role. Mr. Rossy serves on the Board of Directors of Selwyn House School, a private boys' school in Westmount, Québec. He is also a Director of the Montreal Children's Hospital Corporate Appeal Board. Mr. Rossy graduated in 1985 from McGill University with a Bachelor's of Arts, majoring in Economics.

Melissa Sonberg previously held the position of Vice President, Corporate Services, Aeroplan. Upon completion of the reorganization of Fund into Groupe Aeroplan on June 25, 2008, she was appointed Senior Vice President, Corporate Services of Groupe Aeroplan. Mrs. Sonberg is responsible for the corporate affairs portfolio, overseeing all aspects of Groupe Aeroplan's human resources, corporate communications, and corporate social responsibility programs. She has hands on experience in the private and public sectors. She has previously held a number of senior management positions at Air Canada, including Director of Organizational Learning and Director – Customer Service Communication, Employee Involvement and Training. Mrs. Sonberg has also had key leadership roles in Québec's health and social services sector. Mrs. Sonberg's expertise in her field has been noted in the Who's Who of Canadian Business, the Who's Who of Canadian Women, the Who's Who of Canada, as well as Women in the Lead, the directory of qualified Canadian Women for Board Appointment. Mrs. Sonberg holds a Bachelor's degree in Psychology from McGill University and a Master's of Administration from the University of Ottawa. She currently guest lectures at McGill University, and other institutions. She also offers her expertise through involvement and Board membership of various organizations such as The Women's Y, The Royal Victoria Hospital Foundation and the Carbon Reduction Fund .

Vincent R. Timpano joined Groupe Aeroplan with extensive experience leading large enterprise operations. In his role as President, Aeroplan Canada and Executive Vice President of Groupe Aeroplan, Mr. Timpano has full accountability for driving the Canadian business of Groupe Aeroplan forward. Mr. Timpano is also actively engaged in developing and realizing the long-term strategic growth of Groupe Aeroplan overall, as it pursues its vision to be the global leader in loyalty management. He most recently served as President, Coca-Cola Ltd. in Canada where he led the organization in the development and expansion of Canada's leading non-alcoholic beverage portfolio. Prior to holding that position, he served as President and CEO for The Minute Maid Company Canada Inc., an operating unit of The Coca-Cola Company. In this role, he successfully oversaw all activities associated with the company's juice and juice drinks business. In addition to his broad general management experience, Mr. Timpano has a proven background in creating high value customer partnerships and stewarding globally and nationally recognized leading brands. Mr. Timpano is an active community leader where he has held various volunteer roles. He currently serves with the United Way, Toronto as member of the board of trustees and the Administration and Audit Committee. He is also the past Chair and former member of the board of directors of The Grocery Foundation. Mr. Timpano holds a Masters of Business Administration degree from the Richard Ivey School of Business, University of Western Ontario.

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

Corporate Cease Trade Orders or Bankruptcies

To the knowledge of Groupe Aeroplan, no Director or executive Officer of Groupe Aeroplan (a) is, as at the date hereof, or has been, within 10 years before the date of this Annual Information Form, a director, chief executive officer or chief financial officer of any company that, (i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days (an "**Order**") that was issued while the Director or executive Officer was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to an Order that was issued after the Director of executive Officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer, (b) is, as at the date of this Annual Information Form, or has been within 10 years before the date of this Annual Information Form, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or (c) has, within the 10 years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the Director or executive Officer, except for:

(i) Robert E. Brown was a director of Air Canada when Air Canada filed for protection under the CCAA on April 1, 2003 and became Chairman of Air Canada on May 13, 2003. Robert E. Brown was a director of Nortel Networks Corporation when, on or about May 31, 2004, cease trade orders were issued against directors, officers and certain other current and former employee of Nortel Networks Corporation and Nortel Networks Limited ("**Nortel Networks**"). The management cease trade orders were imposed in response to the failure by Nortel Networks to file certain financial statements with the Canadian securities regulators;

(ii) Roman Doroniuk was a director of Canadian Airlines Corporation when Canadian Airlines Corporation initiated bankruptcy proceedings under the CCAA in May 2000;

(iii) Rupert Duchesne was President and Chief Executive Officer, Aeroplan when Air Canada filed for protection under the CCAA on April 1, 2003; and

(iv) Douglas D. Port was Senior Vice President, Customer Service, Air Canada when Air Canada filed for protection under the CCAA on April 1, 2003.

Penalties or Sanctions

To the knowledge of Groupe Aeroplan, no Director or executive Officer of Groupe Aeroplan, nor any personal holding company thereof, (i) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (ii) has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Personal Bankruptcies

To the knowledge of Groupe Aeroplan, in the last ten years, no Director or executive Officer of Groupe Aeroplan, nor any personal holding company thereof, has become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, has become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold his or her assets or the assets of his or her holding company.

CONFLICTS OF INTEREST

Except as disclosed in the section "Interest of Management and Others in Material Transactions" and elsewhere herein, no Director or senior Officer of Groupe Aeroplan or other insider of Groupe Aeroplan, nor any associate or affiliate of the foregoing persons, has any existing or potential material conflict of interest with Groupe Aeroplan or any of its Subsidiaries.

AUDIT COMMITTEE INFORMATION

The primary purpose of the Audit Committee is to assist the Board of Directors of Groupe Aeroplan in fulfilling their responsibilities of oversight and supervision of the accounting and financial reporting practices and procedures, the adequacy of internal accounting controls and procedures, and the quality and integrity of financial statements.

CHARTER OF THE AUDIT COMMITTEE

The charter of the Audit Committee, as approved on June 19, 2008, is set out in Schedule "A" to this Annual Information Form.

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee is composed of three members, as follows: Roman Doroniuk, Chair, Joanne Ferstman and David H. Laidley. Each member of the Audit Committee is independent of Groupe Aeroplan and financially literate as required under *Multilateral Instrument 52-110 – Audit Committees.*

RELEVANT EDUCATION AND EXPERIENCE OF THE AUDIT COMMITTEE MEMBERS

In addition to each member's general business experience, the education and experience of each Audit Committee member that is relevant to the performance of his or her responsibilities as an Audit Committee member is as follows:

(i) Roman Doroniuk is a consultant providing financial and strategic advisory services to a variety of companies in the healthcare, industrial manufacturing and media industries. He also serves on the board of directors of The Forzani Group Ltd. Mr. Doroniuk was Executive Vice President of Magna International Inc. and Chief Operating Officer of Magna Entertainment Corp. from January 2003 to October 2003, President of Lions Gate Entertainment from October 1998 to April 2000, and Chief Financial Officer of Alliance Communications Corporation from October 1995 to September 1998. Mr. Doroniuk holds a Bachelor of Business Management from Ryerson University and is a Chartered Accountant.

(ii) Joanne Ferstman is Vice Chair, Chief Financial Officer and Head of Capital Markets of DundeeWealth Inc. and Executive Vice President and Chief Financial Officer at Dundee Corporation. Over the past decade, Ms. Ferstman has held a variety of positions with the Dundee group of companies and has recently assumed leadership of Dundee Capital Markets, including all Investment Banking activities. Prior to joining the Dundee Group of companies in 1998, Ms. Ferstman spent four years as chief financial officer for a national securities firm and five years at a major international accounting firm. Ms. Ferstman is also a trustee of Dundee Real Estate Investment Trust and a director of Breakwater Resources Ltd. Ms. Ferstman holds a Bachelor of Commerce from McGill University and is a Chartered Accountant.

(iii) David H. Laidley is Chairman Emeritus of Deloitte & Touche LLP (Canada), where he served as a partner from 1975 until his retirement in 2007. A chartered accountant, he has enjoyed a distinguished career spanning 40 years with Canada's largest professional services firm, with specialization in its tax and audit practices. He was elected Chairman of the firm in 2000 and served in that capacity until 2006. He currently serves as a director of the boards of three other public companies: Biovail Corporation (TSX/NYSE), EMCOR Group Inc. (NYSE) and Prosep Inc. (TSX). He is a director of the Bank of Canada, Chairman of the Board of Nautilus Indemnity Limited and Aviva Canada Inc., the Fraser Institute, the Institute of Corporate Directors, the Lester B. Pearson College of the Pacific, the McGill University Health Centre Foundation, and the Desautels Faculty of Management of McGill University. Mr. Laidley is a Fellow of the Québec Order of Chartered Accountants and holds a Bachelor of Commerce from McGill University.

PRE-APPROVAL POLICIES AND PROCEDURES

The Audit Committee reviews and approves the nature of all non-audit services, as permitted by securities legislation and regulations, to be provided to Groupe Aeroplan's external auditor prior to the commencement of such work. In this regard, the Audit Committee will prepare a report for presentation to the Shareholders quarterly or annually, as required, regarding the Audit Committee's approval of such non-audit services in the period.

The Audit Committee will also require and review a report from the external auditor, if deemed appropriate by the Audit Committee, of all relationships between the external auditor and its related entities and Groupe Aeroplan and its related entities, including all work performed and fees paid for such work of a non-audit nature, that in the external auditor's professional judgment may reasonably be perceived to bear on its objectivity and independence and confirming that in the external auditor's professional judgment it is independent of Groupe Aeroplan and discuss this report with the external auditor in order to evaluate the objectivity and independence of the external auditor. The Audit Committee will also review steps taken by the external auditor to address any findings in any of the foregoing reviews.

AUDIT FEES

PricewaterhouseCoopers LLP has served as auditors of Groupe Aeroplan since June 25, 2008 and as auditors of the Fund since the Initial Public Offering.

Fees payable for the years ended December 31, 2008 and December 31, 2007 to PricewaterhouseCoopers LLP and its Subsidiaries are $1,533,564 and $2,413,240, respectively, as detailed below:

	Year ended December 31, 2008	Year ended December 31, 2007
Audit fees	$848,028	$1,086,144
Audit-related fees	$148,800	$206,000
Tax fees	Nil	Nil
All other fees	$536,736	$1,121,096
	$1,533,564	$2,413,240

The nature of each category of fees is described below.

Audit fees. Audit fees were paid for professional services rendered for the audit of Groupe Aeroplan's annual financial statements and for services that are normally provided in connection with statutory and regulatory filings or engagements.

Audit-related fees. In 2007, audit-related fees were paid for professional services rendered in connection with the secondary offering of 22,000,000 Units held by ACE Aviation. In 2008, audit-related fees were paid for services rendered in connection with the secondary offering of 20,400,000 Units held by ACE Aviation and the preparation of the Management Information Circular relating to the Arrangement.

All other fees. In 2007, other fees were paid for professional services rendered with respect to the translation of the prospectus and other documents of Groupe Aeroplan and review of quarterly reporting by Groupe Aeroplan. Additionally, in 2007, other fees were paid for professional services rendered with respect to the acquisition of LMG. In 2008, other fees were paid for professional services rendered with respect to the translation of the prospectus, Management Information Circular and other documents of Groupe Aeroplan and review of quarterly reporting by Groupe Aeroplan.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

From time to time, Groupe Aeroplan becomes involved in various claims and litigation as a result of carrying on its business. While the final outcome thereof cannot be predicted, based on the information currently available, Management believes the resolution of current pending claims and litigation, other than the Nectar VAT litigation described below, will not have a material impact on its financial position and results of operations.

VAT Appeal

Nectar has been in litigation with HMRC since 2003 relating to the VAT treatment of the Nectar Program as it applies to the deductibility of input tax credits in the remittance of VAT owed, and has paid an assessed amount of £13.8 million.

Nectar appealed to the VAT and Duties Tribunal and won. HMRC then appealed to the High Court which found in favour of HMRC. Nectar, in turn, appealed to the Court of Appeal, who issued a judgement in favour of Nectar on October 5, 2007 requiring the refund of the assessed amount and confirming Nectar's eligibility to deduct input tax credits in the future. As a result of this event, an amount receivable of £13.8 million (approximately $27.1 million) was recorded in the accounts at December 31, 2007, and subsequently collected in January 2008.

HMRC appealed the Court of Appeal's decision to the House of Lords which granted leave to appeal in order to facilitate a reference to the European Court of Justice on April 3, 2008. The case will be heard at a future date to be set. Until the outcome is known, it is unclear whether Nectar will have to repay amounts awarded under the October 5, 2007 judgment, as well as any VAT recovered as a deduction in calculating input tax credits until such time as a decision is rendered, together with interest thereon. At December 31, 2008, Nectar had recorded in its accounts the benefit of VAT input tax credits in the aggregate amount of £27.8 million ($49.8 million).

At this time, the outcome of this contingency is not determinable and no provision for a liability has been included in the financial statements. An unfavourable judgment would impact Nectar's profitability and accordingly the value of the Nectar business.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

To the knowledge of Groupe Aeroplan, none of the Directors, executive officers or other insider, as applicable, of (i) Groupe Aeroplan or (ii) any associate or affiliate of the persons referred to in (i), has or has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or will materially affect Groupe Aeroplan or any of its Subsidiaries.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Shares is CIBC Mellon Trust Company at its principal offices in Montreal, Toronto, Vancouver, Calgary and Halifax.

MATERIAL CONTRACTS

Except for those contracts entered into in the ordinary course of business of Groupe Aeroplan, Groupe Aeroplan, and/or its Subsidiaries, as the case may be, entered into the following material contracts: (i) before the most recently completed financial year, and these contracts are still in effect at the current time; or (ii) during the financial year ended December 31, 2008:

(i) the amended and restated credit agreement dated June 25, 2008 creating the Existing Credit Facilities, as described under "The Business — Debt Financing";

(ii) the amended and restated senior secured bridge credit agreement dated June 25, 2008 creating the Bridge Facility, as described under "The Business — Debt Financing"; and

(iii) the GSA.

INTERESTS OF EXPERTS

PricewaterhouseCoopers LLP are the auditors of Groupe Aeroplan and have advised that they are independent with respect to Groupe Aeroplan within the meaning of the Rules of Professional Conduct of the Ordre des comptables agréés du Québec.

ADDITIONAL INFORMATION

Additional information relating to Groupe Aeroplan may be found on SEDAR at www.sedar.com.

Additional information, including, without limitation, Directors' and Officers' remuneration and indebtedness and principal Shareholders, is included in Groupe Aeroplan's information circular for its most recent annual meeting of Shareholders that involved the election of Directors.

Additional financial information is provided in the audited consolidated financial statements and management's discussion and analysis of Groupe Aeroplan for the year ended December 31, 2008.

Groupe Aeroplan will, upon request to the Senior Vice President, General Counsel and Corporate Secretary of Groupe Aeroplan, 5100 de Maisonneuve Boulevard West, Montreal, Québec, H4A 3T2, provide to any person or company, the documents specified below:

(a) when Groupe Aeroplan is in the course of a distribution of its securities under a short form prospectus, or has filed a preliminary short form prospectus in respect of a proposed distribution of its securities:

(i) one copy of the Groupe Aeroplan's latest annual information form, together with one copy of any document or the pertinent pages of any document, incorporated therein by reference;

(ii) one copy of the comparative Consolidated Financial Statements of Groupe Aeroplan for the most recently completed financial year for which financial statements have been filed, together with the Auditors' Report thereon, and one copy of any interim consolidated financial statements of Groupe Aeroplan for any period after its most recently completed financial year;

(iii) one copy of the information circular of Groupe Aeroplan in respect of its most recent annual meeting of Shareholders that involved the election of directors or one copy of any annual filing prepared instead of that information circular, as appropriate; and

(iv) one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not required to be provided under subparagraphs (i) to (iii); or

(b) at any other time, Groupe Aeroplan shall provide to any person or company one copy of any of the documents referred to in items (i), (ii) and (iii) of paragraph (a) above, provided that Groupe Aeroplan may require the payment of a reasonable charge if the request is made by a person or company who is not a holder of Groupe Aeroplan's securities.

SCHEDULE A

CHARTER OF THE AUDIT, FINANCE AND RISK COMMITTEE
(the "Committee")

OF THE BOARD OF DIRECTORS OF GROUPE AEROPLAN INC.
(the "Corporation")

1. <u>Structure, Qualifications</u>

The Committee shall be composed of not less than three directors, all of whom shall meet the independence, experience and other membership requirements under applicable laws, rules and regulations as determined by the Board of Directors (the "**Board**"). The members of the Committee shall have no relationships with management, the Corporation and its related entities that in the opinion of the Board may interfere with their independence. In addition, a Committee member shall not receive, other than for service on the Board or the Committee or other committees of the Board, any consulting, advisory, or other compensatory fee from the Corporation or any of their related parties or subsidiaries. The members of the Committee shall possess the mix of characteristics, experiences and skills to provide an appropriate balance for the performance of the duties of the Committee and in particular each member of the Committee shall be "financially literate".

2. <u>Procedure</u>

(a) A quorum of the Committee shall be a majority of the members, and a majority of the members present shall be required to pass a resolution of the Committee. The Committee shall be responsible to the Board. The Chairman and the members of the Committee shall be appointed annually by the Board.

(b) The Committee shall meet at least quarterly at the call of the Chairman of the Committee.

(c) An "in-camera" session of the members of the Committee shall be held as part of each meeting of the Committee.

(d) Meetings may be held in person or by telephone or by any other means which enables all participants to communicate with each other simultaneously.

(e) The Committee may fix its own procedure at meetings and for the calling of meetings except as may be otherwise provided by the Board.

(f) Notice of meetings shall be given by letter, facsimile, email or telephone not less than 24 hours before the time fixed for the meeting unless in extraordinary circumstances. Notice of meetings shall state the date, the place and the hour at which such meetings will be held. Members may waive notice of any meeting.

(g) The minutes of the Committee meetings shall accurately record the significant discussions of, and decisions made by, the Committee, including all recommendations to be made by the Committee to the Board and shall be distributed to Committee members as well as to all the directors of the Corporation, with copies to the Chief Executive Officer of the Corporation.

3. <u>Objectives</u>

(a) The objectives of the Committee are as follows:

(i) To assist the Board in the discharge of its responsibility to monitor the component parts of the Corporation's financial reporting and audit process.

(ii) To maintain and enhance the quality, credibility and objectivity of the Corporation's financial reporting and to satisfy itself and oversee management's responsibility as to the adequacy of the supporting systems of internal financial and accounting controls.

(iii) To assist the Board in its oversight of the independence, qualifications and appointment of the external auditor.

(iv) To monitor the performance of the internal financial and accounting controls and of the internal and external auditors.

(v) To provide independent communication between the Board and the internal auditor and the external auditor.

(vi) To facilitate in-depth and candid discussions between the Committee and management and the external auditor regarding significant issues involving judgment and impacting quality of controls and reporting.

4. Duties

To achieve its objectives, the Committee shall:

(a) Monitor and review the quality and integrity of the Corporation's accounting and financial reporting process through discussions with management, the external auditor and the internal auditor. This will include a review of the annual and quarterly financial statements and Management's Discussion and Analyses ("MD&As") to be filed with regulatory authorities and provided to shareholders of the Corporation, and financial statements and other financial disclosure included in prospectuses, earnings press releases and other similar documents. The Committee shall also review the annual information form and other similar documents. These reviews will include:

(i) discussions with management and the external auditor and a consideration of the report by the external auditor to the Committee of matters related to the conduct of an audit;

(ii) discussions with the external auditor respecting the auditor's judgment regarding both the acceptability and quality of the financial statements including the critical accounting policies and practices used by management in their preparation, alternative treatments and disclosures of financial information within generally accepted accounting principles that have been considered by management and their ramifications, the selection of changes in significant accounting policies, the method used to account for significant unusual transactions, the effect of significant accounting policies in controversial or emerging areas, the degree of aggressiveness or conservatism, as the case maybe, of the accounting policies adopted by the Corporation, the process used by management in formulating particularly significant accounting estimates and the basis for the external auditor's conclusions regarding the reasonableness of those estimates;

(iii) a review of significant adjustments arising from an audit;

(iv) a review of disagreements with management over the application of accounting policies as well as any disclosure in the financial statements;

(v) a review of all material off-balance sheet transactions and other relationships with non-consolidated entities that may have a material current or future effect on the financial condition of the Corporation including their disclosure or lack thereof in the applicable quarterly or annual financial statements;

(vi) a review of the external auditor's suggestions for improvements to the Corporation's operations and internal controls;

(vii) a review of the nature and size of unadjusted errors of a non-trivial amount;

(viii) a review to ascertain that various covenants are complied with; and

(ix) the selection of, and changes in, accounting policies and consideration of the appropriateness of such selections and changes.

(b) Determine, based on its review and discussion, whether to recommend the approval by the Board of such financial statements and the financial disclosure in any such annual information forms, earnings press releases, prospectuses and other similar documents.

(c) Review with management, the internal auditor and the external auditor and, if considered appropriate, approve the release of the Corporation's quarterly financial statements, related MD&A and earnings press releases.

(d) Review with management, the external auditor and legal counsel, the Corporation's procedures to ensure compliance with applicable laws and regulations, and any significant litigation, claim or other contingency, including tax assessments, that would have a material effect upon the financial position or operating results of the Corporation and the disclosure or impact on the results of these matters in the quarterly and annual financial statements.

(e) Meet with the external auditor to review and approve their audit plan with particular emphasis on risk factors which could lead to a material misstatement of the financial statements, the scope and timing of the audit, the assumptions and decisions that have been made in developing the plan and co-ordination of work between the external auditor and the internal audit department.

(f) Review and approve estimated audit and audit-related fees and expenses for the current year. Pre-approve any significant additional audit and audit-related fees over the estimated amount. Review and approve audit and audit-related fees and expenses for the prior year. The authority for the determination and payment of fees to the external auditor rests solely and exclusively with the Committee. The Corporation shall ensure that funding is available to the Committee for payment of compensation to the external auditor.

(g) Review

(i) and approve, or delegate to a member of the Committee the responsibility to review and approve and subsequently report to the Committee, the nature of all non-audit services, as permitted by securities legislation and regulations, to be provided by the external auditor prior to the commencement of such work. In this regard the Committee will prepare a report for presentation to the shareholders of the Corporation, as required by applicable law, regarding the Committee's policies and procedures for the approval of such non-audit services in the period;

(ii) and implement from time to time a process in connection with non-audit services performed by the external auditor.

(h) Review a report from the external auditor, if deemed appropriate by the Committee, of all relationships between the external auditor and its related entities and the Corporation and its related entities, including all work performed and fees paid for such work of a non-audit nature, that in the external auditor's professional judgment may reasonably be perceived to bear on its objectivity and independence and confirming, or otherwise, that in the external auditor's professional judgment it is independent and discuss this report with the external auditor in order to evaluate the objectivity and independence of the external auditor. The Committee should specifically require the external auditor to confirm that it is a registered public accounting firm as prescribed by various applicable securities regulations. As well, at least once a year the Committee will carry out a review of the credentials of the members of the firm including without limitation the biographies of the members, whether there has been any enforcement actions, issues related to the firm and law suits, if any. A formal written report will be obtained from the external auditor outlining: the auditing firm's internal quality control procedures; any material issues raised within the preceding five years by the auditing firm's internal quality control review, peer reviews or any other inquiry or investigation by governmental or professional authority relating to any audit conducted by the firm. The Committee will also review steps taken by the auditing firm to address any findings in any of the forgoing reviews.

(i) Receive reports on any consultations between management and other public accountants respecting accounting principles to be applied in preparing the quarterly or annual financial statements, and on any incidents involving fraud or illegal acts of which management, the internal audit department or the external auditor become aware. In this regard, review the relevant control procedures with management to ensure that such matters are adequately guarded against.

(j) At least once each year:

(i) meet privately with management to assess the performance of the external auditor; and

(ii) meet privately with the external auditor, amongst other things, to understand any restrictions placed on them or other difficulties encountered in the course of the audit, including instructions on the scope of their work and access to requested information and the level of co-operation received from management during the performance of their work and their evaluation of the Corporation's financial, accounting and audit personnel and systems.

(k) Evaluate the performance of the external auditor, and if so determined, recommend that the Board either take steps to replace the external auditor or provide for the reappointment of the external auditor by the shareholders of the Corporation.

(l) Regarding the services provided by the internal audit department, the Committee will:

(i) meet privately with internal audit, amongst other things, to understand any restrictions placed on them or other difficulties encountered in the course of their audits, including instructions on the scope of their work and access to requested information and the level of co-operation received from management during the performance of their work;

(ii) periodically review and approve the mandate, reporting relationships and resources of the internal audit group;

(iii) review the objectivity, qualifications, adequacy and experience of the internal audit staff and approve the appointment, dismissal or replacement of the head of the internal audit department;

(iv) review and approve annually the planned scope for the internal audit program, its objectives, and the resources required to attain these objectives;

(v) periodically throughout each year review the reports of the internal audit department which describe the activities of the internal audit department for the preceding period; and

(vi) review the working relationship between the internal audit department and the external auditor, and between the internal audit department and management.

(m) Obtain from both the internal audit department and the external auditor the major audit findings and internal control recommendations reported during the period under review, the response of management to those recommendations, and review the follow-up performed by management and the internal audit department in order to monitor whether management has implemented an effective system of internal accounting control.

(n) Review significant emerging accounting and reporting issues, including recent professional and regulatory pronouncements, and assess their impact on the Corporation's financial statements.

(o) Review policies and procedures for the receipt, retention and treatment of complaints received by the Corporation from employees, shareholders of the Corporation and other stakeholders regarding accounting issues and financial reporting, internal controls and internal or external auditing matters. The Committee should be satisfied that sufficient controls are in place to ensure that all such complaints can be received anonymously and with an appropriate degree of confidentiality and that potential employee informants are aware of the process that is in place. The Committee should also be satisfied that processes are in place to ensure that all such complaints, regardless of significance, are presented to the Committee.

(p) Review policies for approval of senior management expenses.

(q) Review the process relative to the periodic certifications by the Chief Executive Officer and the Chief Financial Officer of the Corporation in respect of financial disclosures, the existence of any significant deficiencies in the design or operation of internal controls which could adversely affect the ability to record, process, summarize and report financial data and any significant changes in internal controls or changes to the environment in which the internal controls operate, including corrections of material deficiencies and weaknesses.

(r) Review with management the Corporation's computer systems, including procedures to keep the systems secure and contingency plans developed to deal with possible computer failures.

(s) Review and approve all related party transactions as such term is defined from time to time in Multilateral Instrument 61 101 − Protection of Minority Security Holders in Special Transactions, as may be amended from time to time.

(t) Review risk management systems and controls, especially in relation to derivatives, foreign currency exposure, hedging and insurance.

(u) Whenever it may be appropriate to do so, retain and receive advice from experts, including independent legal counsel and independent public accountants, and conduct or authorize the conduct of investigations into any matters within the scope of the responsibility of the Committee as the Committee may consider appropriate. The Corporation shall ensure that funding is available to the Committee in respect of the aforementioned activities.

(v) Report regularly to the Board in writing on the activities, findings and conclusions of the Committee.

(w) Review this Charter on an annual basis and recommend to the Board any changes to it that the Committee considers advisable.

(x) Complete a self-assessment annually to determine how effectively the Committee is meeting its responsibilities.

(y) Perform such other functions as may be delegated from time to time by the Board.

(z) Review the process for the rotation of the lead audit partner, the concurring partner and any other audit engagement team partner.

(aa) Set policies for the hiring of partners and employees or former partners and employees of present and former external auditors.

OTHER

(a) Public Disclosure

(i) Review and approve the Public Disclosure Policy and any changes related thereto and ensure consistency with current developments and best practices; and

(ii) Where practicable, management will review with the Committee or the Chairman of the Committee draft news releases to be disseminated to the public related to earnings warnings or financial results forecasting which are expected by management to be material in relation to the market price of any of the Corporation's securities.

(b) Risk Identification and Management

The Committee shall make all reasonable efforts to identify and address material financial and other risks to the business and affairs of the Corporation and its subsidiaries and make recommendations in that regard to the Board. The Committee shall review and discuss with management, the internal audit department and the external auditor all major financial risk exposures and the steps management has taken to monitor/control those exposures. The Committee shall be entitled, from time to time, to retain experts and consultants to assist the Committee with the discharge of such mandate. The Committee shall have the discretion in the discharge of these duties to address risks to the Corporation's and its subsidiaries' revenues and costs, as well as potentially corrupt or other practices that may lead to loss or depreciation of business reputation.

(c) Contingent Liabilities

The Committee shall establish processes and procedures to identify and monitor contingent liabilities of the Corporation and its subsidiaries. In the discharge of these duties, the Committee shall have the discretion to retain experts and consultants and to review, without limitation, workplace safety, environmental issues and any other matters, whether of a financial nature or otherwise, that can give rise to a contingent liability. The Committee shall make recommendations, from time to time, to the Board on these matters.

(d) Corporate Authorizations Policies

(i) Periodically review and approve policies relative to the financial control, conduct, regulation and administration of subsidiary companies;

(ii) Periodically review any administrative resolutions adopted from time to time pertaining to the establishment of procedures relative to commitment and transaction authorizations, the determination of the officers or other persons by whom any instrument in writing or document is to be executed and the manner of execution thereof;

(iii) Review, monitor and approve the Donations Policy, if applicable, and any changes thereto and the annual Donations Budget; and

(iv) Review, monitor and approve any other financial expenditure policies that would affect the Corporation's and its subsidiaries' financial condition or reputation.

(e) Performance to Budget, Actuarial Valuation

(i) Review actual financial performance compared to budget;

(ii) Review and approve the actuarial valuation and related assumptions and recommend to the Board the funding contribution to the Corporation's pension funds as required;

(iii) Review and approve the appointment of the actuary; and

(iv) Monitor that all contributions, deductions, withholdings, remittances or other payments of any kind under applicable law have been made.

(f) Responsibilities

Nothing contained in the above mandate is intended to assign to the Committee the Board's responsibility to ensure the Corporation's compliance with applicable laws or regulations or to expand applicable standards of liability under statutory or regulatory requirements for the directors or the members of the Committee. Even though the Committee has a specific mandate and its members have financial experience and expertise, it is not the duty of the Committee to plan or conduct audits, or to determine that the Corporation's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. Such matters are the responsibility of management, the internal auditor and the external auditor.

Members of the Committee are entitled to rely, absent knowledge to the contrary, on (i) the integrity of the persons and organizations from whom they receive information, (ii) the accuracy and completeness of the information provided, and (iii) representations made by management as to the non-audit services provided by the external auditor.

June 19, 2008.