AIMIA
INSPIRING LOYALTY

ANNUAL INFORMATION FORM

FOR THE FINANCIAL YEAR

ENDED DECEMBER 31, 2011

March 22, 2012

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EXPLANATORY NOTES

The information in this Annual Information Form is stated as at December 31, 2011, unless otherwise indicated.

Unless otherwise indicated in this Annual Information Form, "*Aimia*", "*we*", "*us*", "*our*", or "*the Corporation*" refers to Groupe Aeroplan Inc., doing business as Aimia, and, where the context requires, its Subsidiaries and associated companies or Aeroplan Income Fund, the predecessor entity to Aimia, and, where the context requires, its Subsidiaries and associated companies.

For an explanation of the capitalized terms and expressions and certain defined terms, please refer to the *Glossary of Terms* set out in Schedule "A" 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

Aimia is entirely dependent upon the operations and financial condition of its Subsidiaries and associated companies. The earnings and cash flows of Aimia 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 statements relate to analyses and other information that are based on forecasts of future results or events and estimates of amounts not yet determinable. These statements may involve, but are not limited to, comments relating to strategies, expectations, planned operations or future actions.

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.

Forward-looking statements, by their nature, are based on assumptions and are subject to important risks and uncertainties. Any forecasts, predictions or forward-looking or statements cannot be relied upon due to, among 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, dependency on top accumulation partners and clients, conflicts of interest, greater than expected redemptions for rewards, regulatory matters, retail market/economic conditions, industry competition, Air Canada liquidity issues, Air Canada or travel industry disruptions, airline industry changes and increased airline costs, supply and capacity costs, unfunded future redemption costs, failure to safeguard databases and consumer privacy, changes to coalition loyalty programs, seasonal nature of the business, other factors and prior performance, foreign operations, legal proceedings, reliance on key personnel, labour relations, pension liability, technological disruptions and inability to use third party software, failure to protect intellectual property rights, interest rate and currency fluctuations, leverage and restrictive covenants in current and future indebtedness, uncertainty of dividend payments, managing growth, credit ratings, as well as the other factors identified throughout this Annual Information Form. The forward-looking statements contained herein represent the expectations of Management as of March 22, 2012, and are subject to change after such date. However, Aimia 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 laws. See "Risks and Uncertainties Affecting the Business".

TRADEMARKS

The following words are trademarks of the Corporation that are referred to and used as such in this Annual Information Form or in other materials prepared by the Corporation. These trademarks are the subject of either registration, or application for registration, in various jurisdictions: AIMIA, AEROCORPORATE®, AÉROENTREPRISE®, AEROEXPRESS®, AEROGOLD®, AÉROHYPOTHÈQUE®, AEROMOVE®, AEROMORTGAGE®, AERONOTE®, AÉRONOTE®, AEROPLAN®, AÉROPLAN®, AEROPLAN ARRIVAL®, AEROPLAN PLUS®, AÉROPLAN PLUS®, AEROSERVICE®, AÉRO OR®, AIR MILES®, AIR MILES SHOPPING REWARDS and logo®, AIR MILES TRAVEL THE WORLD®, BEST OF EVERYTHING®, CLASSICFLIGHT®, CLASSICPLUS FLIGHT®, MCERTS™, NECTAR®, READY REWARDS®, RSx®, VOL CLASSIQUE® and VOL CLASSIQUEPLUS®.

Any other trademarks, or corporate, trade or domain names used in this Annual Information Form are the property of their owners. Our exclusive trademark rights are perpetual provided that their registrations are timely renewed and that the trademarks are used in commerce by us or our licensees. We take appropriate measures to protect, renew and defend our trademarks. We take great care not to infringe on the intellectual property and trademarks of others.

CORPORATE STRUCTURE

NAME, ADDRESS AND INCORPORATION

The Corporation was incorporated on May 5, 2008 under the CBCA. The Corporation is the successor to Aeroplan Income Fund following the completion of the reorganization of Aeroplan Income 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**"). As a result of the Arrangement, the holders of Units became the sole Shareholders of the Corporation which became the sole owner of all outstanding Units of Aeroplan Income Fund.

On December 29 and 30, 2008, the Corporation 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 the Reorganization, Aeroplan LP was liquidated and dissolved and Aeroplan Income Fund and Aeroplan Trust were wound-up.

On January 19, 2010, the Corporation's articles of incorporation were amended to create the Series 1 Preferred Shares (as hereinafter defined) and the Series 2 Preferred Shares (as hereinafter defined). See "Description of Capital Structure - Preferred Shares" for a summary of the material terms of the Series 1 Preferred Shares and the Series 2 Preferred Shares. On May 19, 2010, the Corporation's articles of incorporation were amended to grant voting rights, in certain limited circumstances, to holders of Preferred Shares.

On October 5, 2011, the Corporation started to conduct business under the new brand name Aimia. While the names and brand identities of our consumer-facing brands remain unchanged, our business-to-business brands LMG Insight & Communication and Carlson Marketing now operate under our new identity Aimia. The proxy circular for the Annual and Special Meeting of Shareholders to be held on May 4, 2012 will include a proposal to amend the Corporation's articles of incorporation to change its name to Aimia Inc.

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

INTERCORPORATE RELATIONSHIP

The table below shows Aimia's main Subsidiaries, where they are incorporated or registered, and the percentage of voting securities that Aimia beneficially owns or directly or indirectly exercises control or direction over. Aimia 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 for the year ended December 31, 2011. These other Subsidiaries together represented 20% or less of our total consolidated assets and 20% or less of our total consolidated operating revenues for the year ended December 31, 2011.

Subsidiary	Where Is it Incorporated or Registered	Percentage of Voting Securities that Aimia Holds at March 22, 2012
Aeroplan Canada	Canada	100%
Aimia EMEA Limited	England and Wales	100%
Aimia Proprietary Loyalty U.S. Inc.	Delaware	100%

GENERAL DEVELOPMENT OF THE BUSINESS

HISTORY

The Aeroplan Program was created in July 1984 as an incentive program for Air Canada's frequent flyer customers. Prior to 2002, Aeroplan's operations were integrated with those of Air Canada. In 2002, Air Canada created a separate entity to carry on the operations of the Aeroplan Program with a dedicated management team focused on the development of the Aeroplan Program.

On June 29, 2005, Aeroplan Income Fund completed the Initial Public Offering. The offering resulted in aggregate gross proceeds of $287,500,000 including proceeds from the exercise of the over-allotment option granted to the underwriters. The net proceeds of the Initial Public Offering were used to fund a portion of the Reserve.

As at December 31, 2005, following the completion of the Initial Public Offering and the exercise of the over-allotment option by the underwriters, Aeroplan Income Fund indirectly held 14.4% of Aeroplan LP and ACE Aviation Holdings Inc. held the remaining 85.6% of Aeroplan LP.

On the closing of the Initial Public Offering, Aeroplan Income Fund, Aeroplan Trust, ACE Aviation Holdings Inc., Aeroplan LP and Aeroplan Holding GP Inc. granted ACE Aviation Holdings Inc. the right to effectively liquidate all or any portion of its units of Aeroplan LP and common shares of Aeroplan Holding GP Inc. and to exchange all or any portion of its units of Aeroplan LP and common shares of Aeroplan Holding GP Inc. into Units.

From March 2006 to May 2008, ACE Aviation Holdings Inc. liquidated all of its interest in Aeroplan LP and Aeroplan Holding GP Inc. by way of special distributions to its shareholders or sales on the secondary market of Units.

On December 20, 2007, Aeroplan Income Fund completed the acquisition, for a total consideration of £355.1 million (Cdn.$715.4 million), of Loyalty Management Group Limited, a leading loyalty marketing and customer-driven insight and analytics 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) was placed in escrow as contingent consideration pending the outcome of the VAT litigation. At the time of the acquisition, Loyalty Management Group Limited was primarily engaged in the operation of multi-partner coalition loyalty programs and the provision of related analytical services to retailers and their suppliers.

On June 25, 2008, Aeroplan Income Fund and the Corporation completed the Arrangement providing for the reorganization of Aeroplan Income Fund's trust structure into a public corporation named "Groupe Aeroplan Inc.". As a result of the Arrangement, the holders of Units became the sole Shareholders of the Corporation, which became the sole owner of all outstanding Units.

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

On March 13, 2009, the Corporation filed a short form universal base shelf prospectus with the securities regulators in each of the provinces and territories of Canada qualifying the issuance from time to time over a period of 25 months of up to $1.0 billion of securities, which may consist of debentures, medium term notes, notes or other types of debt securities, Common Shares, Preferred Shares and convertible securities, which short form universal base shelf prospectus was amended and restated on March 26, 2009 and on April 8, 2011 (the "**Shelf Prospectus**").

On June 12, 2009, the Corporation concluded with a syndicate of lenders a renewal of its $650 million credit facilities, consisting of a term facility of $300 million and a revolving facility of $250 million, both maturing on April 23, 2012, and a bridge facility of $100 million, which was repaid with the proceeds of the 7.90% senior secured notes series 2, maturing on September 2, 2014 (the "**Series 2 Notes**"), which were issued on September 2, 2009. On December 7, 2009, the revolving facility was amended to increase the maximum borrowings under this facility from $250 million to $300 million. On January 26, 2010, a portion of the term facility was repaid with the proceeds generated from the issuance of the Series 3 Notes, with the authorized availability being reduced by the amount of the payment. On May 6, 2011, Aimia concluded an amendment to its credit facilities. The Corporation repaid $100 million outstanding under its term facility with funds drawn from its revolving facility and the term facility was terminated. The new secured credit facility, which now only consists of a revolving facility of $300 million, matures on April 23, 2014.

On November 3, 2009, the Corporation entered into an agreement with Carlson Companies, Inc. to purchase what was then known as the Carlson Marketing business ("**Carlson Marketing**"), a privately-owned, U.S.-based loyalty marketing services provider for a net purchase price of U.S.$175.3 million (Cdn$188.0 million), subject to certain working capital adjustments, which were estimated as of the closing date of December 7, 2009 at U.S.$76.0 million (Cdn$80.0 million) and later adjusted in January 2010 to reflect additional actual working capital amounts of U.S.$11.7 million (Cdn$12.1 million), which were paid in the first quarter of 2010.

Pursuant to the Shelf Prospectus and a prospectus supplement dated January 13, 2010, the Corporation issued on January 20, 2010 6,000,000 cumulative rate reset preferred shares, Series 1 (the "**Series 1 Preferred Shares**") for aggregate gross proceeds of $150,000,000. In addition, following the exercise by the underwriters of an over-allotment option, the Corporation issued an additional 900,000 Series 1 Preferred Shares on January 26, 2010, bringing the aggregate gross proceeds of the offering of Series 1 Preferred Shares to $172.4 million. The proceeds from the offering of the Series 1 Preferred Shares were used as follows: (i) $140 million to repay indebtedness under the revolving credit facility which was drawn to finance a portion of the acquisition of Carlson Marketing, and (ii) the balance for general corporate purposes. The Series 1 Preferred Shares are convertible, subject to certain conditions, into cumulative floating rate preferred shares, Series 2 (the "**Series 2 Preferred Shares**") on a one for one basis.

Pursuant to the Shelf Prospectus and a prospectus supplement dated January 21, 2010, the Corporation issued on January 26, 2010 $200 million of 6.95% senior secured notes Series 3 maturing on January 26, 2017 (the "**Series 3 Notes**"). The proceeds of the offering in the amount of $200 million were used to repay a portion of the amount outstanding under the Credit Facility.

On March 1, 2010, the Corporation launched Nectar Italia, the first independent coalition loyalty program uniting leading retailers in Italy.

On May 11, 2010, the Corporation received approval from the TSX and announced its intention to repurchase 5 million of its Common Shares during the period from May 14, 2010 to May 13, 2011, through a Normal Course Issuer Bid program (the "**NCIB**"). On August 11, 2010, the Corporation received approval from the TSX to increase the number of Common Shares that may be repurchased under the NCIB from 5 million to 19,983,631 Common Shares. On May 12, 2011, the Corporation received approval from the TSX and announced the renewal of its NCIB to repurchase up to 18,001,792 of its issued and outstanding common shares during the period from May 16, 2011 to May 13, 2012. As of December 31, 2011, the Corporation repurchased and cancelled 26,246,431 Common Shares under the NCIB.

In August of 2010, Aimia extended its business operations to South America with Nectar Chile. Nectar Chile is operated by Cencosud, one of the largest retail groups in South America, through a licensing and royalty agreement under which Aimia provides Cencosud with the Nectar brand, program design, technological backbone and loyalty management services.

On September 13, 2010, the Corporation acquired an initial participation in Premier Loyalty and Marketing, S.A.P.I. de C.V. ("**PLM**"), for cash consideration of US$23.3 million (Cdn$24.1 million) including transaction costs of US$1.3 million (Cdn$1.4 million). On February 28, 2011, following the signature of the co-branded credit card agreement between PLM, Grupo Aeromexico, S.A.B. de C.V. ("**Aeromexico**") and Grupo Financiero Banamex, the leading financial group in Mexico, the Corporation completed the second tranche of its investment in PLM of US$11.8 million (Cdn$11.5 million). PLM is the owner and operator of Club Premier, Mexico's leading coalition loyalty program.

On May 17, 2011, Aimia entered into an agreement with Tata Capital Limited ("**Tata Capital**") pursuant to which they agreed to join forces for the launch of a multi-party coalition loyalty program in India which will leverage the brand, scale and reach of the Tata group of companies.

On September 8, 2011, Aimia acquired a minority participation in Cardlytics, Inc. ("**Cardlytics**"), a US-based private company operating in merchant-funded transaction-driven marketing for electronic banking, for cash consideration of US$23.4 million ($23.0 million), and entered into a long-term global strategic alliance with Cardlytics to offer the Cardlytics transaction-driven marketing solution to international markets outside the U.S.

On October 5, 2011, the Corporation started to conduct business under the new brand name Aimia. While the names and brand identities of our consumer-facing brands remain unchanged, our business-to-business brands LMG Insight & Communication and Carlson Marketing now operate under our new identity Aimia. The proxy circular for the Annual and Special Meeting of Shareholders to be held on May 4, 2012 will include a proposal to amend the Corporation's articles of incorporation to change its name to Aimia Inc.

On November 8, 2011, Aimia and Multiplus S.A. ("**Muliplus**"), Brazil's leading loyalty network, entered into an agreement pursuant to which they agreed to join forces to create a new loyalty marketing services company in Brazil. The joint venture, which will focus on the design, development, management of, and value creation from data analytics and insight for, third party loyalty and incentive programs, will be owned in equal share participations by each of Aimia and Multiplus.

THE BUSINESS

THE AIMIA BUSINESS

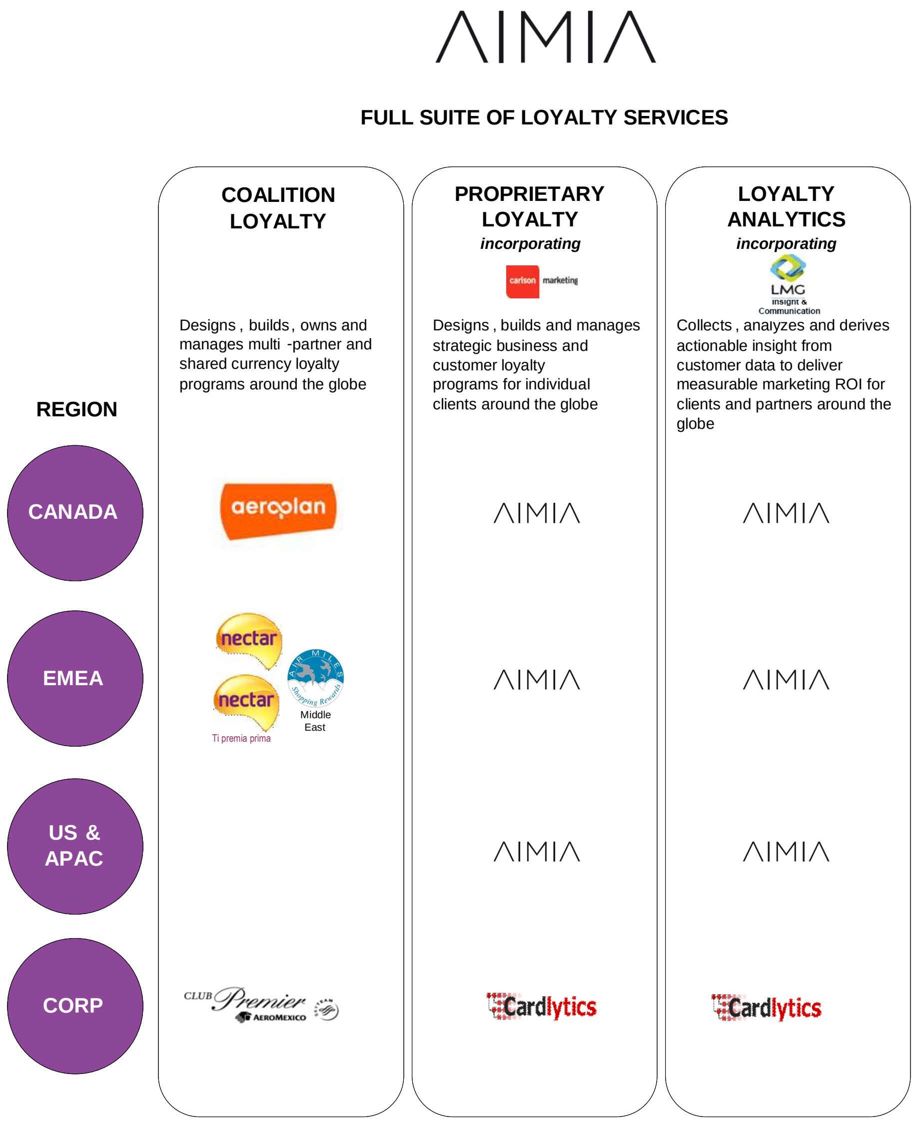
Overview

Aimia, a global leader in loyalty management, through its subsidiaries, operates in three regional business segments, each of which has its own executive leadership team: Canada, the United States and Asia-Pacific ("**US & APAC**") and Europe, Middle-East and Africa ("**EMEA**"). Our regional structure ensures that our business leaders remain close to our clients, partners and investors, while our loyalty service streams allow us to innovate, share best practices and collaborate on client solutions across all regions and around the globe. Aimia's strategic vision is to offer its full suite of loyalty services in each region, including coalition loyalty, proprietary loyalty and loyalty analytics.

In Canada, Aimia owns and operates the Aeroplan Program, Canada's premier coalition loyalty program. In EMEA, Aimia owns and operates Nectar, the United Kingdom's largest coalition loyalty program, Air Miles Middle East, the leading coalition loyalty program in the UAE, through a 60% ownership interest, and Nectar Italia, Italy's largest coalition loyalty program, through a 75% participation. Aimia's EMEA segment also provides insight and data analytics services in the UK and internationally to retailers and their suppliers, through its Intelligent Shopper Solutions services ("**ISS**") (formerly LMG Insight & Communication or I&C). In each of the regions, Aimia provides proprietary loyalty program design, launch and operation services to its clients (formerly offered under the Carlson Marketing name). In addition, Aimia's loyalty analytics services also leverage the expertise developed by Carlson Marketing's decision sciences group, and develops analytical tools to provide services to clients globally to collect, analyze and derive actionable insight from their customer data which is used to improve marketing return-on-investment.

Aimia also holds a 29% interest in, and jointly controls with Aeromexico, PLM, owner and operator of Club Premier, a Mexican coalition loyalty program, and a minority interest in Cardlytics, a US-based private company operating in merchant-funded transaction-driven marketing for electronic banking.

Our strategic vision is to deploy our full suite of loyalty services across all industries, geographies and channels. Through our coalition loyalty programs, we share long-term trusted relationships with millions of consumers around the world. We build and run loyalty programs for ourselves and for some of the world's best brands. Customer data is at the heart of what we do. The following chart illustrates Aimia's regional reporting structure and full suite of loyalty services as at March 22, 2012:



Note:

- *The chart above does not reflect the actual corporate structure of Aimia but rather reflects Aimia's operational structure. Please refer to the section entitled "Corporate Structure − Intercorporate Relationship" for a description of the corporate structure of Aimia.*
- *As at March 22, 2012 Aimia owned 75% of Nectar Italia, 60% of Air Miles Middle East, 29% of Club Premier and a minority interest in Cardlytics. All other businesses listed above are owned 100% by Aimia.*
- *Proprietary loyalty incorporates Carlson Marketing's global loyalty marketing services.*
- *Loyalty analytics incorporates the Intelligent Shopper Solutions (ISS) services (formerly known as LMG Insight & Communication (I&C)) and Carlson Marketing's decision sciences group.*
- *Through its strategic alliance, Aimia works with Cardlytics to offer merchant-funded loyalty services for electronic banking in each of our regions other than the U.S.*

Strategy

Aimia's vision is to be recognized as the global leader in loyalty management by offering the full-suite of loyalty management services across our coalition, proprietary and analytics businesses. Our proven expertise in building proprietary loyalty strategies, launching and managing coalition loyalty programs, creating value through loyalty analytics and driving innovation in the emerging digital and mobile spaces is the foundation to our strategy. We build and run loyalty programs for ourselves and for some of the world's best brands. Customer data is at the heart of everything we do.

Our ability to execute this strategy is grounded in our depth of people, our technology and our operational expertise. As owner-operators in the loyalty industry we have developed advanced technology platforms and operational experience which we leverage to grow profitability for our partners and clients. Aimia's goal is to increase profitability by offering this full suite of services on a global basis.

Our strategy and full suite model is delivered through the three loyalty service streams outlined below.

Coalition Loyalty

Aimia’s coalition loyalty experts build value for existing coalition partners, launch greenfield coalitions, help legacy programs spin off into multi-partner coalitions and deploy the full suite of loyalty services for coalition partners.

Proprietary Loyalty

Aimia’s proprietary loyalty service experts design, launch and operate new client programs, re-launch, refresh and operate existing client programs and bring our digital, mobile and analytical expertise to bear on behalf of clients.

Loyalty Analytics

Aimia’s loyalty analytics provides cutting-edge data analytics for coalition and proprietary clients, derive insight from program, SKU-level, third-party and other data sources and uses data to deliver unparalleled marketing ROI, transform the customer experience and build loyalty.

Aimia's strategy is executed through the following initiatives:

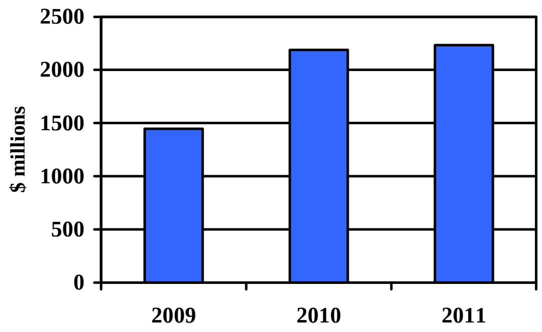
- enhancing the value proposition to our partners and clients;
- increasing member engagement in the loyalty programs we own and operate by providing new accumulation opportunities and offering a wider range of redemption opportunities;
- assisting our clients in managing and evolving their proprietary loyalty programs to maximize the impact on their businesses;
- offering loyalty management services and applications that span across coalition and third-party proprietary models, from strategy to execution to optimization; and
- assisting our clients to gain unparalleled insight into consumer shopping trends from analysis of product and customer information to help them make strategic decisions.

Financial Highlights

For the year ended December 31, 2011, Aimia generated Gross Billings of $2,233 million. Aimia's top three Accumulation Partners were responsible for 49% of Gross Billings for the year ended December 31, 2011.

The following chart illustrates Gross Billings generated by Aimia for the years ended December 31, 2009, 2010 and 2011.

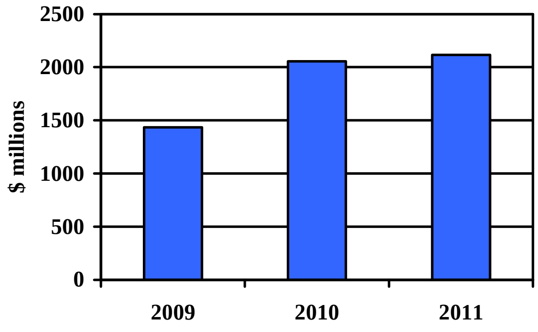
Gross billings [1]



(1) 2010 includes the positive effect of a $17.4 million adjustment, as a result of a reclassification of deferred revenue amounts previously included in customer deposits.

Reported amounts for Aimia's total revenue for the years ended December 31, 2009, 2010 and 2011 were $1,437 million, $2,056 million and $2,116 million, respectively. The following chart illustrates Aimia's total revenue for the years ended December 31, 2009, 2010 and 2011.

Aimia's Total Revenue [1][2]



(1) 2011, net of the impact of the adjustments to the Breakage estimates which reduced revenue by $136.0 million, with $113.3 million being attributable to prior years and $22.7 million to 2011.

(2) 2011 and 2010 are reported under IFRS; 2009 is reported under former Canadian GAAP.

Reported amounts for Aimia's operating income for the years ended December 31, 2009, 2010 and 2011, were $163.8 million, $95.6 million and $41.0 million, respectively. Reported amounts for Aimia's net earnings (loss) for the years ended December 31, 2009, 2010 and 2011, were $89.3 million, $8.3 million and $(77.0) million, respectively. Reported amounts for Aimia's operating income and net earnings are reported under IFRS for 2011 and 2010 and are reported under previous Canadian GAAP for 2009.

2011 operating income and net earnings were reduced by the impact of the adjustments to the Breakage estimates amounting to $136.0 million. 2011 operating income and net earnings were also negatively impacted by a goodwill impairment charge related to our US proprietary loyalty cash-generating unit amounting to $53.9 million and $49.4 million ($53.9 million, net of a tax recovery of $4.5 million), respectively. 2011 net earnings also include the effect of an interest expense recognized as a result of the ECJ VAT Judgment amounting to $4.4 million (£2.8 million).

2010 operating income and net earnings include the non-comparable effect of a $17.4 million (£10.9 million) net charge to earnings recognized as a result of the ECJ VAT Judgment. Of this amount, $53.1 million (£33.4 million), representing input tax credits attributable to the period from 2002 to 2009, was charged to cost of rewards and $1.6 million (£1.0 million) to operating expenses. Operating expenses were also reduced by the reversal of a provision of $7.2 million (£4.5 million) payable to certain employees in the event of a favourable VAT outcome and by the release of the contingent consideration of $30.1 million (£19.0 million) related to the LMG acquisition following the unfavourable ECJ VAT Judgment.

2010 net earnings also include the effect of an interest expense recognized as a result of the ECJ VAT Judgment amounting to $7.2 million (£4.5 million). See "Legal Proceedings and Regulatory Actions – VAT Appeal".

2009 operating income and net earnings do not include any effect related to the ECJ VAT Judgment.

For the year ended December 31, 2011, Air Canada and two other major Accumulation Partners accounted for a significant percentage of Gross Billings. Since Aimia's revenues are recognized based on redemptions by members as opposed to the issuance of Loyalty Units to members by the Accumulation Partners, the information on major customers is based on the Gross Billings issued through each Accumulation Partner to members. Gross Billings for each Accumulation Partner represent the contracted amounts invoiced to Accumulation Partners during each period. Air Canada and the other major Accumulation Partners accounted for significant issuance of Gross Billings as follows:

Accumulation Partner	**Year Ended December 31, 2011**	**Year Ended December 31, 2010**
Air Canada	12%	12%
Accumulation Partner A	25%	25%
Accumulation Partner B	12%	11%

Air Canada, including other Star Alliance partners, is Aimia's largest Redemption Partner. The cost of rewards provided by Air Canada (and other Star Alliance Partners) as a percentage of total rewards and direct costs represented 40% for the year ended December 31, 2011 compared to 37% for the year ended December 31, 2010.

Segmented Information

At December 31, 2011, Aimia had three operating segments: Canada, EMEA and US & APAC. The table below summarizes the relevant Gross Billings, revenue and intangible assets information by segment:

(in thousands of Canadian dollars)	Year ended December 31,											
	2011 (1)	2010 (1)	2009 (2)	2011 (1)	2010 (1)	2009 (2)	2011 (1)	2010 (1)	2009 (2)	2011 (1)	2010 (1)	2009 (2)
Operating segments	**Canada**			**EMEA**			**US & APAC**			**Consolidated**		
Gross Billings	1,299,492	1,248,569	1,046,571	571,012	502,879	400,751	362,722	436,305	-	2,233,226	2,187,753	1,447,322
Gross Billings from the sale of Loyalty Units	1,078,504	1,033,223	993,295	482,297	424,528	369,715	-	-	-	1,560,801	1,457,751	1,363,010
Revenue from Loyalty Units	1,102,463	956,412	967,590	331,284 (3)	396,390	384,937	-	-	-	1,433,747 (3)	1,352,802	1,352,527
Revenue from proprietary loyalty services	177,695	157,315	-	25,057	32,611	-	364,506	420,654	-	567,258	610,580	-
Other revenue	49,714	49,266	53,276	65,186	43,587	31,036	-	-	-	114,900	92,853	84,312
Total revenue	1,329,872	1,162,993	1,020,866	421,527 (3)	472,588	415,973	364,506	420,654	-	2,115,905 (3)	2,056,235	1,436,839
Software and technology (4)	70,817	74,158	87,512	21,897	21,050	23,567	10,730	16,031	2,539	103,444	111,239	113,618
Trade names (5)	275,000	275,000	275,000	114,012	111,948	122,087	-	-	-	389,012	386,948	397,087
Accumulation Partners' contracts and customer relationships (6)	1,212,137	1,280,960	1,349,783	36,230	39,951	47,904	16,257	17,510	20,311	1,264,624	1,338,421	1,417,998
Other intangibles (7)	3,124	4,752	9,003	-	-	-	1,702	4,952	7,277	4,826	9,704	16,280
Goodwill (8)	1,691,730	1,691,730	1,699,062	280,576	275,418	299,591	13,297 (9)	65,717	69,444	1,985,603 (9)	2,032,865	2,068,097

(1) Reported under IFRS.

(2) Reported under previous Canadian GAAP.

(3) Includes the impact of the adjustments to the Breakage estimates related to the Nectar and Air Miles Middle East programs, which resulted in a reduction of $136.0 million to revenue from Loyalty Units, with $113.3 million being attributable to prior years and $22.7 million to the 2011 year. Of the total adjustment, $95.2 million is attributable to the Nectar program and $40.8 million to the Air Miles Middle East program.

(4) Software and technology are recorded at cost and amortized using the straight-line method over 3 to 7 years.

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

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

(7) Other intangibles, which include the rights to use the Carlson Marketing trade name (fully amortized at December 31, 2011) and non-competition restrictions agreed to by the vendor, pursuant to the acquisition agreement, are recorded at cost and are amortized using the straight-line method over their estimated lives, 3 - 5 years.

(8) 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.

(9) A goodwill impairment charge amounting to $53.9 million related to our US Proprietary Loyalty cash-generating unit was recognized during the year ended December 31, 2011.

FULL SUITE OF SERVICES

Aimia delivers leading-edge design, customer management and analytics services. Data is at the heart of what we do. Aimia's strategic vision is to offer the full suite of services in each of its operating segments through three loyalty service streams: coalition loyalty, proprietary loyalty and loyalty analytics.

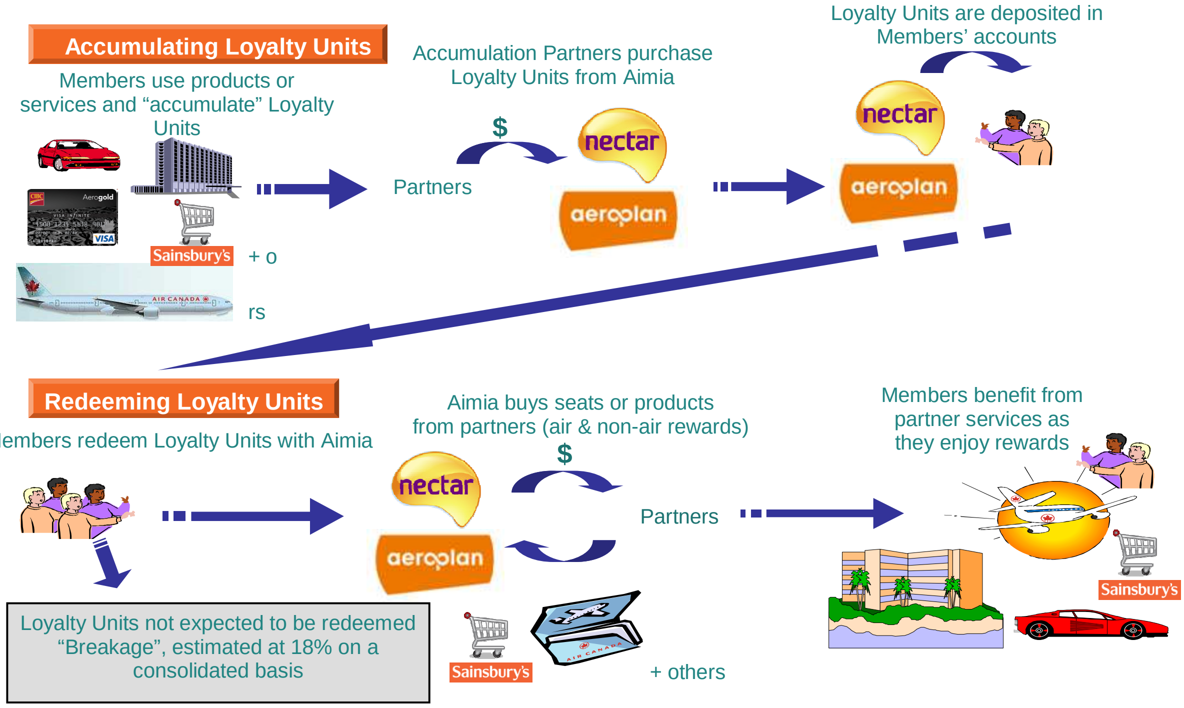
COALITION LOYALTY

Overview

Aimia's coalition loyalty experts build value for existing coalition partners, launch greenfield coalitions, help legacy programs spin off into multi-partner coalitions and deploy the full suite of loyalty services for coalition partners.

Aimia owns and operates the Aeroplan Program in Canada and the Nectar Program in the United Kingdom. We also own a 60% interest in RMMEL, which manages the Air Miles Middle East coalition loyalty program in the United Arab Emirates. We have a 75% ownership interest in Nectar Italia and a 29% ownership interest in PLM, owner and operator of Club Premier, Mexico’s leading coalition loyalty program. In Chile, we provide Cencosud, one of the largest retail groups in South America, with a license for the use of the Nectar brand, program design, technological backbone and loyalty management services for its coalition loyalty program.

As a coalition loyalty owner and operator, we are responsible for establishing relationships with Commercial Partners, issuing the applicable loyalty units, and have responsibility for the programs in terms of funding any required reserve, owning the redemption liability and managing and earning Breakage. In general terms, Aimia's coalition loyalty business is based on two major streams of activity: (i) the sale of Loyalty Units and related marketing services to Accumulation Partners; and (ii) delivering rewards to members through the purchase of rewards or shopping discounts from its Redemption Partners.



Aimia derives its Gross Billings from the sale of Loyalty Units and marketing services to its Accumulation Partners. The marketing services consist primarily of advertising and promotion related services.

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

The gross proceeds received by Aimia at the time of sale of Loyalty Units to its partners, known as Gross Billings from the sale of Loyalty Units, are deferred and recognized as revenue upon the redemption of Loyalty Units for GAAP purposes. Upon the redemption of Loyalty Units, Aimia purchases airline seats, shopping discounts or other products or services in order to deliver the reward chosen by the member. At such time, Aimia incurs and recognizes an expense equal to the cost of the reward, and the deferred revenue related to the Loyalty Units being redeemed is recognized as earned revenue from the sale of Loyalty Units. The other significant expenses incurred by Aimia in relation to the operation of coalition loyalty programs include contact centre expenses, information technology costs and selling and administrative expenses.

Based upon past experience, Management anticipates that a number of Loyalty Units issued will never be redeemed by members. This is known as Breakage. By its nature, Breakage is subject to estimates and judgment. Revenue recognized per Loyalty Unit redeemed is calculated, on a weighted average basis, separately for each coalition loyalty program owned by the Corporation. The amount of revenue recognized related to Breakage is based on the number of Loyalty Units redeemed in a period in relation to the total number expected to be redeemed, which factors in the Corporation's estimate for Breakage. 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. 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 is used by Aimia to estimate and monitor the appropriate Breakage estimates of the different programs it operates on a regular basis. Should events or changes in circumstances indicate that the Breakage estimate may not be appropriate, Aimia will consult an independent expert to validate the robustness of the Breakage tool. Based on the results of the application of the model in 2011 and taking into account renewed and extended agreements with anchor sponsors Sainsbury's and HSBC, and related expert review, incorporating the adjustments to the Breakage rates applicable to the respective programs operated by each of the reporting units, the consolidated weighted average Breakage estimate as at December 31, 2011 is 18% (2010: 21%).

The issuance and redemption of Loyalty Units 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.

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

Once members have accumulated a sufficient number of Loyalty Units, members are entitled to redeem their Loyalty Units for shopping discounts or from reward portfolios offered through Aimia's various Redemption Partners.

In addition to Gross Billings from the sale of Loyalty Units, Aeroplan Canada derives service fees from the management by Aeroplan Canada of Air Canada's tier membership program for its most frequent flyers. Aeroplan Canada also collects various fees that may be charged to members upon redemption of Aeroplan Miles, including booking, service and administrative fees.

Service fees are also charged for the sale of marketing services to Aeroplan's and Nectar's partners.

In addition, Aimia owns certain rights, trademark, know-how and other intellectual property of the Air Miles brand and receives royalty income from these assets.

Aeroplan

Overview

The Aeroplan Program is one of Canada's longest standing loyalty programs. 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 4.6 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 Aeroplan's Gross Billings. Once members have accumulated a sufficient number of Aeroplan Miles, they can redeem their 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 member's desired reward.

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 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. In 2010, CIBC launched CIBC Bonus Rewards, a new suite of benefits on the Aerogold and Aerogold Infinite Cards expanding opportunities for cardholders to earn double and triple Aeroplan Miles for purchases with select merchants in the restaurant, hotel/inn/spa, golf and fashion and accessory categories.

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 800 existing specialty, merchandise, gift card 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. 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 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 Air LP 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 has signed major, nationally recognized retail brand name partners such as Home Hardware, Imperial Oil (Esso), Rexall, 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 enables members of the Aeroplan Program to earn Aeroplan Miles on groceries at Sobeys stores in certain provinces and, in 2009, this partnership was extended to include Thrifty Foods stores in British Columbia.

Also launched in 2008, Aeroplan eStore is an online shopping portal that allows members to earn Aeroplan Miles as they shop online from over 150 top-brand retailers in 11 different product categories.

In 2009, Aeroplan entered into a multi-year agreement with Katz Group Canada Inc. that enables members of the Aeroplan Program to earn Aeroplan Miles on purchases at Rexall and Rexall Pharma Plus stores in Western Canada, Thunder Bay, Ontario and the Northwest Territories.

In 2010, Aeroplan implemented a new flight search technology which opens up more availability to Air Canada and Star Alliance inventory by optimizing connection points across the various airline schedules and cities that they serve.

In 2011, Aeroplan announced the addition of Ethiopian Airlines to the Star Alliance group, bringing the total number of airline partners to 32.

Also in 2011, Aeroplan introduced its new brand platform “Welcome to the Club”, bringing a much greater degree of focus to the industry leading value and benefits Aeroplan offers its members. The new brand promise is to *bring the best things in life closer*.

Today, Aeroplan's millions of members earn Aeroplan Miles with its growing network of over 75 world-class partners, representing more than 150 brands in the financial, retail and travel industries.

Aeroplan Initiatives

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

(i) Member Services

Aeroplan's customer service levels meet and frequently exceed industry standards in its comparative groups. Aeroplan's ClassicPlus Flight Rewards were introduced and made available 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 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 150 online retailers in 13 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. In 2010, the online air rewards booking tool was upgraded to display to members increased and better-quality Star Alliance flight reward options for international destinations, offering greater access to the Star Alliance member airlines. This provides an increased number of Star Alliance round-trip flight options, a greater variety of flight connection points and more airports available online. Aeroplan also enhanced the design of its calendar making it easier for members to browse all of their flight reward availability results at a glance.

Since May 2002, Aeroplan has experienced growth in the adoption and use of its website which in 2011 accounted for about 72.5% of air travel bookings and about 81.6% of all rewards booked (including non-air rewards). Overall, Aeroplan issued nearly 1.9 million rewards through its website in 2011.

In addition to the development of its contact centres and the 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.

(ii) Increasing Gross Billings from Credit and Charge Card Partners

In April 2003, Air Canada renegotiated its long-term agreement with CIBC, the operator of one of Canada's largest retail card franchises and 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. 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 consumer and corporate card products and the inclusion of Aeroplan in AMEX's Membership Rewards program in Canada and the U.S.

(iii) 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 Air LP 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 1,000 destinations worldwide.

With the introduction of ClassicPlus Flight Rewards, the ClassicFlight Reward grid was not changed. ClassicFlight Rewards are made available through the supply of 8% of Air Canada and Jazz Air LP 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.

(iv) 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 Home Hardware, Imperial Oil (Esso), Rexall, 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 their opportunity to accumulate 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 2011, Aeroplan entered into new partner relationships, renewed partnership agreements with existing partners and further expanded its partner base in retail and airline industries:

- Aeroplan renewed its agreement with Imperial Oil;
- Aeroplan renewed its agreement with Home Hardware;
- Aeroplan signed and launched a multi year agreement with Vedi, a group of eye care industry veterans that develop marketing programs and solutions exclusively for the independent eye care practitioner. This agreement will allow Aeroplan Members to earn Aeroplan Miles through qualifying activities at more than 350 select independent eye care practitioners across Canada;
- Aeroplan entered into a new multi year agreement with its existing promotional partner Costco; and
- Aeroplan added Ethiopian Airlines to its roster of travel partners, bringing the total number of airline partners to 32.

(v) Diversifying Reward Portfolio

As part of its continuing strategy to expand and diversify reward opportunities for its members, Aeroplan has added many new rewards to its non-air reward portfolio which by year-end offered over 800 such rewards to members for redemption. 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 members can also donate Miles to the Beyond Miles charity of their choice or create an account for their own local charity, thereby putting Miles to work in their community. Aeroplan's online booking engine was further expanded to include hotel rewards from Best Western, Starwood hotels including Sheraton, Westin, Meridien, and W Hotels, Delta Hotels and Resorts as well as Fairmont Hotels & Resorts' Canadian properties. Member response has been consistently positive to the increasing choice and value that non-air rewards provide.

The Star Alliance Upgrade Awards product was delivered in 2010. This new product leverages Star Alliance technology to enable Aeroplan members to use their Miles to upgrade certain revenue fares to higher classes of service (for example, economy class upgrade to business class) on Air Canada and most Star Alliance carriers.

One-Way Classic flight Rewards were also made available in 2010 to offer Aeroplan Members more flexibility in their travel plans.

In 2010, Aeroplan implemented a new flight search technology which opens up more availability to Air Canada and Star Alliance inventory by optimizing connection points across the various airline schedules and cities that they serve.

Air travel remains the most popular reward among members, representing approximately 66% of all rewards claimed by Aeroplan members in 2011.

(vi) Retail Ghost Cards

In early November, 2006, Aeroplan launched ghost cards with its pharmacy partner Uniprix, with over 190 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 accumulate 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 800,000 new members through this channel. Ghost cards are now distributed at Uniprix, Home Hardware, Rexall, Esso as well as certain other Aeroplan travel and retail partners.

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:

- financial services, including credit and charge cards;
- airlines; and
- retail and other.

(i) 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 from their credit card and other spending. In exchange, 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 at the end of 2013 with renewal provisions. CIBC is one of the market leaders in premium credit card issuers in Canada based on purchase volumes and outstanding balances.

Aeroplan's association with CIBC started in 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 Visa Infinite Card, a premium Visa card 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 from their card spending. In exchange, Aeroplan receives Gross Billings 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 at the beginning of 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. Bank of America operates its own points program called WorldPoints that allows participants who are residents of the United States to convert WorldPoints into Aeroplan Miles.

(ii) Airlines

The airline category is comprised of 32 partners, most notably Air Canada, Jazz Air LP and other Star Alliance member airlines.

Air Canada. Air Canada, Canada's largest domestic and international full-service airline, is one of 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 Air LP. Please see the section "The Business — Coalition Loyalty — Aeroplan — 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 2012, the following 28 airlines: Adria Airways, Aegean Airlines, Air Canada, Air China, Air New Zealand, ANA, Asiana Airlines, Austrian, Blue 1, bmi, Brussels Airlines, Croatia Airlines, EGYPTAIR, Ethiopian Airlines, LOT Polish Airlines, Lufthansa, Scandinavian Airlines, Singapore Airlines, South African Airways, SWISS, TAM, TAP Portugal, THAI, Turkish Airlines, United and US Airways.

Regional Airlines. Aeroplan members can also accumulate Aeroplan Miles for travel on flights operated by the following independent Canadian regional airlines: Canadian North, Air Creebec, First Air, Bearskin Airlines and Calm Air.

(iii) Retail and Other

Cars and Hotels. Car rental companies Avis and Hertz and many of the leading Canadian and internationally recognized hotel companies, including Starwood, Fairmont, Delta and Hilton Hotels, participate in 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 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 150 top-branded retailers in 11 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 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. In 2009, the partnership between Aeroplan and Sobeys was extended to include Thrifty Foods stores in British Columbia.

In 2009, Aeroplan entered into a multi-year agreement with Katz Group Canada Inc. that enables members of the Aeroplan Program to earn Aeroplan Miles on purchases at Rexall and Rexall Pharma Plus stores in Western Canada, Thunder Bay, Ontario and the Northwest Territories.

Other partners in this category include Costco, Direct Energy, Uniprix and Vedi.

Members

(i) Membership

The Aeroplan Program currently has over 4.6 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.

(ii) Communications to Members

In 2006, the implementation of automated marketing management tools increased Aeroplan's capacity to accommodate the communication needs of its growing list of Commercial Partners. The evolution of Aeroplan's member communication has since continued with additional enhancements designed to improve the marketing effectiveness of existing communication vehicles and the introduction of new vehicles, including new trigger-based emails deployed based on specific member behavior. Over 3 million members now receive newsletters and partner information from Aeroplan by electronic mail. In 2010, Aeroplan added Facebook, Twitter and an Aeroplan blog to its member communications channels. These are managed by a community manager who is responsible for monitoring and engaging in online discussions about Aeroplan.

(iii) 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 individuals' privacy. Aeroplan's privacy policy is designed to meet or exceed the requirements of Canadian privacy law, including the Federal PIPEDA, and the principles set forth in the Canadian *National Standard for the Protection of Personal Information* (CAN/CSA- Q830-96). The Corporation's Code of Ethics and Business Conduct reinforces its commitment to protecting privacy. The Corporation's investment in this regard contributes to building corporate trust, its reputation and brand.

Operations

(i) 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 insights derived from the segmentation model 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 communications are: (i) to increase members' spending and accumulation of Aeroplan Miles with a 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, as well as Aeroplan's Internet site 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.

(ii) 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 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 receives extensive training upon joining Aeroplan and on an ongoing basis. The centres are managed by a team of contact centre managers who are accountable for performance and continued productivity improvements.

The centres handle approximately 2.7 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 fulfilment, including ticketing and account crediting.

Aeroplan's Website: aeroplan.com. Aeroplan's website accounts for about 66% of all air travel rewards issued by Aeroplan. It also accounts for all non-air travel rewards issued. Over the last years, major investments in Aeroplan's Internet site have allowed Aeroplan to offer a self-service alternative to members and to optimize communications to members. 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 aeroplan.com. The number of visits to aeroplan.com was over 33 million in 2011.

(iii) Systems and Infrastructure

With the new Canadian regional shared services structure in place, Aeroplan receives technology services from the Aimia’s Canadian technology organization. All systems and infrastructure are and will continue to be designed to safeguard and protect Aeroplan's members' data from unauthorized access, use or disclosure.

aeroplan.com. The leading edge technology on aeroplan.com allows Members to perform self-serve transactions. Members can book flight rewards, make car and hotel reservations, book activities or acquire merchandise. It also allows Members to look at their current account balance and latest transactions. Members can also accumulate Aeroplan Miles by purchasing items through the e-store. The system has been designed internally and is seen as a leading example in loyalty management self-service.

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.

Business Intelligence (BI) Infrastructure. Aeroplan's business intelligence system 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.

Long-Term Strategic Relationship with Air Canada

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 Air LP 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 (the "**Database Agreement**"); (iii) an Amended and Restated Master Services Agreement dated May 13, 2005 (the "**MSA**"); and (iv) Trademark License Agreements dated May 13, 2005 and November 23, 2006 (the "**Trademark License Agreements**").

(i) 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 Air LP, and certain other air carriers under the "AC" code at a fixed rate per mile flown. 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. On August 4, 2010, as provided for in the existing CPSA, Aeroplan and Air Canada reached agreement relating to fixed capacity redemption rates to be paid by Aeroplan in connection with airline seat redemptions for the period beginning January 1, 2011 through to December 31, 2013. The outcome falls within the pre-established contractual parameters and is in line with Aeroplan's business expectations.

Aeroplan has access to unlimited seat capacity on AC Flights with the ClassicPlus Flight Rewards product. In addition, 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 purchaser of Air Canada's seat inventory. These arrangements allow 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 Aimia.

Pursuant to the CPSA, Aeroplan is required to purchase annually a minimum number of reward travel seats on AC Flights, representing 85% of the average number of seats utilized in the three preceding calendar years. Based on the three years ended December 31, 2011, Aeroplan is required to purchase reward travel seats amounting to approximately $429.2 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 2012 is $221.4 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 Aeroplan can have, as Commercial Partners, certain transportation companies such as car rental, rail and bus companies and cruise ship lines with Air Canada's prior approval (not to be unreasonably withheld). This exclusivity provision ceases 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 Air LP (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 Star Alliance partners who have agreed to give Aeroplan reciprocal access and certain time-limited 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 Air LP (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.

Under the CPSA, Air Canada retained responsibility for the cost of the redemption of air rewards of up to a maximum of 112.4 billion Aeroplan Miles accumulated by members up to December 31, 2001. Aeroplan assumed responsibility for Aeroplan Miles issued beginning January 1, 2002. The full 112.4 billion Aeroplan Miles were redeemed. As a result, Aeroplan is required to honour any obligation resulting from the redemption of Aeroplan Miles issued prior to January 1, 2002.

On August 4, 2010, as provided in the CPSA, Aeroplan and Air Canada reached agreement relating to fixed capacity redemption rates to be paid by Aeroplan in connection with airline seat redemptions for the period beginning January 1, 2011 through to December 31, 2013. The outcome falls within the pre-established contractual parameters and is in line with Aeroplan's business expectations.

(ii) 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 2011, 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.

(iii) 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 2011, 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.

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.

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

At the end of the year 2011, Aeroplan had transferred all of its management information systems from Air Canada’s network and is currently finalizing the implementation of a separate telephone system for call centers and management personnel purposes. As such, the plan is to operate completely independently from Air Canada’s technology infrastructure by the end of 2012.

(iv) 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.

(v) 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.

(vi) GSA

On May 13, 2005, Aeroplan and Air Canada entered into a general services agreement (the "**GSA**"), pursuant to which the services of the contact centre agents, who were employed by Air Canada, were rendered to Aeroplan. In June, 2009, Aeroplan terminated the GSA in accordance with its terms, and certain contact centre agents were transferred to Aeroplan. The transfer of 805 contact centre employees to Aeroplan was fully effected on June 14, 2009, and CAW Local 2002 was confirmed as their bargaining agent.

As part of the transfer of the employees, Aeroplan agreed to recognize the transferred employees' seniority and assume any excess pension obligation arising from the accumulation of service years post termination with Air Canada until retirement from Aeroplan. This past service cost obligation and other employee future benefits have been estimated at $13.9 million and $8.9 million, respectively, based on an actuarial valuation dated December 31, 2009, and are amortized over the vesting period.

As a result of the termination of the GSA, all obligations under the agreement, including the special payments in respect of pension plans in which the assigned employees under the GSA participated, have ceased.

Aeroplan has determined, supported by independent legal counsel, that it does not have to assume Air Canada's existing pension liability to the transferred employees, and that it remains the responsibility of Air Canada. Air Canada has notified Aeroplan that it disagrees with Aeroplan's position. The outcome of the resolution of this disagreement is unknown at this time and no amount has been quantified. Accordingly, no provision for a liability has been recorded in Aimia's financial statements.

(vii) Air Canada Warrants

In connection with the credit agreement that was entered into by Aeroplan Canada, Air Canada and other parties on July 29, 2009, Air Canada issued the lenders, including Aeroplan Canada, warrants to purchase Air Canada Class A or Class B variable voting shares. Aeroplan Canada received 1,250,000 warrants with an exercise price of $1.51 each and 1,250,000 warrants with an exercise price of $1.44 each, in each case exercisable at any time and expiring four years from the date of grant.

The total fair value of the 2,500,000 warrants amounted to $0.3 million at December 31, 2011.

Nectar Program

The Nectar Program is the United Kingdom's largest coalition loyalty program. It was launched in September 2002 and enables its over 18.5 million active members as at March 22, 2012 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, British Gas, Expedia, Inc., Ford, Homebase 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.

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 loyalty landscape consisted primarily of proprietary 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 maximize 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 analyze 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 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 14 market leading Accumulation Partners. Current Accumulation Partners include household names such as American Express, BP, British Gas, Expedia, Inc., Ford, Homebase and Sainsbury's, many of whom have 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 emerged as the United Kingdom's largest coalition loyalty program with over 18.5 million active members as at March 22, 2012. 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 four 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 2011 was over 4.4 million and, since the launch of Nectar e-Stores, over 1.27 million members have purchased through Nectar e-Stores.

On August 16, 2010 the Nectar iPhone app was launched enabling Nectar members to view and opt into offers from Nectar Accumulation Partners and offers from FMCGs. Over 350,000 members have downloaded the Nectar app and over 80 campaigns have been featured thereon.

On September 29, 2010, Aimia announced that British Gas, the UK’s leading energy company, providing gas electricity, home repair and energy services to more than 12 million households in England, Scotland and Wales, was to become Nectar’s new partner in the utility sector from January 31, 2011. More than 12 million British Gas customers will have the opportunity, once registered, to collect Nectar Points in a variety of ways, from quarterly Nectar points just for being a British Gas customer through to bonus points for switching to direct debit or paperless billing as well as for taking up additional services.

Nectar and Homebase renewed on March 14, 2011 an early, multi-year agreement, confirming the DIY store’s continued participation in Nectar. The partnership, launched in May 2009, has been supported by a range of in-store, direct mail, digital and promotional campaigns as well as an above-the-line media campaign incorporating TV and radio. The partnership has proved a success for both parties with Nectar cards currently used by 7 million customers in store compared to 4 million collectors in Homebase's previous loyalty scheme.

On February 22, 2012, Nectar announced that it signed a 7-year contract renewing its contract with founding coalition partner Sainsbury's for its participation in the Nectar program. As part of this renewal, Sainsbury's extended its commitment to the program to secure an even higher level of engagement and value for the millions of Nectar members who regularly shop in Sainsbury's. Aimia reduced its estimate of the long term Breakage rate for the Nectar program to reflect these higher levels of engagement. On a go forward annual basis, the net impact of the renewed commercial terms and the reduction in the Breakage rate will be accretive to Aimia's Adjusted EBITDA and free cash flow.

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 minimize 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 discounts off flights and hotel reservations with Expedia. In March, 2011, easyJet, the UK's largest airline, joined Nectar as a redemption partner, enabling Nectar members to redeem their Nectar points for seats on easyJet flights to over 550 destinations in 30 countries with no restrictions or time limits.

Operations

Systems and Database Management: Management of Nectar has utilized 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 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 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. 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 members 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 through outsourced contact centres. 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 a site in Newcastle are predominantly more complex complaints, redemption calls plus email, web chat and mail responses.

Air Miles Middle East

On January 17, 2008, Aimia 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 1.3 million active members enrolled 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 150 Accumulation Partners, including domestic businesses such as Damas, Rotana Hotels, Lamcy Plaza Mall, Hallmark 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.

On February 22, 2012, Aimia announced that it extended its agreement with anchor partner HSBC for its participation in the Air Miles Middle East program. With the signing of the extension agreement, HSBC will be increasing its investment in the Air Miles Middle East program to provide its customers with an improved value proposition for the miles they currently hold as well as working with Air Miles Middle East to increase the value proposition on all new miles issued. Notwithstanding that Aimia reduced its estimate of the long term Breakage rate for the Air Miles Middle East program to reflect these higher levels of engagement, the net impact of the revised commercial terms and the reduction in the Breakage rate will be modestly accretive on an on-going basis.

Nectar Italia

Nectar Italia, the new Nectar branded coalition loyalty program which was launched in Italy on March 1, 2010, is modelled on the Nectar Program in the United Kingdom. It is the first independent coalition loyalty program uniting leading retailers in Italy and has signed more than 8.6 million members since March 1, 2010, making it the largest coalition loyalty program in Italy. The Nectar Italia Program enables individuals to earn Nectar Italia Points for making everyday household purchases at leading retailers and services providers. As at March 22, 2012, Accumulation Partners in the Nectar Italia Program included (i) Simply Sma stores, the number three grocer in Italy, branded as Punto, Simply, Ipersimply, Sma and Cityper, (ii) Auchan Hypermarkets, (iii) Api Ip, one of the largest networks of fuel stations in Italy, (iv) So Oney, which launched the Nectar Italia co-branded credit card alongside its existing credit and charge cards, (v) UniEuro, an electronics and electrical goods retailer, (vi) PC City, the IT specialists operating as a sister brand to UniEuro, (vii) Hertz, a car rental company, (viii) Unicredit, which launched the Nectar Italia co-branded Genius Card, (ix) Pirelli, the tire seller with a network of over 700 dealers, (x) Seat Pagine Gialle, the leading yellow pages/directory service, (xi) Welcome Travel, with 1,000 outlets joining and (x) Sorgenia, an energy and gas supplier.

In addition, Nectar Italia also offers an internet shopping portal which provides members with the opportunity to earn Nectar Italia Points on purchases from an extensive range of online retailers.

Members can redeem their Nectar Italia Points with Redemption Partners for rewards ranging from merchandise to shopping discounts.

Aimia owns a 75% interest in Nectar Italia, with the remaining 25% being owned by Oney Banque Accord (Groupe Auchan).

Club Premier

Club Premier is the leading coalition program in Mexico with more than 3 million members and over 50 partners, and the operator of the frequent flyer program of Aeromexico, Mexico's flagship airline. As a member of the global airline alliance SkyTeam, Club Premier members have the opportunity to earn and redeem points on airlines such as Delta, the largest airline in the world, and Air France-KLM, the largest airline in Europe. Members also earn points for using the American Express and Banamex co-branded cards on a variety of services from other loyalty partners. In 2011, agreements to join the program were signed with Soriana, one of the major Mexican grocers, and Sanborn’s, a large chain of convenience stores. For the year ended December 31, 2011, its first full year in business, Club Premier realized Gross Billings of US$115 million and an Adjusted EBITDA margin of more than 30%. In 2011, Aimia increased its ownership interest in PLM, the owner and operator of Club Premier, to 29%.

Nectar Chile

Since 2008, Aimia has licensed its know-how and proprietary coalition loyalty engine to Cencosud in Chile to facilitate the running of its loyalty program. In 2010, Aimia also licensed to Cencosud the Nectar trade mark in Chile for the relaunch of Cencosud's loyalty program in August 2010 as a Nectar branded loyalty program. Cencosud is one of the leading retailers in Latin America with presence in Argentina, Brazil, Chile, Colombia and Peru. As at March 22, 2012, the Nectar-branded Cencosud loyalty program had 5 sponsors and over 4 million members. Aimia provides on-going support and guidance to Cencosud in determining its loyalty strategy.

Competition

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

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

18.5 million active members, Nectar is the largest 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 ones being Boots' Advantage card, Tesco Clubcard and the Air Miles program.

Similarly, Air Miles Middle East, Nectar Italia and Club Premier compete with other forms of marketing services and loyalty incentives, both traditional and on-line.

It is expected that competition will remain intense in the respective markets of each of our coalition loyalty programs. In addition, competitors of our coalition loyalty programs may target our Accumulation Partners and members as well as draw rewards from our Redemption Partners. The ability to generate Gross Billings from Accumulation Partners will depend on the ability of our programs 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 our 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.

PROPRIETARY LOYALTY

Aimia's proprietary loyalty service experts design, launch and operate new client programs, re-launch, refresh and operate existing client programs and bring our digital, mobile and analytical expertise to bear on behalf of clients.

Overview

In 1938, Curt Carlson launched the Gold Bond Stamp Company. Gold Bond trading stamps were provided to customers of participating retailers and could be redeemed for items within a catalogue. This program revolutionized marketing within retail and became one of the first and most notable loyalty programs in the U.S., reaching a zenith in the 1960s.

Aimia now incorporates Carlson Marketing's global loyalty marketing services and builds on the company's heritage by leveraging its global footprint to deploy our full suite of loyalty management services to manage hundreds of the world's largest and most successful customer and business loyalty initiatives. We operate two main types of business: (i) the customer loyalty business which delivers consumer loyalty marketing solutions globally in each of Canada, the US & APAC region and the EMEA region, and (ii) the business loyalty business which provides employee and channel recognition and rewards programs, and large scale event planning and fulfillment services, primarily to U.S. corporations both domestically and abroad.

Customer Loyalty

Aimia is a provider of loyalty marketing solutions that equip marketers with technology-enabled services and tools to identify, retain and grow their most profitable customers. Aimia has over 70 years of experience designing, implementing and measuring complex marketing programs that attract and create one-to-one connections between its clients and their most valuable customers. Aimia develops programs that utilize innovative methods, such as mobile and interactive marketing, for marketers such as Procter & Gamble, Delta Airlines, GM, Chase, Shell Oil, Kellogg’s, True Value, The Hartford, Commonwealth Bank of Australia, Virgin Blue, Exxon Mobile and Malaysia Airlines in the US & APAC region; Royal Bank of Scotland, Lloyds TSB, Qtel, Coca Cola and Al Hokhair in the EMEA region; and TD Bank, Royal Bank of Canada, Scotiabank, Bank of Montreal, Vancity and MBNA in Canada. Aimia's clients rely on our experience and technology to design, deploy and manage their loyalty programs. Our flexible technology system provides a platform that supports exclusive clubs with fewer than 100 members to large-scale, international programs with millions of members.

During the last three years, we delivered loyalty marketing solutions to a number of well-respected corporations, including Ford, GM, Hallmark, Delta, AARP, Chase, Carlson Hotels and Visa in the U.S., British Telecom, RBS and Vodafone in the EMEA region and ScotiaBank and Mercedes in Canada. Aimia's proprietary loyalty service also provides non-air rewards fulfillment services to the Aeroplan Program. Aimia's client base spans multiple industries including the financial services, automotive, pharmaceutical, airline and travel and retail industries and consumer packaged goods companies. Our scale, flexibility and breadth of services enable us to deliver a diverse set of solutions for both large and small clients.

Business Loyalty

Aimia, through its business loyalty business, is a full-service meetings, engagement and events management provider primarily focused on employee loyalty and channel loyalty marketing. Aimia executes a wide range of events, including sales meetings, board retreats, user conferences, recognition and reward programs and consumer events for some of the world's largest brands, such as Microsoft, Bank of America, Citrix, Michelin, Oracle, Qwest, Subaru, Mazda, NBC, Walmart, Forest Pharmaceuticals and Merck Pharmaceuticals.

The average tenure of the top ten clients of the business loyalty business is 25 years, with nine having a tenure of ten years or greater. Aimia's business loyalty client base spans various industries including pharmaceutical and healthcare, financial services, automotive, technology and business services. In 2011, Aimia served over 75 clients and managed events in more than 100 cities in 25 countries.

Operations

For both customer loyalty and business loyalty, Aimia offers a full-service solution to its clients extending from front-end strategy design and creative to research and analytics to reliable and innovative back-end services such as transaction tracking, points accumulation, rewards procurement and fulfilment and customer service. Aimia's end-to-end services reduce the execution risk and cost to its clients of coordinating the efforts of multiple vendors, and provide the management efficiency and accountability increasingly required by today's largest and most demanding marketers.

Aimia's efficient end-to-end processes manage every step of a client's loyalty program, from concept generation and program design to analytics, measurement, communications and customer service. Customer insight drives every step of our process; five elements define such process:

- *Initiate* – client needs are identified and the scope of the project is defined;
- *Identify* – research and analysis unearth insights that serve as the foundation for the client "brief";
- *Innovate* – a program concept, design and roadmap are created;
- *Implement* – a creative, media and technology execution strategy is defined, tested and the program is launched; and
- *Interpret* – monitoring progress, measuring performance and optimizing ongoing programs.

While data is at the center of every program that Aimia designs, there are five core service offerings that support each program: (i) strategic planning, (ii) communications and design, (iii) award services, (iv) customer service and (v) technology services.

Strategic Planning

At the outset of new engagements, Aimia employs market research and customer data analysis to map program variables, identify competitive forces, understand purchase behavior and uncover customer insights. Research includes focus groups, surveys and segmentation studies as well as reviews of industry analyst reports. Aimia provides preliminary analytics services that include an in-depth review of consumer profiles and transaction history to determine the long-term value of each customer. Service area experts from the brand planning, creative and analytics teams collaborate to translate insights gathered from the research and data analysis into a comprehensive business plan. The plan incorporates all aspects of program strategy, including: (i) consumer segmentation, (ii) success metrics and processes to permit program measurement and optimization, (iii) creative strategy and media plans correlated to target audience and channel preferences, (iv) reward platforms and redemption strategies, (v) operational and technology requirements and (vi) economic models, including a full profit and loss statement for each program. These models forecast sales lift, costs, incremental penetration among customers and risks associated with the program strategy. They equip marketers with the ability to make informed financial decisions including sensitivity analyses to test, evaluate and modify program initiatives.

Complementing the research and analysis, we use RSx, a proprietary model that assesses the strength of relationships between a brand and its customers based on key drivers such as brand image, product and service attributes, communications and loyalty programs that impact consumer interest, trial and retention. Strong relationships provide our clients with a sustainable competitive advantage. We measure relationships by analyzing three factors — alignment, trust and commitment — to help clients refine marketing strategies and identify areas for operational improvement that can be levers in the drive to improve brand loyalty.

Communications and Design

Aimia's full-service creative, interactive, media, mobile and social offerings foster customer engagement to elevate the experience. The focus of this group is centred on four key areas: (i) interactive marketing, one of the fastest growing and most measureable channels to deepen customer involvement; (ii) mobile marketing, which impacts every communication plan as more customers use their handheld devices beyond just talking; (iii) social marketing to identify and empower influencers to create broader advocacy; (iv) media planning and buying, where sophisticated targeting methods are used to acquire new customers and incite existing customers to spend more; and (v) creative design, where behavioural data is combined with attitudinal insights to deliver evocative ideas.

Among our communications and design services, we design and develop branded loyalty experiences, including multi-channel campaign management, personalized web portals, mobile websites and apps and social integration. These services include robust user experience architecture, creative design and technical development using the latest, most innovative approaches. Aimia's integrated messaging services include the strategic planning, market testing and dynamic deployment of email, SMS and social posts, as evidenced through the management of nearly 900 campaigns and delivery of more than 3 billion impressions during 2011. At the launch of a new program, we often utilize highly targeted media advertisements and/or search engine marketing to drive traffic to program websites, grow membership and encourage participation. As at December 31, 2011, Aimia's media services controlled approximately U.S.$30 million in media buying for its clients.

Award Services

An important driver of program enrolment, member satisfaction and retention is the appeal of a program's rewards. Aimia employs a data-driven approach to create tailored reward structures and options that reflect a client's brand image as well as the purchase and redemption behaviour of its target audience. An effective catalogue induces members to redeem their existing points for desired merchandise and replenish their point balances through incremental purchases. We devise award strategies based on member, brand, economic and market profiles.

Customer satisfaction is also influenced by the speed of the rewards fulfilment process. Aimia fulfilled over 1.3 million rewards in 2011, 99% of which were delivered in five days. Of the overall rewards fulfilled, more than 300,000 were merchandise rewards, with 97% of these merchandise rewards delivered within five days. Aimia manages the fulfilment process using an inventory control tool within its technology platform. The system tracks merchandise availability and provides us with resource planning tools to manage inventory costs. Additionally, the system helps us maintain stock of the most popular items, ensuring that our clients' customers are satisfied with the ability to redeem points for desired merchandise.

Customer Service

Customer service plays a critical role in customer satisfaction and increased retention of a client's best customers. To ensure a high level of satisfaction and engagement, we maintain both wholly-owned contact centres as well as third-party partnerships throughout the world to field program member inquiries regarding point balances, redemption and other needs. Our contact centres are fully integrated with each program to ensure that the appropriate service levels are maintained for each customer segment.

Information Technology

Aimia's technology platforms reside at the center of many of our largest engagements. These platforms have been designed with some of the most recent and innovative technology and centrally manage all aspects of loyalty programs including member enrollment, web-based and mobile content delivery, transaction tracking, points accumulation and redemption and analytics. The flexible systems enable us to deploy loosely-coupled modules to create customized solutions based on the needs of each client.

Furthermore, to support our end-to-end loyalty marketing services, we have built a robust, proprietary foundation of technical tools to support data management, analytics, reporting and management of program rules for a diverse universe of loyalty programs. The platform offers a high degree of data integrity, flexibility and accuracy to seamlessly facilitate prepaid card, awards and inventive ordering, management and fulfillment.

The platform utilizes both internally developed components and third-party applications. It is assembled and deployed on a client-by-client basis and houses distinct template-based service orderings. The flexible and dynamic structure allows clients to make real-time program changes, such as customizing program rules and modifying content in real-time through a web-based interface. Aimia uses a multitude of proprietary and licensed technology systems. Several are integral to successful loyalty program operations, including Fusion CPG, Fusion Connect, Engage, EXL and Fusion Awards Engine.

Sales and Marketing

Aimia's business development processes are focused on expanding relationships with existing clients and acquiring new clients through referrals and inbound inquiries. In 2011, we acquired a number of new proprietary loyalty service clients including, but not limited to, Office Depot, Bank of America, TD Auto Finance, Pulte, Navistar, Informatica, The Hartford, Johnson Controls, Saab, Fed Ex, All Steel, Grange, Yahoo!, Toyota and Research in Motion in business loyalty and Shell Oil, Electronic Arts, Orbitz, Kellogg's and Harry Rosen in customer loyalty. In nearly all of our new client wins, we participated in a request for proposal process. The sales cycle for new clients ranges between two weeks to several months, depending on the complexity of the program, the number of participating parties and the client's own program timeline.

Team members from brand planning, client services, communication and design, decision sciences and information technology departments collaborate to complete request for proposal responses. We typically work with large corporations and therefore senior management is highly involved in the request for proposal process and participates in most meetings.

Enhancement Services

Aimia works with financial institutions and other credit card issuers in Canada to make a range of protection services and insurance products available to their customers, including identity theft protection, card protection, home warranty, legal assistance, mobile device protection, income protection, concierge services, travel assistance and internet monitoring. Our products are included either as part of the core value proposition of a client product (e.g. credit card) or marketed as optional fee services. They help clients engage and retain their most profitable customers, and generate significant incremental revenue. Aimia has been in the enhancement services business for over 30 years, and is the sector leader in Canada, working with most of the top 20 financial institutions.

Cardlytics

On September 8, 2011, in conjunction with the closing of its minority investment in Cardlytics, Aimia entered into a long term global strategic alliance with Cardlytics. Cardlytics' solution is ground-breaking in the world of marketing. Cardlytics leverages individual financial card information, captured and secured behind the financial institutions' own firewalls, to provide consumers with personalized merchant offers. These highly targeted offers are delivered directly to the consumer via trusted electronic banking channels including mobile, email and on-line banking. The company's proven technology solution is uniquely designed for banking offering maximum security for the protection of customers' personal information. Our strategic alliance with Cardlytics allows us to further compliment our full-suite loyalty services offering within the financial services sector.

Competition

Aimia's proprietary loyalty service offering competes with a broad spectrum of companies engaged in one or more aspects of consumer loyalty. Those offering the broadest array of services related to proprietary loyalty are (i) Brierley & Partners, a privately-held company based in Dallas creating customer loyalty programs, (ii) Epsilon, a

Subsidiary of Alliance Data Systems Corporation, a provider of loyalty marketing technology and solutions, (iii) LoyaltyOne, Inc., a Subsidiary of Alliance Data Systems Corporation, a provider of loyalty and marketing solutions, (iv) Maritz Loyalty Marketing, a privately-held company providing strategy and analytics, market research, technology, creative communications and rewards fulfillment services for consumer loyalty programs, (v) Digitas, a provider of integrated strategy, technology and marketing solutions to Internet-based and e-commerce companies; (vi) The Business Improvement Company, a privately-held direct marketing agency that designs and executes consumer loyalty campaigns, as well as sales force and employee motivational programs; (vii) Hinda Incentives, a privately-held incentive company that specializes in sales award and employee recognition programs; (viii) Business Incentives, a privately-held corporate meetings and incentives company based in Minnesota; (ix) Davis+Henderson, a provider of technology managed services to North American financial services industry; (x) Coverdell, a full-service marketing services company providing loyalty and fee-income products; (xi) Affinion (Direct Response, Prospective, NetGain); (xii) The Fairlane Group, specialists in the development and execution of Loyalty, Rewards and Promotional Merchandise; and (xiii) communications and marketing strategy consulting competitors such as Dunnhumby, BBDO (Proximity, AMV) and Deloitte & Touche LLP.

LOYALTY ANALYTICS

Overview

Aimia's loyalty analytics services build on the legacy of our I&C business, now known as Intelligent Shopper Solutions or ISS, which generates data analytics revenues through the provision of a set of analytical tools to retailers and consumer packaged goods companies. In addition, Aimia's loyalty analytics services leverage the expertise developed by our decision sciences group, which develops analytical tools to help clients improve marketing return-on-investment (ROI). We deploy our loyalty analytics expertise to: identify best customers through the analysis of shopper, program, SKU, transactional, survey, third-party and other sources of customer data; understand and predict customer behaviour using leading-edge data analytics tools, models and techniques; and influence customer behaviour by leveraging data-driven insight to create targeted, relevant communications and to create a richer, more compelling, and more personal customer experience that builds loyalty.

Intelligent Shopper Solutions

Intelligent Shopper Solutions, formerly 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 analyzed 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.

Intelligent Shopper Solutions 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, we expect that Aimia will also have a unique opportunity to leverage this data analytics expertise throughout the world as part of its expansion initiative to drive future growth.

Aimia's loyalty analytics services provide analytical services to retail suppliers, including Sainsbury's and Migros, a major supermarket in Switzerland, in EMEA; CVS Caremark in the U.S.; Coles, a leading Australian supermarket, in the APAC region; and Sobey's in Canada, 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.

Cardlytics

In addition to providing participating retailers with a targeted and measurable channel, Cardlytics, a US based leader in merchant-funded transaction-driven marketing for electronic banking, provides valuable analytics services to help understand where consumers are making their buying decisions. Aimia owns a minority interest in

Cardlytics and entered into a long-term global strategic alliance with Cardlytics to further grow the Cardlytics offering outside the US.

Decision Sciences

Data capture and analytics have always been a distinguishing factor and an important driver of the economics of loyalty programs. Aimia employs statisticians from its decision sciences group that use customer data to develop innovative and insightful economic and predictive models, segment consumers, develop tailored communication strategies and perform ongoing measurement and optimization of loyalty programs. Although the decision sciences department's core competency is applied statistics, the team leverages an interdisciplinary background with employees holding advanced degrees in mathematics, business, economics, psychology, sociology, biology and organizational behavior. This enables Aimia to provide marketing recommendations from several points of view to its clients, such as, among others, Avis, True Value, P&G, Kellogg's, Shell, Delta, Ally Bank, Visa, Century Link, Merial, Allsteel, Ford and Citrix.

Effective segmentation is critical to the development of a successful marketing campaign as it provides the foundation for customization and targeting. Aimia's decision sciences staff creates financial and ROI models to gauge the attractiveness of a target consumer audience as well as develop lifetime value scores. Additional segmentation is performed based on (i) demographic data such as age, gender and marital status, (ii) survey data focused on brand perception and attractiveness, (iii) behavioral information, including tenure of the relationship between the brand and consumers and number of products purchased and (iv) time-specific variables such as the average number of annual purchases.

The output of this analysis allows Aimia to develop impactful and relevant communication strategies. For each segment, Aimia maps a distinct communication plan that leverages a broad array of touchpoints and interactive media channels. The decision sciences staff tests creative content and offers and modifies communications prior to launching a campaign, which is an important driver of optimizing consumer response rates. Additionally, Aimia tailors communications to the consumer's stage in the program life cycle, initially encouraging them to enroll and subsequently altering communications to encourage them to increase incremental spending with the brand. Aimia's technology platform tracks point accumulation and redemption, and any changes in behavior can be quickly identified, allowing the marketer to alter program communications or rewards to boost member activity.

Aimia's loyalty analytics services provide clients with a centralized view of a campaign's performance by providing web dashboard access to key metrics such as program enrollment, point redemption, purchase behavior and attrition. These dashboards are customized for each client and include metrics specific to a client's program and objectives. The dashboards help clients identify the offers, messages and creative elements that drive the greatest response and incremental spending by customer segment. Dashboards are supported by detailed customer-level reports. Aimia's decision sciences team uses these reports to develop insights such as trends in customer purchase behavior. This analysis empowers the team to alter communication strategies, refine audience selection or redesign marketing messages to maximize customer enrollment and spending.

Competition

Aimia's loyalty analytics services compete with suppliers of data insight and communication services particularly in respect of the sale, supply or provision of enhanced data (including SKU-level data) analytics services involving the combination of data relating to loyalty programs and transactional data, such as Dunnhumby, 5one, Loyalty Partner (EMNOS), Data Ventures, EYC–Engage Your Customers, Alliance Data Systems, Information Resources, Inc (IRI), Nielsen, Epsilon, Leo Burnett, Digitas, Maritz, Loyalty One, Loyalty Lab and IBM.

LOGOS AND TRADEMARKS

Management believes that its trademarks are important to its competitive position. The following trademarks are the subject of either registration, or application for registration, in various jurisdictions: Aeroplan, Aéroplan, Aeroplan Arrival, AeroCorporate, AéroEntreprise, Aeroexpress, Aeromortgage, Aérohypothèque, Aeroplan Plus, Aéroplan Plus, Aeroservice, Aerogold, Aéro Or, Aeromove, Aeronote, Aéronote, Aimia, Air Miles word mark and logo, Air Miles Travel the World word mark and logo, Air Miles Shopping Rewards word mark and logo, Classicflight, Classicplus Flight, Nectar and Nectar logo and card, Vol Classique, and Vol Classiqueplus. 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 — Coalition Loyalty — Aeroplan — Long-Term Strategic Relationship with Air Canada".

Aimia will continue to operate programs and use technology under previously registered Carlson Marketing brands, including, but not limited to, marks such as RSx, Best of Everything, Ready Rewards, and Mcerts.

Aimia has granted licenses to use the Air Miles, Air Miles Travel the World and Air Miles Shopping Rewards word marks and logos in the United Kingdom, Canada, Holland, Spain and the Middle East, and a license to the Nectar word mark and logo in Chile.

Aimia'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 Aimia's proprietary information in order to control access to and the distribution of any such information.

REGULATORY

Privacy

A number of privacy laws have been enacted in the key markets where we conduct business, including Canada, the United States, Europe and Asia-Pacific. Aimia and its Subsidiaries have privacy policies which are designed to meet or exceed the requirements of the applicable local private sector privacy legislation.

The *Personal Information Protection and Electronic Documents Act* (Canada) (the "**Federal PIPEDA**") governs the collection, use and disclosure of personal information in the course of commercial activities. Pursuant to the Federal PIPEDA, 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 PIPEDA. Québec, Alberta and British Columbia also have private sector privacy legislation and that legislation has been declared substantially similar to the Federal PIPEDA. The Canadian Radio-television and Telecommunications Commission governs rules for telemarketing and the National Do Not Call List. Management believes that its privacy policies and practices comply with applicable law. In particular, please see the section "The Business — Coalition Loyalty — Aeroplan — Members — Protecting the Privacy of Aeroplan's Members".

Businesses in the United States which collect or hold personal information must comply with a variety of Federal and State laws set by the Federal Trade Commission and the relevant States ("**U.S. Privacy Laws**"). The U.S. Privacy Laws require certain processes for collection and storage of personal data (which may include encryption), reporting on disclosures of personal data, policies with regard to protections, and requirements for destruction of data. In addition to compliance with U.S. Privacy Laws, and because of Aimia's heavy concentration of clients in the financial services industry in the US & APAC region, Aimia also strives to be compliant with the Payment Card Industry standards applicable to the services they provide.

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 and Aimia's proprietary loyalty service, as businesses which handle 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 organizations 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 Privacy Policy, cookie policy and practices comply with the applicable law.

Operations in Australia must comply with the Australian Privacy Act of 1988 when collecting any personally identifiable information from program participants. The Australian Privacy Act of 1988 is governed by eleven Information Privacy Principles (IPPs). The IPPs regulate how Australian and ACT government agencies manage personal information. They cover how and when personal information can be collected, how it should be used and disclosed, and storage and security. They also allow individuals to access that information and have it corrected if it is wrong. In addition to compliance with Australian privacy laws, Aimia often commits to compliance with its clients' internal security and privacy requirements.

EMPLOYEES

Aimia and its Subsidiaries employed a total of 3,396 employees as at December 31, 2011.

FACILITIES

In Canada, Aimia leases office space in Montreal, Quebec, where its global head offices are located; Toronto, Ontario; Mississauga, Ontario; and Richmond, British Columbia. In the US & APAC region, Aimia's main offices are in Plymouth, Minnesota, where the head offices for the US & APAC region are located; Sydney, NSW Australia; Singapore; Mumbai, India; and Kuala Lumpur, Malaysia. In the EMEA region, Aimia leases office space in London, England, where the head offices for the EMEA region are located; and Dubai, United Arab Emirates. Air Miles Middle East leases office space in Dubai, United Arab Emirates; Doha, Qatar; and Manama, Bahrain. Nectar Italia leases office space in Milan, Italy. All of the above leases are at market rates.

ENVIRONMENTAL

Aimia does not own any real property. Aimia 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. Aimia is not engaged in any activities that are subject to material environmental risk.

RISKS AND UNCERTAINTIES AFFECTING THE BUSINESS

The results of operations and financial condition of Aimia 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 our future business results going forward. The risks described below may not be the only risks faced by Aimia. Other risks which currently do not exist or which are deemed immaterial may surface and have a material adverse impact on Aimia's results of operations and financial condition.

RISKS RELATED TO THE BUSINESS AND THE INDUSTRY

Dependency on Top Accumulation Partners and Clients

Aimia's top three Accumulation Partners were responsible for 49% of Gross Billings for the year ended December 31, 2011. A decrease in sales of Loyalty Units to any significant 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, could have a material adverse effect on Gross Billings and revenue. 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 contracts with Aimia's principal Accumulation Partners will be renewed on similar terms, or at all when they expire.

Aimia's proprietary loyalty services clients are generally able to reduce marketing spending or cancel projects on short notice at their discretion. It is possible that such clients could reduce spending in comparison with historical patterns, or they could reduce future spending. A significant reduction in marketing spending by Aimia's proprietary loyalty service's largest clients, or the loss of several large clients, if not replaced by new accounts or an increase in business from other clients, could adversely affect our proprietary loyalty service revenues and impact Aimia's results of operations and financial condition.

Conflicts of Interest

Aimia's businesses provide services to a number of clients who are competitors in various industries. Our ability to retain existing, and attract new, Accumulation Partners and clients may be limited by perceptions of conflicts of interest arising out of other relationships. If we are unable to adequately manage multiple client relationships and avoid potential conflicts of interests, there could be an impact on our results of operations and financial condition..

Greater Than Expected Redemptions for Rewards

A significant portion of our profitability is based on estimates of the number of Loyalty Units that will never be redeemed by the member base. The percentage of Loyalty Units 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. 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 is used by Aimia to estimate and monitor the appropriate Breakage estimates of the different programs it operates on a regular basis. Should events or changes in circumstances indicate that the Breakage estimate may not be appropriate, Aimia will consult an independent expert to validate the robustness of the Breakage tool. Management's consolidated weighted average Breakage estimate at December 31, 2011 is 18% (December 31, 2010: 21%), calculated based on the total Loyalty Units outstanding under the Corporation's loyalty programs. This Breakage estimate is based on the results of the application of the model in 2011, assisted by an expert review, and taking into account renewed and extended agreements with anchor sponsors Sainsbury's and HSBC. The amount of revenue recognized related to Breakage is based on the number of Loyalty Units redeemed in a period in relation to the total number expected to be redeemed, which factors in the Corporation's estimate for Breakage. 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.

Regulatory Matters

Aimia'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. In addition, an increasing number of laws and regulations pertain to the Internet, including in relation to liability for information retrieved from or transmitted over the Internet and online content regulation. Moreover, the applicability to the Internet to existing laws governing personal privacy, intellectual property ownership and infringement and other issues continues to be uncertain and is developing.

Aimia closely monitors and regularly participates in dialogues with the appropriate governmental departments to ensure that we are constantly apprised of the current status of global regulatory matters that could have a material impact on Aimia's business in the short or long term, including the following:

Privacy and Federal PIPEDA

In Canada, we are subject to the *Privacy Act* and the Federal PIPEDA. Federal PIPEDA sets out rules for how private sector organizations may collect, use or disclose personal information in the course of commercial activities. In addition, the federal government introduced the *Safeguarding Canadians' Personal Information Act* on September 29, 2011. This legislation includes provisions that would clarify an individuals' consent to the collection, use or disclosure of their personal information.

The enactment of new, or amendments to existing, legislation or industry regulations relating to consumer privacy issues and/or marketing, in Canada and in any of the markets where Aimia conducts business, including regulations associated with Federal PIPEDA, may materially impact our relationships with members and our Commercial Partners. Any such legislation or industry regulations could place restrictions upon the collection and use of information and could adversely affect our ability to deliver loyalty marketing services.

Payments in Canada

The voluntary Code of Conduct for the Credit and Debit Industry in Canada was introduced by the Federal Minister of Finance in 2010 in response to pressures from retailers demanding better control and transparency over their costs associated with accepting electronic payments at the point of sale and in particular the differentiated cost of accepting “premium” card products vs "standard" card products. At the same time, a Task Force for the Payments Systems Review was formed. The Task Force was designed to review the safety, soundness and efficiency of the Canadian payments system and to submit its final report with recommendations to the Minister of Finance by the end of 2011. To date, it is unknown how the government might change the current Canadian payment system in response to the findings of the Task Force. Any downward change in the interchange rates of credit cards could lead to a decrease in revenue for credit card companies and, as a result, could materially impact our commercial agreement with certain of our financial institution Commercial Partners.

Canadian Competition Bureau

On December 15, 2010 the Canadian Competition Bureau filed an application with the Competition Tribunal to strike down what it considers restrictive and anti-competitive rules that Visa and MasterCard impose on merchants who accept their credit cards, such as rules that prohibit merchants from applying a surcharge to a purchase made by a credit card and the ‘honour all cards’ rule, which requires that a merchant who agrees to accept one of Visa’s or MasterCard's credit cards must also accept all credit cards offered by that company, including cards that impose higher costs on merchants, such as premium cards associated with loyalty rewards. If the Competition Bureau's action is successful, merchants would have the ability to charge an additional fee at the point of sale every time a consumer uses their credit card to make a purchase. In addition, merchants would no longer be required to accept all credit cards from a given payments processor. Hearings are scheduled to begin in May, 2012. The outcome of this action is not determinable at this time. However, if the Competition Bureau is successful with its claim then it could have a significant impact on our operations and financial condition given the importance of Aeroplan Canada's relationships with financial card providers.

Bill 24 – Quebec Consumer Protection Act

The Quebec Minister of Justice tabled Bill 24 in the Quebec National Assembly on June 8, 2011, the main purpose of which is to combat consumer debt overload and modernize consumer credit rules. Bill 24, in its current state, introduces new rules to prohibit offering a product or a service to incite a consumer to apply for a new financial product (i.e. credit card). Based on the interpretation of the rules by the *Office de la protection du consommateur*, an issuer could not offer bonus loyalty rewards to a new consumer for signing up to a certain type of credit card. While the applicability of provincial consumer protection legislation to federally regulated banks is being contested in court by the banks, hearings are expected to start/continue in 2012. The outcome of the legislative and judicial process with respect to Bill 24 may impact how we work with our financial institution Commercial Partners

<u>Retail Market/Economic Conditions</u>

The markets for the services that Aimia's businesses offer may contract or continue to 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 and marketing revenues are dependent on levels of consumer spend with Accumulation Partners and clients, and any slowdown or reduction in consumer activity may have an impact on our business.

<u>Industry Competition</u>

Competition in the loyalty marketing industry is intense. New and existing competitors may target Accumulation Partners, clients and members, as well as draw rewards from Redemption Partners. The continued attractiveness of Aimia's businesses will depend in large part on their ability to remain affiliated with existing Commercial Partners and clients or add new partners, that are desirable to consumers and to offer rewards that are both attainable and attractive to consumers. Many of our current competitors may have greater financial, technical, marketing and other resources. We cannot ensure that we will be able to compete successfully against current and potential competitors, including in connection with technological advancements by such competitors.

Air Canada Liquidity Issues

In the past, Air Canada has sustained significant operating losses and may sustain significant losses in the future. In its 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 including risks related to economic and geopolitical conditions, pension plan funding, market volatility in the price of fuel, labour costs and labour relations, foreign exchange and interest rates and increased competitive pressures, as well as risks relating to restrictive terms under its financing, credit card processing and other arrangements.

There can be no assurance that Air Canada will continue to achieve sustainable profitability in the future or to meet its financial liabilities and other contractual obligations as they become due. If Air Canada is unable to meet its financial liabilities and other contractual obligations as they become due, or to conclude arrangements to secure additional liquidity should it be unable to do so, it may be required to commence proceedings under applicable creditor protection legislation.

The bankruptcy or insolvency of Air Canada could lead to a termination or renegotiation of the CPSA. Upon such a renegotiation, Aimia 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, Aimia 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, Aimia 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.

The bankruptcy or insolvency of Air Canada could also lead certain Accumulation Partners to attempt to renegotiate certain terms of their commercial relationships with Aeroplan. Depending on the results of any such negotiation, Aimia's gross proceeds from the sale of Aeroplan Miles could be negatively affected.

Air Canada or Travel Industry Disruptions

Aeroplan 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, from epidemic diseases, environmental conditions and factors, such as those arising from volcanic eruptions or other natural phenomena, from increasingly restrictive security measures, such as restrictions on the content of carry-on baggage or from labour-related disruptions, 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 Commercial Partners and members and to attract new Commercial Partners and members.

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, to a lesser extent, another airline's withdrawal from Star Alliance, or the dissolution of Star Alliance, 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. In addition, new and proposed legislation have been considered or adopted concerning carbon emissions emanating from the airline industry, including the setting of emissions allowances and charging aircraft operators for a certain percentage of these allowances. 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.

Supply and Capacity Costs

Costs may increase as a result of supply arrangements with Air Canada and other suppliers for our coalition loyalty programs. Aeroplan may not be able to satisfy its members if the seating capacity made available to Aeroplan by Air Canada, Jazz Air LP 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 (which most recently occurred in 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

In the coalition loyalty program model, Gross Billings are derived from the sale of Loyalty Units to Accumulation Partners. The earnings process is not complete at the time a Loyalty Unit is sold as most of the costs are incurred on the redemption thereof. Based on historical data, the estimated period between the issuance of a Loyalty Unit 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 or the number of units redeemed. Aeroplan and Nectar currently use proceeds from Gross Billings (which are deferred for accounting purposes) in the fiscal year from the issuance of the unit 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 the Loyalty Units, 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 our coalition and proprietary loyalty programs and in connection with the activities of Aimia's proprietary loyalty and loyalty analytics businesses, member databases are maintained for our programs and those of our clients. These databases contain member information including account transactions. Although we have established rigorous security procedures, the databases may be vulnerable to potential unauthorized access to, or use or disclosure of member data. If we were to experience a security breach, our reputation may be negatively affected and an increased number of members in our loyalty programs may opt out from receiving marketing materials. The use of loyalty marketing services by partners and clients could decline in the event of any publicized compromise of security.

Any public perception that we released consumer information without authorization could subject our businesses to complaints and investigation by the applicable privacy regulatory bodies and adversely affect relationships with members, clients 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

Changes to Coalition Loyalty Programs

From time to time we may make changes to our coalition loyalty 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 45% of all redemptions for the Nectar Program in the last three years have taken 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.

The proprietary loyalty business also fluctuates seasonally, with award redemptions typically higher around the Christmas shopping season, and business loyalty events typically occurring during the spring and fall.

Foreign Operations

A significant portion of Aimia's Gross Billings is generated outside Canada. We expect Gross Billings from outside Canada to continue to represent a significant portion of Aimia's consolidated Gross Billings in the foreseeable future. As a result, we are subject to the risks of doing business internationally, including changes in foreign laws and regulations and general changes in economic and geopolitical conditions.

Legal Proceedings

From time to time, Aimia becomes involved in various claims and litigation as a result of carrying on its business. Please see "Legal Proceedings and Regulatory Actions". Our businesses are susceptible to various claims and litigation, including class action claims, in the course of operating their business or with respect to the interpretation of existing agreements. Any future claims or litigation could also have a material adverse effect on our business and results from operations.

Reliance on Key Personnel

Aimia'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. The loss of the services of such key personnel could have a material adverse effect on our business, financial condition or future prospects. Aimia'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, we may not be able to attract and retain additional qualified Management as needed in the future.

Labour Relations

Aeroplan Canada's contact center employees are unionized. The collective agreement for these employees is effective from November 15, 2009 and will expire on November 14, 2012. No strikes or lock-outs may lawfully occur during the term of the collective agreement, nor during the negotiations of its renewal until a number of pre-conditions have been satisfied. There can be no assurance that the collective agreement will be renewed without labour conflict or action or that there will not be a labour conflict that could lead to a dispute or to an interruption or stoppage in Aeroplan Canada's contact center service or otherwise adversely affect the ability of Aeroplan Canada to conduct its operations, any of which could have an adverse effect on our business, operations and financial condition.

Pension Liability

The transfer of over 800 contact centre employees from Air Canada to Aeroplan Canada was fully effected on June 14, 2009. As part of the transfer of the employees, Aeroplan Canada agreed to recognize the transferred employees' seniority and assume any excess pension obligation arising from the accumulation of service years post termination with Air Canada until retirement from Aeroplan. Aeroplan has determined, supported by independent legal counsel, that it does not have to assume Air Canada's existing pension liability to the transferred employees, and that it remains the responsibility of Air Canada. Air Canada has notified Aeroplan that it disagrees with Aeroplan's position. The outcome of the resolution of this disagreement is unknown at this time and no amount has been quantified. The funding requirements of the defined benefit pension plan resulting from valuations of its assets and liabilities, depends on a number of factors, including actual returns on pension plan assets, long-term interest rates, plan demographic and pension regulations. Changes in these factors could cause actual future contributions to significantly differ from our current estimates and could require us to make contributions in the future and, therefore, could have a negative effect on our liquidity and results of operations.

Technological Disruptions and Inability to use Third-Party Software

Aimia's ability to protect the data and contact centres of our coalition loyalty programs and those of our clients against damage from fire, power loss, telecommunications failure and other disasters is critical. In order to provide many of our services, we must be able to store, retrieve, process and manage large databases and periodically expand and upgrade their capabilities. While we 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 our Commercial Partners', clients' and members' needs and their confidence in utilizing our services or programs in the future.

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

Failure to Protect Intellectual Property Rights

Third parties may infringe or misappropriate our 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 our 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. Aimia cannot ensure that we will be able to prevent infringement of intellectual property rights or misappropriation of proprietary information. Any infringement or misappropriation could harm any competitive advantage that we currently derive or may derive from proprietary rights. Third parties may assert infringement claims against our businesses. 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 us 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 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.

RISKS RELATED TO AIMIA

Interest Rate and Currency Fluctuations

Aimia may be exposed to fluctuations in interest rates under its borrowings. Increases in interest rates may have an adverse effect on the earnings.

Aimia's results are sensitive to fluctuations in the Canada/U.S. dollar exchange rate and to the exchange rate from pound sterling (GBP) to Canadian dollars. Aeroplan Canada 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 Aimia. Substantially all of Aimia EMEA's revenues and expenses are denominated in pounds sterling (GPB) rendering its results and their impact on Aimia's consolidated statements sensitive to fluctuations in the Canadian dollar exchange rate. Aimia US & APAC's activities are located in the United States and the Asia Pacific region. Financial results are sensitive to the changing value of the Canadian dollar and foreign operations are sensitive to the fluctuations of other currencies, including the United States dollar, British pound sterling, the Euro and the Australian dollar.

Leverage and Restrictive Covenants in Current and Future Indebtedness

The ability of Aimia 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 Aimia is leveraged has important consequences to Shareholders, including: (i) Aimia's ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited; (ii) 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) certain borrowings will be at variable rates of interest, which exposes Aimia to the risk of increased interest rates; and (iv) Aimia 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 Aimia 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 Aimia would be sufficient to repay in full that indebtedness.

Aimia 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 Aimia 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 Aimia'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 Aimia to pay dividends.

Uncertainty of Dividend Payments

Payment of dividends are dependent upon operating cash flows generated by Subsidiaries of Aimia, financial requirements of Aimia and the satisfaction of solvency tests on the payment of dividends pursuant to the Canada Business Corporations Act.

Managing Growth

We regularly review potential acquisitions of businesses we believe may be complementary to ours. As part of any acquisition we conduct customary due diligence with the goal of identifying and evaluating material risks. Notwithstanding our review, we may be unsuccessful in identifying all such risks or realizing the intended synergies of any given acquisition and our results of operations and financial condition could be adversely impacted. In addition, our inability to effectively manage growth could have a material adverse impact on our business, operations and prospects.

Credit Ratings

Aimia has been assigned issuer credit ratings of BBB with a stable trend by DBRS and BBB- by S&P. The Notes have also been assigned credit ratings of BBB with a stable trend by DBRS and BBB- by S&P. There can be no assurance that the credit ratings assigned to Aimia and the Notes will remain in effect for any given period of time or that the ratings will not be withdrawn or revised by either or both of the rating agencies at any time. The interest rate payable pursuant to Aimia's credit facilities and the Notes will be subject to adjustment from time to time if any of DBRS or S&P downgrade (or subsequently upgrade) their ratings. Additionally, Aimia's access to capital markets could be adversely affected by changes to the debt credit ratings assigned by independent rating agencies such as DBRS and S&P.

DESCRIPTION OF CAPITAL STRUCTURE

The authorized capital of Aimia consists of (i) an unlimited number of Common Shares issuable in series, of which 174,035,998 were issued and outstanding as of March 22, 2012, and (ii) an unlimited number of Preferred Shares issuable in series, of which 6,900,000 have been designated as Series 1 Preferred Shares and were issued and outstanding as of March 22, 2012. As of December 31, 2011, Aimia had $25 million drawn from its credit facilities, and $275 million remained committed under its revolving facility. See "Description of Capital Structure - Debt Financing". Aimia further has $200 million Series 1 Notes, $150 million Series 2 Notes and $200 million Series 3 Notes issued and outstanding as of December 31, 2011. The summary below of the rights, privileges, restrictions and conditions attaching to the securities of Aimia does not purport to be complete and is subject to, and qualified by reference to, Aimia's articles and by-laws and the trust indenture dated April 23, 2009 between Aimia and CIBC Mellon Trust Company (the "**Trust Indenture**").

COMMON SHARES

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

In the event of the liquidation, dissolution or winding-up of Aimia, whether voluntary or involuntary, or other distribution of assets of Aimia 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 Common Shares, the holders of Common Shares shall be entitled to receive the remaining property of Aimia. In the event of an insufficiency of property and assets to pay in full the amounts which the holders of Common Shares are entitled to receive upon such liquidation, dissolution or winding-up, the holders of Common 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 Aimia 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 to receive notice of, nor to attend or vote at meetings of the shareholders of Aimia other than (i) as provided for in the CBCA, and (ii) as have been provided for in the rights, privileges, restrictions and conditions attached to the Series 1 Preferred Shares and the Series 2 Preferred Shares, or as may be provided for in the rights, privileges, restrictions and conditions attached to any series of preferred shares created by the board of directors of Aimia, but in such cases, voting rights shall be attached to the preferred shares of such series if, and only if, Aimia fails to pay a certain number of dividends, as set out in such rights, privileges, restrictions and conditions.

The holders of the Preferred Shares shall be entitled to receive, as and when declared by the directors of Aimia, in preference and priority to any dividends on the Common Shares of Aimia and any other shares of Aimia 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 Aimia.

In the event of the liquidation, dissolution or winding-up of Aimia or other distribution of assets of Aimia 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 Aimia distributed among the holders of the Common Shares or any other shares of Aimia ranking junior to the Preferred Shares, be entitled to receive an amount equal to the consideration received by Aimia 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 Aimia.

Series 1 Preferred Shares and Series 2 Preferred Shares

Holders of the Series 1 Preferred Shares are entitled to receive fixed cumulative preferential cash dividend, as and when declared by the board of directors of Aimia, payable quarterly on the last business day of each of March, June, September and December at an annual rate of 6.50%, or $1.625 per Series 1 Preferred Share, for the initial five-year period ending on March 31, 2015. The dividend rate will be reset on March 31, 2015 and every five years thereafter at a rate equal to the sum of the five-year Government of Canada bond yield plus 3.75%. On March 31, 2015 and on each March 31 every fifth year thereafter, Aimia may, at its option, redeem the Series 1 Preferred Shares in whole or in part by the payment of $25.00 in cash per Series 1 Preferred Share together with all declared and unpaid dividends to but excluding the date fixed for redemption. The Series 1 Preferred Shares do not have a fixed maturity date and are not redeemable at the option of the holders of the Series 1 Preferred Shares. Holders of Series 1 Preferred Shares will have the right, at their option, to convert all or any of their Series 1 Preferred Shares into Series 2 Preferred Shares, on the basis of one Series 2 Preferred Share for each Series 1 Preferred Share, subject to certain conditions, on March 31, 2015 and on March 31 every fifth year thereafter.

Holders of the Series 2 Preferred Shares will be entitled to receive quarterly floating rate cumulative preferred cash dividends, as and when declared by the board of directors of Aimia, payable on the last business day of each of March, June, September and December in each year. On any Series 2 Conversion Date (as hereinafter defined) on and after March 31, 2020, Aimia may, at its option, redeem the Series 2 Preferred Shares in whole or in part by the payment of $25.00 in cash per Series 2 Preferred Share together with all declared and unpaid dividends to but excluding the date fixed for redemption. On any date after March 31, 2015 that is not a Series 2 Conversion Date (as hereinafter defined), Aimia may, at its option, redeem all or any part of the outstanding Series 2 Preferred Shares by the payment of an amount in cash of $25.50 per Series 2 Preferred Share together with all declared and unpaid dividends to but excluding the redemption date. The Series 2 Preferred Shares do not have a fixed maturity date and are not redeemable at the option of the holders of the Series 2 Preferred Shares. Holders of Series 2 Preferred Shares will have the right, at their option, on March 31, 2020 and on each March 31 every fifth year thereafter (each such date a "**Series 2 Conversion Date**"), to convert, subject to certain conditions, all or any of their Series 2 Preferred Shares, into Series 1 Preferred Shares, on the basis of one Series 1 Preferred Share for each Series 2 Preferred Share.

In the event of the liquidation, dissolution or winding-up of Aimia or any other distribution of assets of Aimia among its shareholders for the purpose of winding-up its affairs, subject to the prior satisfaction of the claims of all creditors of Aimia and of holders of shares of Aimia ranking prior to the Series 1 Preferred Shares and the Series 2 Preferred Shares, the holders of Series 1 Preferred Shares and Series 2 Preferred Shares will be entitled to payment of an amount equal to $25.00 per share, plus an amount equal to all declared and unpaid dividends up to but excluding the date fixed for payment or distribution (less any tax required to be deducted and withheld by Aimia), before any amount may be paid or any assets of Aimia are distributed to the registered holders of any shares ranking junior to the Series 1 Preferred Shares and the Series 2 Preferred Shares. After payment of such amounts, the holders of Series 1 Preferred Shares and Series 2 Preferred Shares will not be entitled to share in any further distribution of the assets of Aimia.

Subject to applicable law, holders of Series 1 Preferred Shares and Series 2 Preferred Shares, in their capacity as holders thereof, will not be entitled to receive notice of, or to attend or to vote at, any meeting of Aimia's shareholders, unless and until Aimia fails to pay dividends for any eight quarters. In the event that Aimia has not paid the dividends accrued and payable for any eight quarters, whether or not consecutive and whether or not such dividends have been declared, on the Series 1 Preferred Shares or the Series 2 Preferred Shares, as applicable, at the applicable dividend rate for such shares, the holders of shares of the relevant series will be entitled to receive notice of and to attend meetings of shareholders of Aimia, other than meetings at which only holders of another specified class or series are entitled to vote, and to vote together with all of Aimia's other shareholders entitled to vote at such meetings on the basis of one vote for each Series 1 Preferred Share or Series 2 Preferred Share held, as applicable. The voting rights of the holders of shares of the relevant series will forthwith cease upon payment by Aimia of all accrued but unpaid dividends on the shares of such series until such time as Aimia may again fail to pay the applicable dividend for any further eight quarters, in which case such voting rights will become effective again.

The Series 1 Preferred Shares and Series 2 Preferred Shares will rank on parity with all other Preferred Shares of Aimia and will rank prior to the Common Shares as to the payment of dividends and the distribution of the assets of Aimia in the event of the dissolution, liquidation or winding-up of the Corporation or any other distribution of the assets of Aimia for the purpose of winding-up its affairs.

The Series 1 Preferred Shares have been given a Canadian scale rating of P-3 by S&P. Such P-3 rating is the tenth highest of twenty ratings used by S&P in its Canadian preferred share rating scale. According to S&P, such a P-3 rating indicates that although the obligation is considered to be less vulnerable to non-payment than other speculative issues, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation. The Series 1 Preferred Shares have been given a rating of Pfd-3 by DBRS. Pfd-3 is the eighth highest of sixteen ratings used by DBRS for preferred shares. According to DBRS, preferred shares rated Pfd-3 are of adequate credit quality and, while protection of dividends and principal is still considered acceptable for such preferred shares, the issuing entity of preferred shares with a Pfd-3 rating is considered to be more susceptible to adverse changes in financial and economic conditions, and there may be other adverse conditions present which detract from debt protection.

SENIOR SECURED NOTES

Trust Indenture

The Trust Indenture was entered into by Aimia and CIBC Mellon Trust Company, as trustee, on April 23, 2009.

The Trust Indenture sets out the terms governing the Notes. It allows for the issuance of an unlimited amount of Notes or other evidence of indebtedness, issuable in series. The Notes issued under the Trust Indenture will be in the form of fully registered global Notes held by, or on behalf of, CDS or another corporation performing similar services that is acceptable to the trustee under the Trust Indenture as custodian of the global Notes. Interest on the Notes will be payable on such periodic basis or at maturity as specified in the applicable prospectus supplement.

The Notes issued under the Trust Indenture may be direct unsecured or secured debt obligations of Aimia as specified in the terms schedule of any series of Notes and each series of Notes shall rank equally and *pari passu* with other Notes of the same series and with respect to security interests, with all other present and future subordinated indebtedness for borrowed money of Aimia or Aeroplan Canada, as the case may be. In addition, Aimia shall cause certain of its Subsidiaries to provide an unconditional guarantee for the obligations of Aimia under the Notes. Aimia, for so long as it is not in default under the Trust Indenture, is entitled to redeem any Notes issued thereunder stated by their terms to be so redeemable, either in whole at any time or in part from time to time before the stated maturity, at such rate or rates of premium, on such date or dates and on such terms and conditions as shall have been determined at the time of issue of such Notes.

The Trust Indenture governing the Notes also contains restrictive covenants that place significant restrictions on, among other things, the ability of Aimia and certain of its Subsidiaries to incur liens or enter into transactions in which all or substantially all of Aimia's property and assets would become the property of another person. In addition, the Trust Indenture limits Aimia's and its Subsidiaries' ability to incur additional indebtedness.

Notes

As of December 31, 2011, Aimia had an amount of $200 million in Series 1 Notes issued and outstanding. The Series 1 Notes will mature on April 23, 2012, and bear interest at the rate of 9% per annum from April 23, 2009. Interest on the Series 1 Notes is payable semi-annually in arrears on April 23 and October 23 of each year, commencing on October 23, 2009. The interest rate payable on the Series 1 Notes will be subject to adjustment from time to time, if either of DBRS or S&P downgrade (or upgrade) their rating assigned to the Series 1 Notes. The Series 1 Notes have been assigned credit ratings of BBB with a stable trend by DBRS and BBB- with a stable outlook by S&P. The Series 1 Notes are redeemable in whole or in part at any time, at the option of Aimia, at the greater of 100% of the principal amount and the Canada Yield Price (as defined in the Trust Indenture), together in each case with accrued and unpaid interest to the date fixed for redemption. The Corporation will be required to make an offer to repurchase the Series 1 Notes at a price equal to 101% of their aggregate principal amount together with accrued and unpaid interest to the date of purchase upon the occurrence of a Change of Control Triggering Event (as defined in the Trust Indenture). It is the current expectation of the Corporation that it will be able to refinance the Series 1 Notes when they become due in April 23, 2012 by accessing credit markets or by drawing from the revolver or accordion feature under the credit facility.

As of December 31, 2011, Aimia had an amount of $150 million in Series 2 Notes issued and outstanding. The Series 2 Notes will mature on September 2, 2014, and bear interest at the rate of 7.90% per annum from April 30, 2009. Interest on the Series 2 Notes is payable semi-annually in arrears on September 2 and March 2 of each year, commencing on March 2, 2010. The interest rate payable on the Series 2 Notes will be subject to adjustment from time to time, if either of DBRS or S&P downgrade (or upgrade) their rating assigned to the Series 2 Notes. The Series 2 Notes have been assigned credit ratings of BBB with a stable trend by DBRS and BBB- by S&P. The Series 2 Notes are redeemable in whole or in part at any time, at the option of Aimia, at the greater of 100% of the principal amount and the Canada Yield Price (as defined in the Trust Indenture), together in each case with accrued and unpaid interest to the date fixed for redemption. The Corporation will be required to make an offer to repurchase the Series 2 Notes at a price equal to 101% of their aggregate principal amount together with accrued and unpaid interest to the date of purchase upon the occurrence of a Change of Control Triggering Event (as defined in the Indnture).

As of December 31, 2011, Aimia had an amount of $200 million in Series 3 Notes issued and outstanding. The Series 3 Notes will mature on January 26, 2017, and bear interest at the rate of 6.95% per annum from July 26, 2010. Interest on the Series 3 Notes is payable semi-annually in arrears on January 26 and July 26 of each year, commencing on January 26, 2010. The interest rate payable on the Series 3 Notes will be subject to adjustment from time to time, if either of DBRS or S&P downgrade (or upgrade) their rating assigned to the Series 3 Notes. The Series 3 Notes have been assigned credit ratings of BBB with a stable trend by DBRS and BBB- by S&P. The Series 3 Notes are redeemable in whole or in part at any time, at the option of Aimia, at the greater of 100% of the principal amount and the Canada Yield Price (as defined in the Trust Indenture), together in each case with accrued and unpaid interest to the date fixed for redemption. The Corporation will be required to make an offer to repurchase the Series 3 Notes at a price equal to 101% of their aggregate principal amount together with accrue and unpaid interest to the date of purchase upon the occurrence of a Change of Control Triggering Event (as defined in the Trust Indenture).

The Notes are direct secured debt obligations of Aimia, secured by certain present and future undertakings, property and assets of Aimia and certain of its Subsidiaries, and all rights and benefits accruing thereunder, and rank equally and *pari passu*, including with respect to security interests, with all other present and future unsubordinated Indebtedness (as defined in the Trust Indenture) for borrowed money of Aimia or Aeroplan Canada, as the case may be. In the event that all *pari passu* ranking secured and unsubordinated Indebtedness for borrowed money of Aimia or Aeroplan Canada, as the case may be, becomes unsecured, the Notes will become direct unsecured Indebtedness of Aimia and will rank equally and *pari passu* with all other unsecured and unsubordinated Indebtedness of Aimia or Aeroplan Canada, as the case may be.

RATINGS

In addition to the ratings assigned to its securities as described herein, Aimia has been assigned issuer credit ratings of BBB with a stable trend by DBRS and BBB− by 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.

DEBT FINANCING

On June 12, 2009, the Corporation concluded with a syndicate of lenders a renewal of its $650 million credit facilities, consisting of a term facility of $300 million and a revolving facility of $250 million, both maturing on April 23, 2012, and a bridge facility of $100 million, which was repaid with the proceeds of the Series 2 Notes. On December 7, 2009, the revolving facility was amended to increase the maximum borrowings under this facility from $250 million to $300 million. On January 26, 2010, a portion of the term facility was repaid with the proceeds generated from the issuance of the Series 3 Notes, with the authorized availability being reduced by the amount of the payment. On May 6, 2011, Aimia concluded an amendment to its credit facilities. The Corporation repaid $100 million outstanding under its term facility with funds drawn from its revolving facility and the term facility was terminated. The new secured credit facility, which now only consists of a revolving facility of $300 million, matures on April 23, 2014. The credit facility ranks *pari passu* with the Series 1 Notes, the Series 2 Notes and the Series 3 Notes. Interest rates under the credit facilities depend on Aimia's credit ratings, and are at Canadian prime rate plus 0.75% to 2.00% and Bankers' Acceptance and LIBOR rates plus 1.75% to 3.00%. At December 31, 2011, $25 million was drawn at an effective interest rate of 3.48% per annum. The debt service ratio covenant under the credit facilities is maximum 2.0 to 1.0.

REDEMPTION RESERVE

In conjunction with the credit facilities concluded on June 29, 2005 and December 19, 2007, as refinanced on June 12, 2009, Aeroplan established the Aeroplan Canada Miles redemption reserve (the "**Reserve**") in connection with the Aeroplan Program. As at December 31, 2011, the Reserve amounted to $300.0 million and was made up of short-term investments and long-term investments.

The amount held in the Reserve, as well as the types of securities in which it may be invested, are based on policies established by Management, which are reviewed periodically. At December 31, 2011, the Reserve was invested in corporate, federal and provincial bonds.

Subject to compliance with the provisions of the May 6, 2011 credit facilities, the Reserve may be used to supplement cash flows generated from operations in order to pay for rewards during periods of unusually high redemption activity associated with Aeroplan Miles under the Aeroplan Program. In the event that the Reserve is accessed, Aeroplan has agreed to replenish it as soon as practicable, with available cash generated from operations.

Management is of the opinion that the Reserve is sufficient to cover redemption costs, including redemption costs incurred in periods of unusually high redemption activity, as they become due, in the normal course of business. Management reviews the adequacy of the Reserve periodically and may adjust the level of the Reserve depending upon the outcome of this review.

To date, Aimia has not used the funds held in the Reserve.

At December 31, 2011, the Reserve, as well as other assets held to comply with a contractual covenant with a major Accumulation Partner, represented 29% of the consolidated Future Redemption Cost liability.

The deferred revenue presented in the balance sheet contained in the Corporation's management discussion and analysis for the year ended December 31, 2011 represents accumulated unredeemed Loyalty Units valued at their weighted average selling price and unrecognized Breakage. The estimated consolidated Future Redemption Cost liability of those Loyalty Units, calculated at the current Average Cost of Rewards per Loyalty Unit redeemed, is approximately $1,368.0 million.

DIVIDENDS AND DISTRIBUTIONS

DIVIDEND POLICY

Aimia's current policy is to declare dividends of $0.15 per Common Share per quarter. On March 3, 2010, Aimia declared its first dividend on the Series 1 Preferred Shares in the amount of $0.31164 per Series 1 Preferred Share, payable on March 31, 2010. For each of the three most recently completed financial years, Aimia declared and paid quarterly dividends on its Common Shares and Series 1 Preferred Shares as follows:

Date of Dividend Declaration	Amount of Dividend (per Common Share)	Amount of Dividend (per Series 1 Preferred Share)	Quarter in Respect of Which Dividend was Payable
February 26, 2009	$0.125	--	Quarter ended December 31, 2008
May 12, 2009	$0.125	--	Quarter ended March 31, 2009
August 14, 2009	$0.125	--	Quarter ended June 30, 2009
November 13, 2009	$0.125	--	Quarter ended September 30, 2009
March 3, 2010	$0.125	$0.031164	Quarter ended December 31, 2009
May 11, 2010	$0.125	$0.40625	Quarter ended March 31, 2010
August 11, 2010	$0.125	$0.40625	Quarter ended June 30, 2010
November 10, 2010	$0.125	$0.40625	Quarter ended September 30, 2010
February 24, 2011	$0.125	$0.40625	Quarter ended December 31, 2010
May 25, 2011	$0.15	$0.40625	Quarter ended March 31, 2011
August 10, 2011	$0.15	$0.40625	Quarter ended June 30, 2011
November 9, 2011	$0.15	$0.40625	Quarter ended September 30, 2011
February 22, 2012	$0.15	$0.40625	Quarter ended December 31, 2011

Dividends payable by Aimia 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, Aimia's earnings, financial requirements, debt covenants, the satisfaction of certain tests imposed by the CBCA for the declaration of dividends and other conditions existing at such future time.

MARKET FOR SECURITIES

Since October 7, 2011, the Common Shares and the Series 1 Preferred Shares have been listed for trading on the TSX under the symbol "AIM" and "AIM.PR.A", respectively. Prior to October 7, 2011, the Common Shares and the Series 1 Preferred Shares were listed for trading on the TSX under the symbol "AER" and "AER.PR.A", respectively.

TRADING PRICE AND VOLUME

The following table shows the monthly range of high and low closing prices per Common Share, the total monthly volumes, and the average daily volumes of Common Shares traded on the TSX (and other alternative platforms, including Alpha Trading Systems) for the months of January to, and including, December 2011, as quoted on Bloomberg.

2011 Month	Price per Common Share Monthly High	Price per Common Share Monthly Low	Common Shares Total Monthly Volume	Common Shares Average Daily Volume
January	$13.99	$13.49	16,583,238	829,162
February	$13.76	$12.81	31,810,168	1,674,219
March	$13.13	$12.50	25,372,341	1,057,181
April	$13.30	$12.70	20,704,634	1,035,232
May	$13.45	$12.35	26,265,651	1,250,745
June	$13.50	$13.20	17,065,458	775,703
July	$13.73	$13.10	12,176,392	608,820
August	$13.09	$11.41	15,353,436	697,883
September	$12.05	$11.20	15,674,337	746,397
October	$11.72	$10.73	17,346,566	867,328
November	$12.00	$11.04	10,871,802	494,173
December	$12.12	$11.50	13,233,416	661,671

The following table shows the monthly range of high and low closing prices per Series 1 Preferred Share, the total monthly volumes, and the average daily volumes of Common Shares traded on the TSX (and other alternative platforms, including Alpha Trading Systems) for the months of January to, and including, December 2011, as quoted on Bloomberg.

2011 Month	Price per Series 1 Preferred Share Monthly High	Price per Series 1 Preferred Share Monthly Low	Series 1 Preferred Share Total Monthly Volume	Series 1 Preferred Share Average Daily Volume
January	$26.90	$26.33	176,779	8,839
February	$26.74	$26.11	138,700	7,300
March	$26.67	$25.75	118,360	4,932
April	$26.18	$25.95	215,961	10,798
May	$26.36	$26.05	168,229	8,011
June	$26.28	$25.51	163,819	7,446
July	$26.88	$26.00	139,086	6,954
August	$26.60	$25.60	192,091	8,731
September	$26.44	$25.73	181,376	8,637
October	$26.33	$25.48	179,138	9,428
November	$26.34	$25.44	188,526	8,569
December	$26.45	$25.70	87,676	4,384

PRIOR SALES

During the financial year ended December 31, 2011, no securities of Aimia that are not listed or quoted on a marketplace were issued.

DIRECTORS AND OFFICERS

DIRECTORS

The articles and by-laws of Aimia 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. Each member of the board of directors will hold office until the next annual Shareholders meeting or until his or her successor is elected or appointed, unless his or her office is vacated earlier. The board of directors is comprised, as at March 22, 2012, of nine (9) members as set out in the following table.

Name, Municipality and Province of Residence	Position with Aimia	Principal Occupation	Director Since
Robert E. Brown Montreal, Quebec, Canada	Chairman of the Board	Corporate Director	June 21, 2005
Roman Doroniuk(1)(2) Toronto, Ontario, Canada	Director	Consultant	June 21, 2005
Rupert Duchesne Toronto, Ontario, Canada	Director	Group Chief Executive, Aimia	June 21, 2005
Joanne Ferstman(1)(3) Toronto, Ontario, Canada	Director	President and CEO of Dundee Capital Markets Inc.	June 21, 2005
Michael M. Fortier(2)(3) Town of Mount-Royal, Quebec, Canada	Director	Vice-Chairman, RBC Capital Markets	January 19, 2009
John M. Forzani(2)(3) Calgary, Alberta, Canada	Director	Corporate Director	July 17, 2007
David H. Laidley(1)(2) Westmount, Quebec, Canada	Director	Corporate Director	January 19, 2009
Douglas D. Port(2)(3) Oakville, Ontario, Canada	Director	Corporate Director	July 17, 2007
Alan P. Rossy(1)(3) Town of Mount-Royal Quebec, Canada	Director	President and Chief Executive Officer, Groupe Copley	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 22, 2012, 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, Quebec, Canada	Executive Vice President and Chief Financial Officer	July 16, 2007
Susan Doniz Toronto, Ontario, Canada	Senior Vice President and Global Chief Information Officer	June 7, 2011
Rupert Duchesne Toronto, Ontario, Canada	Group Chief Executive	August 1, 2000
Liz Graham Westmount, Quebec, Canada	President and Chief Executive Officer, US & APAC and Executive Vice President and Chief Operating Officer	November 1, 2000
Mark Hounsell, Montreal, Quebec, Canada	Senior Vice President, General Counsel and Corporate Secretary	October 2, 2006
David Johnston London, England	President and Chief Executive Officer, EMEA and Executive Vice President	January 11, 2010
Melissa Sonberg Montreal, Quebec, Canada	Senior Vice President, Global Brand, Communications and External Affairs	June 25, 2001
Vincent R. Timpano Toronto, Ontario, Canada	President and Chief Executive Officer, Canada and Executive Vice President	November 3, 2008
Sandy Walker Nobleton, Ontario, Canada	Senior Vice President, Global Talent and Culture	October 17, 2011

As at March 22, 2012, the directors and officers of Aimia as a group owned, directly or indirectly, or had control or direction over 297,937 Common Shares representing approximately 0.17% of the issued and outstanding Common Shares.

BIOGRAPHIES

The following are biographies of the directors of Aimia, and the current executive officers of Aimia.

David L. Adams was appointed Executive Vice President, Finance and Chief Financial Officer of Aeroplan in July 2007. Upon completion of the reorganization of Aeroplan Income Fund into Aimia on June 25, 2008, he was appointed Executive Vice President and Chief Financial Officer of Aimia. Mr. Adams has executive responsibility for the overall financial strategic direction, control, reporting and financial monitoring of Aimia'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 Chairman of Aimia since January 1, 2008, and was 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, from August 2004 to September 2009. Prior to joining CAE Inc., Mr. Brown was Chairman of Air Canada during its restructuring from May 2003 to October 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. He holds a Bachelor of Science Degree from the Royal Military College and attended the Advanced Management Program at the Harvard Business School. Mr. Brown is a Director of BCE Inc., Bell Canada, Rio Tinto Plc and Rio Tinto Limited. He has also received honorary doctorates from five Canadian universities. Mr. Brown is a Member of the Order of Canada and an Officer of the *Ordre National du Québec*.

Susan Doniz was appointed Senior Vice President and Global Chief Information Officer of Aimia in June, 2011. She is responsible for defining the global internal and external Information & Technology strategy to deliver innovation and growth across and within regions. Previous to this role she enjoyed a variety of leadership roles at Procter & Gamble such as leading a global transformational digital strategy; Global services leader across Purchasing, Planning, Global Master Data Shared Service, Business Intelligence & Analytics. Susan has enjoyed various long assignments in both developed and developing markets. Susan graduated from University of Toronto, Engineering and studied Graduate courses in Europe (Netherlands) and Executive Learning at Harvard. She has served on boards such as the CIO Association of Canada, Centre of Outsourcing & Research (CORE), Engineers without Borders and the Salvation Army National Board.

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 served on the board of directors of The Forzani Group Ltd. from July, 1997 to August, 2011. 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 Group Chief Executive of Aimia. In this role, Mr. Duchesne culminates a decade of innovative stewardship of the rapid growth of the organization from its carve-out as a division of Air Canada in 2002, the initial public offering as the Aeroplan Income Fund in 2005, conversion to corporate status as Groupe Aeroplan Inc. in 2008 and the re-branding of the Corporation as Aimia in 2011. 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. 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 Director of Dorel Industries Inc., and was previously a Director of Alliance Atlantis Communications Inc. He is Chair of the boards of the NeuroScience Canada Partnership and Brain Canada Foundation. He is Vice President of the Art Gallery Ontario's Board of Trustees, where he chairs both the Finance and Photography committees, co-chairs the Grange Park Advisory Council and is a member of the Executive, Nominating and Strategic Directions Committee. He is also a member of the boards of Greenwood College School, Business for the Arts and the Luminato Festival in Toronto.

Joanne Ferstman is President and Chief Executive Officer of Dundee Capital Markets Inc. Prior to taking this position on January 31, 2011, Ms. Ferstman was Vice Chair and Head of Capital Markets of DundeeWealth Inc., and prior to 2009 was Executive Vice President and Chief Financial Officer of Dundee Wealth Inc. and Executive Vice President, Chief Financial Officer and Corporate Secretary of Dundee Corporation. Over the past 15 years, Ms. Ferstman has held a variety of positions with the Dundee group of companies and in early 2009 assumed leadership of Dundee Capital Markets, including all Investment Banking activities. Prior to joining the Dundee Group of companies, 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. She was a director of Breakwater Resources Ltd. From June 2007 to August 2011 and a director of Dundee Capital Markets Inc. from February 2011 to February 2012. Ms. Ferstman holds a Bachelor of Commerce from McGill University and is a Chartered Accountant.

Michael M. Fortier joined RBC Capital Markets (RBCCM) as a Vice-Chairman in October 2010. Prior to joining RBCCM, Mr. Fortier was a partner of Ogilvy Renault LLP and a Senior Advisor to Morgan Stanley in Canada since January 2009. Between February 2006 and October 2008, Mr. Fortier held various positions in the Government of Canada, including Minister of International Trade and Minister responsible for Greater Montreal. Prior to that, Mr. Fortier was 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. He is a director of CAE Inc. 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 was Chairman of the Board of The Forzani Group Ltd. and has held the positions of Chief Executive Officer, President and Chief Operating Officer. He is a past Chairman of Swiss based Intersport International, the world's largest sporting goods retailer and purchasing group with over 7,000 stores world wide. He is a director of Sustainable Energy Technologies Ltd. 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 Aeroplan Income Fund into Aimia on June 25, 2008, she was appointed Executive Vice President and Chief Operating Officer of Aimia. In September, 2011, she was appointed President and Chief Executive Officer of US & APAC. In her current role as Chief Operating Officer of Aimia, Ms. Graham is accountable for the operational integrity of the processes and tools deployed to ensure appropriate levels of integration, collaboration and oversight across the operating businesses of the Corporation, including integrated business planning and performance monitoring. Ms. Graham additionally leads post-transaction business integration. Ms. 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, Ms. Graham was appointed Vice President, Airports where she was responsible for all airport and cargo operations in North America. She holds the Chartered Director (C.Dir.) designation and serves on the Canadian Chamber of Commerce Board of Directors.

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 Aeroplan Income Fund into Aimia on June 25, 2008, he was appointed Senior Vice President, General Counsel and Corporate Secretary of Aimia. He has overall responsibility for the development and management of the legal framework for Aimia's various businesses, as well as leadership of the enterprise's corporate secretariat and governance portfolios. Prior to joining Aimia, 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.

David Johnston was appointed President and Chief Executive Officer, EMEA and Executive Vice President in January 2010. In this role, he has full responsibility for driving the expansion of Aimia's businesses in the EMEA region including Nectar, Nectar Italia and Air Miles Middle East as well as all of our proprietary loyalty businesses in the region. Mr. Johnston is also responsible for driving the growth of our loyalty analytics business ISS. Finally, he is also responsible for the global business development team who plan and execute the expansion of Aimia's full suite strategy into new territories. Mr. Johnston joined Aimia from PepsiCo where he spent 13 years in Marketing and General Management. He has had extensive global experience in PepsiCo in Europe, Latin America and in PepsiCo's global headquarters in Purchase, New York. He holds an Honours Degree in Business from Nottingham Trent University in the United Kingdom.

David H. Laidley is a retired partner 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 two other public companies: EMCOR Group Inc. (NYSE) and ProSep Inc. (TSX). He also served on the board of Biovail Corporation from August, 2008 to September, 2010. He is a director of the Bank of Canada and Aviva Canada Inc. and Chairman of the Board of Nautilus Indemnity Limited and also serves on the boards of the McGill University Health Centre, the McGill University Health Centre Foundation, the Cole Foundation and the Birks Family Foundation. Mr. Laidley is a Fellow of the Québec Order of Chartered Accountants and holds a Bachelor of Commerce degree from McGill University.

Douglas D. Port is a retired senior airline executive with more than 30 years experience in the airline industry, including 11 years as an executive with Air Canada, where he headed major portfolios such as Airports, International, Marketing and Sales, Sales and Product Distribution, Corporate Affairs and Government Relations, Corporate Communications and Customer Service. He also served as Chairman of the Air Transport Association of Canada, Chairman of Galileo Canada and Chairman and CEO of Air Canada Vacations. From 2005 through 2010, he was an executive consultant at an international transportation consultancy. He is Vice-Chairman of the Air Canada Foundation.

Alan P. Rossy is President and Chief Executive Officer of Groupe Copley, a real estate company which purchases, develops and leases properties in Quebec and Ontario. Mr. Rossy was Executive Vice-President of Store Operations at Dollarama L. P., a national retail chain, from 1991 to 2007. His responsibilities included new store growth, sales, merchandising, advertising and human resources consulting. Mr. Rossy is a founding family member of Dollarama and current shareholder. Presently, Mr. Rossy serves on the Board of Directors of Canadian Tire Corporation and is a member of its audit committee. Mr. Rossy is also a director of the Selwyn House School, a private boys' school in Westmount, Québec and a member 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 was appointed Senior Vice President, Global Brand, Communications and External Affairs in March, 2011. She previously held the position of Senior Vice President, Corporate Services, Aimia. Mrs. Sonberg is responsible for ensuring that there is an aligned, effective and strategically sound set of programs, policies and processes to establish and protect the unique voice, personality and position of Aimia on a global basis, across multiple stakeholder audiences and channels. 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 and Equitas-International Centre for Human Rights Education. Ms. Sonberg is a graduate of the Director's Education Program of the Institute of Corporate Directors and holds the designation ICD.D.

Vincent R. Timpano is President and Chief Executive Officer, Canada and Executive Vice President of Aimia. In this role, Mr. Timpano has full accountability for leading and growing the Canadian business, which includes the full suite of loyalty management services of coalition, proprietary and loyalty analytics delivered across multiple business units in Canada. Previously, he served as President and CEO of Aeroplan, where he established and led the strategic direction of the business, while ensuring alignment across the organization to drive performance and growth for Canada’s leading premium rewards program. Before Aeroplan, Mr. Timpano was 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, Mr. Timpano served as President and CEO for The Minute Maid Company Canada Inc., where he successfully oversaw all activities associated with the company’s juice and juice drinks business. Mr. Timpano is a member of the board of the Canadian Marketing Association. He also currently serves with the United Way, Toronto as member of the board of trustees, and is chair of its finance, audit and risk committee and a member of its governance and human resources committee. Mr. Timpano holds a Masters of Business Administration degree from the Richard Ivey School of Business, University of Western Ontario.

Sandy Walker is Aimia's Senior Vice President, Global Talent and Culture and is responsible for mobilizing our considerable HR strength across the global enterprise to support and guide our efforts to realize our talent and culture goals. Previous to this role, Sandy Walker held senior positions at BCE/Bell Canada and Alliance Atlantis Communications Inc. She joined BCE/Bell Canada in 2005, initially leading Human Resources for the Enterprise Group and subsequently taking the post of Vice President, Human Resources - Business Markets where she successfully oversaw multiple transformational business structuring endeavours, evolved people and culture planning for all B2B businesses, led the reset of Bell's Leadership Development and Talent Management programs, focused on building the organization's talent pipeline, and supported talent identification deeply into the organization. Prior to joining Bell, Sandy was Senior Vice President, Human Resources & Administration at Alliance Atlantis Communications Inc. where, as a member of the Executive Committee, she had full responsibility for all matters related to global human resource governance matters. Earlier in her career, Sandy held progressively senior roles in the life and health reinsurance business, leading to the role of Head, Human Resource Services, North America for Swiss Re Life & Health. Sandy is a graduate of the University of Toronto, and holds FLMI and CHRP designations.

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

Corporate Cease Trade Orders or Bankruptcies

To the knowledge of Aimia, no director or executive officer of Aimia (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) and no Shareholder holding a sufficient number of securities of Aimia to affect materially the control of Aimia, 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) and no Shareholder holding a sufficient number of securities of Aimia to affect materially the control of Aimia, 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) 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 Aimia, no director or executive officer of Aimia, and no Shareholder holding a sufficient number of securities of Aimia to affect materially the control of Aimia, 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 Aimia, in the last ten years, no director or executive officer of Aimia, and no Shareholder holding a sufficient number of securities of Aimia to affect materially the control of Aimia, 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 Aimia or other insider of Aimia, nor any associate or affiliate of the foregoing persons, has any existing or potential material conflict of interest with Aimia or any of its Subsidiaries.

AUDIT COMMITTEE INFORMATION

The primary purpose of the Audit Committee is to assist the board of directors of Aimia 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 is set out in Schedule "B" to this Annual Information Form.

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee is composed of four members, as follows: Roman Doroniuk, Chair, Joanne Ferstman, David H. Laidley and Alan P. Rossy. Each member of the Audit Committee is Independent of Aimia 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 served on the board of directors of The Forzani Group Ltd. from July, 1997 to August, 2011. 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 President and Chief Executive Officer of Dundee Capital Markets Inc. Prior to taking this position on January 31, 2011, Ms. Ferstman was Vice Chair and Head of Capital Markets of DundeeWealth Inc., and prior to 2009 was Executive Vice President and Chief Financial Officer of Dundee Wealth Inc. and Executive Vice President, Chief Financial Officer and Corporate Secretary of Dundee Corporation. Over the past 15 years, Ms. Ferstman has held a variety of positions with the Dundee group of companies and in early 2009 assumed leadership of Dundee Capital Markets, including all Investment Banking activities. Prior to joining the Dundee Group of companies, 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. She was a director of Breakwater Resources Ltd. From June 2007 to August 2011 and a director of Dundee Capital Markets Inc. from February 2011 to February 2012. Ms. Ferstman holds a Bachelor of Commerce from McGill University and is a Chartered Accountant.

(iii) David H. Laidley is a retired partner 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 two other public companies: EMCOR Group Inc. (NYSE) and ProSep Inc. (TSX). He also served on the board of Biovail Corporation from August, 2008 to September, 2010. He is a director of the Bank of Canada and Aviva Canada Inc. and Chairman of the Board of Nautilus Indemnity Limited and also serves on the boards of the McGill University Health Centre, the McGill University Health Centre Foundation, the Cole Foundation and the Birks Family Foundation. Mr. Laidley is a Fellow of the Québec Order of Chartered Accountants and holds a Bachelor of Commerce degree from McGill University.

(iv) Alan P. Rossy is President and Chief Executive Officer of Groupe Copley, a real estate company which purchases, develops and leases properties in Quebec and Ontario. Mr. Rossy was Executive Vice-President of Store Operations at Dollarama L. P., a national retail chain, from 1991 to 2007. His responsibilities included new store growth, sales, merchandising, advertising and human resources consulting. Mr. Rossy is a founding family member of Dollarama and current shareholder. Presently, Mr. Rossy serves on the Board of Directors of Canadian Tire Corporation and is a member of its audit committee. Mr. Rossy is also a director of the Selwyn House School, a private boys' school in Westmount, Québec and a member 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.

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 by Aimia's external auditor prior to the commencement of such work.

The Audit Committee also reviews a report from the external auditor of all relationships between the external auditor and its related entities and Aimia 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 Aimia, and discusses 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 Aimia since June 25, 2008 and as auditors of Aeroplan Income Fund since the Initial Public Offering.

Fees paid for the years ended December 31, 2011 and December 31, 2010 to PricewaterhouseCoopers LLP and its Subsidiaries are \$3,741,863 and \$4,209,544, respectively, as detailed below:

	Year ended December 31, 2011	Year ended December 31, 2010
Audit fees	$2,276,710	$2,410,254
Audit-related fees	$28,558	$74,891
Tax fees	$578,276	$552,878
All other fees	$858,319	$1,171,521
	$3,741,863	$4,209,544

The nature of each category of fees is described below.

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

Audit-related fees. In 2010, audit-related fees were paid for services rendered in connection with the offering of the Series 1 Preferred Shares and the $200 million Series 3 Notes. In 2011, audit-related fees were paid for services rendered in connection with the preparation and filing of the short form base shelf prospectus, dated April 8, 2011.

Tax fees. Tax fees were paid in 2010 and 2011 in connection with assistance in the preparation of Scientific Research & Experimental Development tax credit claims, audit fees in connection with the review of tax provisions, and general tax advice and compliance advice.

All other fees. In 2010 and 2011, other fees were paid for professional services rendered with respect to the review of quarterly reporting by Aimia and the translation thereof, the due diligence investigation in connection with Aimia’s investment in PLM in 2010 and the due diligence investigation in connection with Aimia’s investment in Cardlytics in 2011 and other regulatory and contractual audit-related obligations.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

From time to time, Aimia becomes involved in various claims and litigation as a result of carrying on its business. This section describes important legal proceedings which involve Aimia's businesses. While the final outcome of the claims and litigation described below and any other pending claims and litigation cannot be predicted, nor can we estimate the amount of loss, or range of loss, if any, that may result from these proceedings, based on the information currently available, Management believes the resolution of current pending claims and litigation will not have a material impact on the Corporation's financial position and results of operations. The Corporation will regularly assess its position as events progress.

VAT Appeal

Aimia EMEA Limited (formerly Loyalty Management Group Limited) 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 ($27.1 million).

Aimia EMEA Limited appealed to the VAT and Duties Tribunal, which ruled in its favour. HMRC then appealed to the High Court which found in favour of HMRC. Aimia EMEA Limited, in turn, appealed to the Court of Appeal, which issued a judgement in favour of Aimia EMEA Limited on October 5, 2007 requiring the refund of the assessed amount and confirming Aimia EMEA Limited 's eligibility to deduct input tax credits in the future. As a result of this event, an amount receivable of £13.8 million ($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 ECJ. The case was heard on January 21, 2010. On October 7, 2010, the ECJ ruled against Aimia EMEA Limited and in favour of HMRC. The case has been referred back to the UK Supreme

Court for judgment based on the guidance of the ECJ. The hearing is scheduled to take place on October 24 and October 25, 2012.

Based on the binding and non-appealable nature of the judgment rendered by the ECJ (the "**ECJ VAT Judgment**"), an amount of $133.0 million (£85.7 million) was recorded in provisions at December 31, 2010 representing input tax credits relating to the supply of goods claimed historically and to date, and interest and penalties. An amount of $63.9 million (£41.2 million), relating to recoverable amounts under the terms of contractual agreements with certain Redemption Partners, was also recorded in accounts receivable. Of the net amount, $62.1 million (£39.0 million) (of which $9.0 million (£5.6 million) related to the year ended December 31, 2010, and $53.1 million (£33.4 million) related to the period from 2002 to 2009) was charged to cost of rewards during 2010. In addition, $1.6 million (£1.0 million) and $7.2 million (£4.5 million) were charged to general and administrative expenses and interest expense, respectively.

In addition, an accrual in the amount of $7.2 million (£4.5 million), payable to certain employees in the event of a favourable outcome, was reversed into earnings, reducing general and administrative expenses during the year ended December 31, 2010.

For the year ended December 31, 2011, $7.9 million (£5.0 million) has been recorded in cost of rewards and $4.4 million (£2.8 million) has been recorded in interest expense.

At December 31, 2011, $147.7 million (£93.5 million) was recorded in provisions and $65.0 million (£41.2 million) was recorded in accounts receivable

At this time, the provision represents management's best estimate. The ECJ provided for potential relief to mitigate a portion of the increase in the cost base resulting from the ECJ VAT Judgment which will require further discussion with HMRC. Given that the case will be referred back to the UK Supreme Court for judgment based on the guidance of the ECJ, and due to the need for on-going discussions with HMRC, management has neither considered nor accounted for any potential favourable impact of this aspect of the ECJ VAT Judgment.

The ECJ VAT Judgment has not yet affected cash flows from operating activities as the amounts have not been settled. This will likely occur once the UK Supreme Court renders judgment based on the guidance of the ECJ and the settlement process is agreed to with HMRC, which is anticipated to take place subsequent to the hearing which is scheduled to take place on October 24 and 25, 2012.

Pursuant to the escrow agreement entered into at the time of the acquisition, the funds held in escrow of $42.8 million (£27.1 million) will be released to the Corporation upon ratification by the UK Supreme Court of the ECJ VAT Judgment.

Upon settlement, based on accrued balances as at December 31, 2011, the net cash outflow is expected to be $38.5 million (£24.4 million), including the receipt of accrued interest on the cash held in escrow amounting to $1.3 million (£0.8 million) to date.

Class Action Contesting Changes to Aeroplan's Mileage Accumulation and Expiry rules

On July 2, 2009, Groupe Aeroplan Inc. was served with a motion for authorization to institute a class action and to obtain the status of representative in the Superior Court of Québec.

The motion was heard on May 9 and 10, 2011 and Aeroplan Canada was added as a potential defendant. In a judgment dated March 6, 2012, the Superior Court of Québec authorized the motion for the petitioner to bring a class action.

The petitioner's class action lawsuit on behalf of Aeroplan Program members in Canada seeks to obtain reinstatement of expired Miles, reimbursement of any amounts already expended by Aeroplan Program members to reinstate their expired Miles, $50 in compensatory damages and an undetermined amount in exemplary damages on behalf of each class member, all in relation to changes made to the Aeroplan Program concerning accumulation and expiry of Aeroplan Miles as announced on October 16, 2006.

Groupe Aeroplan Inc. and Aeroplan Canada are of the view that they have strong arguments for opposing the class action and will vigorously defend against it.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

To the knowledge of Aimia, none of the directors, executive officers or other insider, as applicable, of (i) Aimia 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 Aimia or any of its Subsidiaries.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares is Canadian Stock Transfer Company Inc. as administrative agent for 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 Aimia, 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, 2011:

- the Trust Indenture;
- the amended and restated credit facility dated May 6, 2011 among Aimia, as borrower, Royal Bank of Canada, as administrative agent, RBC Capital Markets, TD Securities and Canadian Imperial Bank of Commerce, as co-lead arrangers and bookrunners, TD Securities, as syndication agent, Bank of Montreal and Canadian Imperial Bank of Commerce, as co-documentation agents, and the financial institution party thereto (the "**Credit Facility**");

INTERESTS OF EXPERTS

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

ADDITIONAL INFORMATION

Additional information relating to Aimia 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 Aimia'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 Aimia for the year ended December 31, 2010.

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

(a) when Aimia 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 Aimia'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 Aimia 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 Aimia for any period after its most recently completed financial year;

(iii) one copy of the information circular of Aimia 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, Aimia 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 Aimia may require the payment of a reasonable charge if the request is made by a person or company who is not a holder of Aimia's securities.

SCHEDULE A

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 Air LP, and certain other carriers under the "AC" code;

"**Accumulation Partners**" means Commercial Partners that purchase loyalty marketing services, including Loyalty Units;

"**Adjusted EBITDA**" means EBITDA adjusted for certain factors particular to Aimia'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 Aimia, and the successor of Aeroplan LP following the Reorganization. Where applicable, references to Aeroplan Canada include references to Aeroplan LP;

"**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 Miles**" means the miles issued by Aeroplan Canada under the Aeroplan Program;

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

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

"**Aimia Proprietary Loyalty U.S.**" means Aimia Proprietary Loyalty U.S. Inc., a corporation incorporated under the laws of Delaware, formerly Carlson Marketing Worldwide, Inc.;

"**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, and as amended from time to time;

"**Annual Information Form**" means this annual information form of Aimia dated March 22, 2012, together with all schedules hereto;

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

"**Average Cost of Rewards per Loyalty Unit**" means, for any reporting period, the cost of rewards for such period divided by the number of Loyalty Units redeemed for rewards during such period;

"**Breakage**" means estimated Loyalty Units sold which are not expected to be redeemed. By its nature, Breakage is subject to estimates and judgment;

"**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;

"**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, and as amended from time to time;

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

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

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

"**Common Shares**" means the common shares in the share capital of Aimia;

"**Credit Facility**" has the meaning ascribed thereto under "Material Contracts";

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

"**DBRS**" means DBRS Limited;

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

"**ECJ**" means the European Court of Justice;

"**Future Redemption Costs**" means the total estimated liability of the future cost of rewards for Loyalty Units which have been sold and remain outstanding, net of Breakage and valued at the Average Cost of Rewards per Loyalty Unit 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. As of January 1, 2011, this represents International Financial Reporting Standards;

"**Governance and Nominating Committee**" means the governance and nominating committee of Aimia;

"**Gross Billings**" means gross proceeds from the sale of Loyalty Units, from proprietary loyalty services, loyalty analytics services and from other services rendered or to be rendered;

"**Gross Billings from the sale of Loyalty Units**" means gross proceeds from the sale of Loyalty Units;

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

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

"**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 Aeroplan Income Fund pursuant to its prospectus dated June 22, 2005;

"**Loyalty Units**" means the miles, points or other loyalty program reward units issued by Aimia's Subsidiaries under the respective programs owned and operated by such Subsidiaries;

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

"**Miles**" means the miles issued under the Aeroplan Program by either Aeroplan Canada or Air Canada;

"**Nectar**" or "**Nectar Program**" means the loyalty marketing program operated by Aimia in the United Kingdom;

"**Nectar Italia**" or "**Nectar Italia Program**" means the loyalty marketing program operated by Aimia in Italy;

"**Nectar Italia Points**" means the points accumulated by members under the Nectar Italia Program;

"**Nectar Points**" means the points accumulated by members under the Nectar Program;

"**Notes**" means, collectively, the Series 1 Notes, Series 2 Notes and Series 3 Notes, and any other notes or other evidence of indebtedness of Aimia created and issued or to be issued pursuant to the terms of the Trust Indenture;

"**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;

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

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

"**RMMEL**" means Rewards Management Middle East Free Zone LLC;

"**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 Common Shares;

"**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;

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

"**Units**" means units of Aeroplan Income Fund;

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

SCHEDULE B

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

OF THE BOARD OF DIRECTORS OF AIMIA
(the "Corporation")

1. Structure and Qualifications

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**") of Groupe Aeroplan Inc., doing business as Aimia (the "**Corporation**"). 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 its 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". The members of the Committee shall be appointed by the Board to hold office from the time of their appointment until the next annual general meeting of the shareholders of the Corporation or until their successors are appointed. Unless a Chair and a Secretary are appointed by the Board, the members of the Committee may designate a Chair and a Secretary by a majority vote of all the Committee members. The Board may remove, at any time, any member of the Committee at its discretion and may accept the resignation of any member of the Committee. Vacancies at any time occurring on the Committee shall be filled by the Board.

2. Procedure

(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 or make a recommendation of the Committee. The Chair 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 Chair 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 other than 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, with copies to the Chairman of the Board and Chief Executive Officer of the Corporation.

(h) The Committee, through its Chair, shall report to the Board on all proceedings and deliberations of the Committee at the first subsequent meeting of the Board, and at such other times and in such manner as the Board may require or as the Committee in its discretion may consider advisable.

3. **Objectives**

(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 earnings press releases 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 may be, 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; and

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

(b) Review with management, the internal auditor and the external auditor and, if considered appropriate, approve for recommendation to the Board the release of the Corporation's annual or quarterly financial statements, as applicable, related MD&A and earnings press releases.

(c) 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.

(d) 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.

(e) 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.

(f) Review 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. Implement from time to time a process in connection with non-audit services performed by the external auditor.

(g) 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.

(h) 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.

(i) At least once each year, meet privately with management to assess the performance of the external auditor.

(j) Meet privately with the external auditor at each regularly scheduled Committee meeting, 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 shall:

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

(ii) meet privately with the head of the internal audit department at each regularly scheduled Committee meeting, amongst other things, to understand any restrictions placed on the internal audit department or other difficulties encountered in the course of its audits, including instructions on the scope of its work and access to requested information and the level of co-operation received from management during the performance of its work;

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

(iv) 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;

(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 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.

(s) 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.

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

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

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

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

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

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

5. <u>Other</u>

(a) **Public Disclosure**

(i) The Committee shall 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 Chair of the Committee draft news releases to be disseminated to the public related to earnings warnings or financial results 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, including contingent liabilities and IT system contingency plans 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, in particular in relation to derivatives, foreign currency exposure, hedging and insurance. 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) **Corporate Authorizations Policies**

The Committee shall:

(i) Periodically review and approve policies relative to the financial control, conduct, regulation and administration of the Corporation and its subsidiaries;

(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; and

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

(d) **Pension Plans.**

The Committee shall review on an annual basis the accounting treatment for the Corporation's pension plans.

6. 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.

October 5, 2011