GROUPE AEROPLAN INC.

ANNUAL INFORMATION FORM

FOR THE FINANCIAL YEAR

ENDED DECEMBER 31, 2009

March 22, 2010

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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 GA Loyalty Units and related marketing services;

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

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

"**Aeroplan Canada Miles Redemption Reserve**" has the meaning ascribed thereto under "Description of Capital Structure — Aeroplan Canada Miles Redemption Reserve";

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

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

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

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

"**Air Canada Club Loan**" has the meaning ascribed thereto under "General Development of the Business — History";

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

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

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

"**Annual Information Form**" means this annual information form of Groupe Aeroplan dated March 22, 2010, together with all schedules hereto;

"**Arrangement**" has the meaning ascribed thereto under "Corporate Structure — Name, Address and Incorporation";

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

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

"**Breakage**" means estimated GA Loyalty Units sold which are not expected to be redeemed;

"**Carlson Marketing**" means the division of Groupe Aeroplan that operates the Carlson Marketing Business;

"**Carlson Marketing Business**" refers collectively to the Loyalty Business and the E&E Business;

"**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 Groupe Aeroplan;

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

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

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

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

"**DBRS**" means DBRS Limited;

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

"**E&E Business**" means the Carlson Marketing engagement and events business;

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

"**Future Redemption Costs**" means the total estimated liability of the future cost of rewards for GA Loyalty Units which have been sold and remain outstanding, net of Breakage, and valued at the Average Cost of Rewards per GALU 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;

"**GA Loyalty Units**" or "**GALUs**" means the miles, points or other loyalty program units issued by Groupe Aeroplan's Subsidiaries under the respective programs owned and operated by each of the entities;

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

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

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

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

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

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

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

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

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

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

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

"**Loyalty Business**" means the Carlson Marketing loyalty marketing business;

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

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

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

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

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

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

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

"**Nectar Points**" means the currency 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 Groupe Aeroplan 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 Groupe Aeroplan;

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

"**Reorganization**" has the meaning ascribed thereto under "Corporate Structure — Name, Address and Incorporation";

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

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

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

"**Series 1 Notes**" has the meaning ascribed thereto under "General Development of the Business — History";

"**Series 1 Preferred Shares**" has the ascribed thereto under "General Development of the Business — History";

"**Series 2 Notes**" has the meaning ascribed thereto under "General Development of the Business — History";

"**Series 2 Preferred Shares**" has the ascribed thereto under "General Development of the Business — History";

"**Series 3 Notes**" has the meaning ascribed thereto under "General Development of the Business — History";

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

"**Shelf Prospectus**" has the meaning ascribed thereto under "General Development of the Business — History";

"**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;

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

"**Transition Services**" has the meaning ascribed thereto under "Risks and Uncertainties Affecting the Business — Integration of Carlson Marketing";

"**Trust Indenture**" has the meaning ascribed thereto under "Description of Capital Structure";

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

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

"**U.S. Privacy Laws**" has the meaning ascribed thereto under "The Business - Regulatory"; and

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

EXPLANATORY NOTES

The information in this Annual Information Form is stated as at December 31, 2009, unless otherwise indicated.

Unless otherwise indicated in this Annual Information Form, "*Groupe Aeroplan*", "*we*", "*us*", "*our*", or "*the Corporation*" refers to Groupe Aeroplan Inc., and, where the context requires, its Subsidiaries and associated companies or Aeroplan Income Fund, the predecessor entity to Groupe Aeroplan, and, where the context requires, its Subsidiaries and associated companies; "*Aeroplan*" or "*Aeroplan Canada*" refers to the Groupe Aeroplan division operated by Aeroplan Canada Inc., the successor to Aeroplan LP following the Reorganization; "*Carlson Marketing*" refers to the division of Groupe Aeroplan that operates the Carlson Marketing Business; and "*Groupe Aeroplan Europe*" refers to the division of Groupe Aeroplan that operates the Nectar, Air Miles Middle East, I&C and Nectar Italia businesses.

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

FORWARD-LOOKING STATEMENTS

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

This Annual Information Form includes forward-looking statements within the meaning of applicable securities laws. These 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 or forward-looking predictions or statements cannot be relied upon due to, amongst other things, changing external events and general uncertainties of the business and its corporate structure. Results indicated in forward-looking statements may differ materially from actual results for a number of reasons, including without limitation, risks related to the business and the industry, Air Canada liquidity issues, dependency on top Accumulation Partners and clients, conflicts of interest, Air Canada or travel industry disruptions, airlines industry changes and increased airline costs, retail market / economic downturn, greater than expected redemptions for rewards, industry competition, integration of Carlson Marketing, supply and capacity costs, unfunded Future Redemption Costs, failure to safeguard databases and consumer privacy, consumer privacy legislation, changes to loyalty programs, seasonal nature of the business, other factors and prior performance, regulatory matters, 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, dilution of Shareholders, uncertainty of dividend payments, level of indebtedness-refinancing risk, 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, 2010, and are subject to change after such date. However, Groupe Aeroplan disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required under applicable securities 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. These trademarks are the subject of either registration, or application for registration, in various jurisdictions: AEROCORPORATE®, AÉROENTREPRISE®, 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

Groupe Aeroplan was incorporated on May 5, 2008 under the CBCA. Groupe Aeroplan 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 Groupe Aeroplan which became the sole owner of all outstanding Units of Aeroplan Income Fund.

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

On January 19, 2010, Groupe Aeroplan'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.

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

INTERCORPORATE RELATIONSHIP

The table below shows Groupe Aeroplan's main Subsidiaries, where they are incorporated or registered, and the percentage of voting securities that Groupe Aeroplan beneficially owns or directly or indirectly exercises control or direction over. Groupe Aeroplan has other Subsidiaries, but they have not been included in the table because each represents 10% or less of our total consolidated assets and 10% or less of our total consolidated operating revenues for the year ended December 31, 2009. 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, 2009.

Subsidiary	Where Is it Incorporated or Registered	Percentage of Voting Securities that Groupe Aeroplan Holds at March 22, 2010
Aeroplan Canada	Canada	100%
LMG	England and Wales	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 Aeroplan Canada Miles Redemption 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. entered into the Investor Liquidity Agreement. The Investor Liquidity Agreement granted ACE Aviation Holdings Inc. the right to effectively liquidate all or any portion of its units of Aeroplan LP and Aeroplan Holding GP Inc. common shares and to exchange all or any portion of its units of Aeroplan LP and Aeroplan Holding GP Inc. common shares into Units.

From March 2006 to May 2008, pursuant to its liquidity rights under the Investor Liquidity Agreement, 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 sale on the secondary market of units of Aeroplan Income Fund.

On December 20, 2007, Aeroplan Income Fund completed the acquisition, for a total consideration of £355.1 million (Cdn.$715.4 million), of LMG, a leading loyalty marketing and customer-driven insight and 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, LMG was primarily engaged in the operation of multi-partner coalition loyalty programs and the provision of related analytical services to retailers and their suppliers. Following the acquisition, the LMG operations were included in Groupe Aeroplan Europe.

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

On June 25, 2008, Aeroplan Income Fund and Groupe Aeroplan 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 Groupe Aeroplan, which became the sole owner of all outstanding Units.

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

On March 13, 2009, Groupe Aeroplan 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 (the "**Shelf Prospectus**").

On April 23, 2009 and April 30, 2009, Groupe Aeroplan issued $200 million of 9% senior secured notes Series 1 maturing on April 23, 2012 (the "**Series 1 Notes**"). The Series 1 Notes were issued pursuant to the Shelf Prospectus and prospectus supplements dated April 14, 2009 and April 24, 2009. The net proceeds from the Series 1 Notes issued were used to repay $200 million of the bridge facility entered into at the time of the acquisition of LMG.

On June 12, 2009, Groupe Aeroplan concluded with a syndicate of lenders a renewal of its $650 million credit facilities, consisting of a bridge loan of $100 million, maturing June 19, 2010, as well as a term facility of $300 million and a revolving facility of $250 million, both maturing on April 23, 2012.

On June 29, 2009, Aeroplan Canada and Air Canada agreed to unwind the acceleration of payment terms in effect as a result of an agreement entered into in November 2008 pursuant to which Aeroplan had temporarily accelerated the payment terms for air travel rewards purchased from Air Canada. Air Canada remitted to Aeroplan approximately $40 million to reverse amounts remaining as of June 29, 2009 related to accelerated payments previously disbursed. Concurrent with such repayment by Air Canada of all remaining amounts previously accelerated, Aeroplan Canada agreed to make available to Air Canada, on a secured basis, a revolving loan to replace the existing prepayment arrangement in an amount equal to the aggregate of the previous 60 days accumulated purchases by Aeroplan of reward seats from Air Canada, up to a maximum of $100 million. The revolving loan was repaid in full by Air Canada and terminated on July 30, 2009.

On July 29, 2009, Aeroplan Canada entered into a credit agreement (the "**Air Canada Club Loan**") with Air Canada and other parties pursuant to which Aeroplan advanced $150 million of a total of $600 million to the airline for a five-year term, repayable starting in August 2010 and ending in July 2014. As part of this credit agreement, Aeroplan and Air Canada agreed to mutually beneficial commercial terms, none of which negatively affect the availability of capacity for redemptions and pricing applicable to the purchase of Aeroplan Miles or reward travel seats.

Pursuant to the Shelf Prospectus and a prospectus supplement dated August 27, 2009, Groupe Aeroplan issued on September 2, 2009 $150 million of 7.90% senior secured notes Series 2 maturing on September 2, 2014 (the "**Series 2 Notes**"). Net proceeds from the offering of the Series 2 Notes were used as follows: (i) $100 million for the repayment of the bridge loan entered into on June 12, 2009, (ii) $25 million for the repayment of a portion of the amount outstanding under the term facility entered into on June 12, 2009, and (iii) the balance for general corporate purposes.

On November 3, 2009, Groupe Aeroplan entered into an agreement with Carlson Companies, Inc. to purchase 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), including transaction costs of U.S.$6.5 million (Cdn$6.8 million) and subject to certain working capital adjustments, which were estimated as of the closing date of December 7, 2009 and later adjusted in January 2010 to reflect actual working capital amounts and amounted to US$76.0 million (Cdn$80.0 million). In addition to the above-mentioned purchase price, Groupe Aeroplan expects to incur one-time costs of approximately U.S.$15 million (Cdn$16.0 million), primarily related to the migration of technology infrastructure in the U.S. out of Carlson Companies, Inc.'s systems.

Pursuant to the Shelf Prospectus and a prospectus supplement dated January 13, 2010, Groupe Aeroplan 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, Groupe Aeroplan 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 $172.5 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. Prior to the issuance of the Series 1 Preferred Shares, the articles of incorporation of Groupe Aeroplan were amended to create the Series 1 Preferred Shares and the Series 2 Preferred Shares.

Pursuant to the Shelf Prospectus and a prospectus supplement dated January 21, 2010, Groupe Aeroplan 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 Groupe Aeroplan's term credit facility entered into on June 12, 2009.

On March 1, 2010, Groupe Aeroplan Europe launched Nectar Italia.

THE BUSINESS

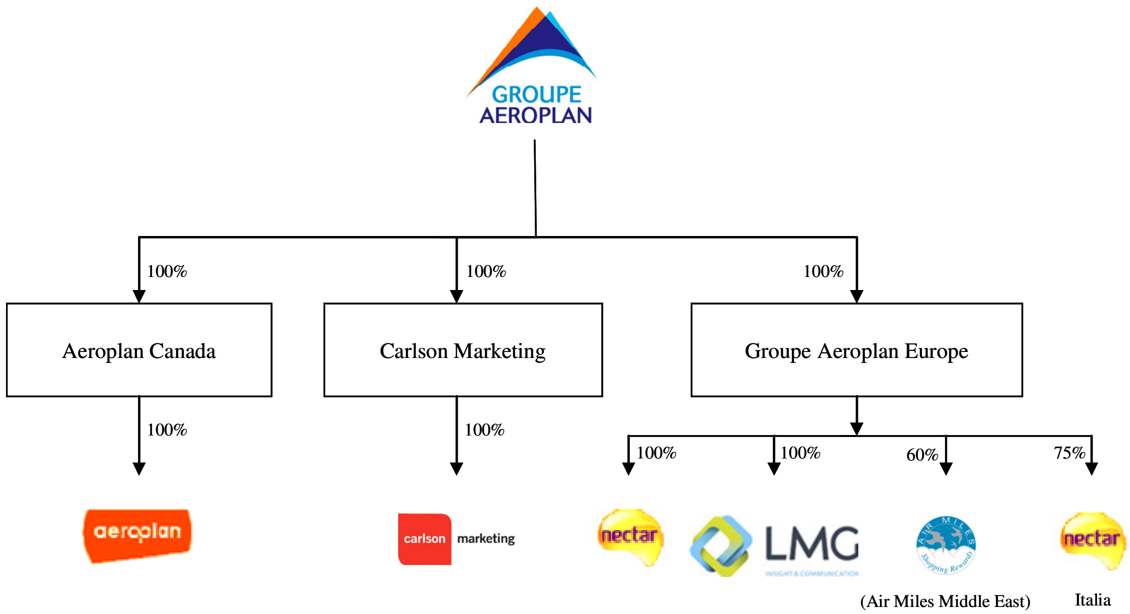
THE GROUPE AEROPLAN BUSINESS

Overview

Groupe Aeroplan, a global leader in loyalty management, currently operates in three business segments: Aeroplan Canada, Carlson Marketing and Groupe Aeroplan Europe.

Aeroplan Canada operates the Aeroplan Program, Canada's premier coalition loyalty program. Carlson Marketing is an international loyalty marketing services, engagement and events provider headquartered in the United States. Groupe Aeroplan Europe operates Nectar, the United Kingdom's leading coalition loyalty program. In the Gulf Region, Groupe Aeroplan Europe operates Air Miles Middle East, through its 60% interest in RMMEL. Groupe Aeroplan Europe also operates I&C, a customer-driven insight and data analytics business offering international services to retailers and their suppliers, and holds a 75% interest in Nectar Italia, a coalition loyalty program launched in Italy on March 1, 2010.

The following chart illustrates the operational structure of Groupe Aeroplan as at March 22, 2010:



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

Strategy

Groupe Aeroplan's strategic vision and mission are:

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

Groupe Aeroplan intends to increase profitability by leveraging the Aeroplan Canada, Carlson Marketing and Groupe Aeroplan Europe businesses, their strong market positions and strong base of members, partners and clients.

The 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;
- recruiting and activating new members for our programs by increasing brand and partnership awareness and continuously expanding and diversifying offered rewards and benefits;
- adding new travel-related and innovative value-added products, services and rewards to our membership;
- assisting our clients in evolving, growing and managing their proprietary loyalty programs to maximize the impact on their businesses; and

- developing and marketing new, innovative and value-adding loyalty marketing services to a wide range of clients worldwide.

We are also well positioned to capitalize on our strong proprietary brands and combined service offerings and to pursue expansion opportunities by:

- developing start-up customer loyalty programs in new geographic markets;
- seeking to acquire interests in existing frequent flyer programs and customer loyalty programs in new geographic markets;
- extending the range of services to loyalty program clients to enable them to fully leverage the data and customer insights generated through these programs and other loyalty related marketing activities; and
- pursuing investments in small strategic acquisitions.

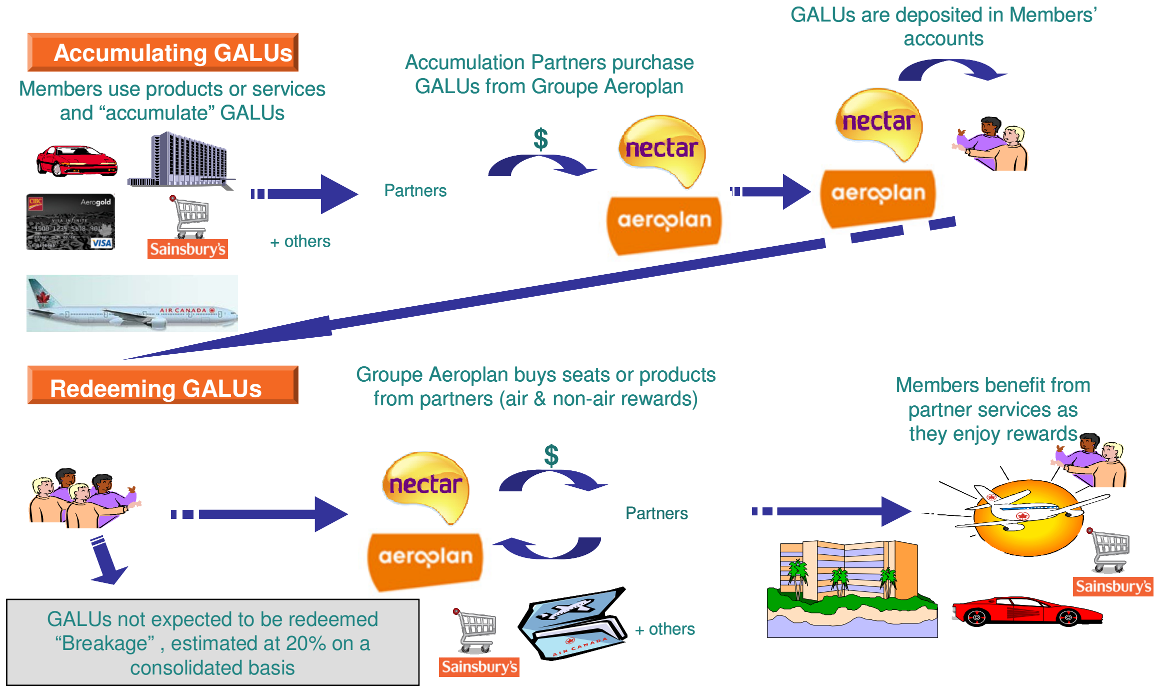
Business Model Overview

Groupe Aeroplan's principal business activities fall into the following categories: (i) coalition loyalty programs; (ii) loyalty marketing services; and (iii) other related services, including data analytics and events and engagement.

Coalition Loyalty Programs

Groupe Aeroplan 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 loyalty programs under the Air Miles Shopping Rewards trademark principally in the United Arab Emirates, Bahrain and Qatar, and on March 1, 2010, we launched Nectar Italia, in which we have a 75% ownership interest.

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, Groupe Aeroplan's coalition loyalty business is based on two major streams of activity: (i) the sale of GA 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.



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

Members accumulate GA 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 Groupe Aeroplan at the time of sale of GA Loyalty Units to its partners, known as Gross Billings, are deferred and recognized as revenue upon the redemption of GA Loyalty Units for GAAP purposes, except for Breakage as described below. Upon the redemption of GA Loyalty Units, Groupe Aeroplan purchases airline seats, shopping discounts or other products or services in order to deliver the reward chosen by the member. At such time, Groupe Aeroplan incurs and recognizes an expense equal to the cost of the reward, and the deferred revenue related to the GA Loyalty Units being redeemed is recognized as earned revenue from the sale of GA Loyalty Units for GAAP purposes. The other significant expenses incurred by Groupe Aeroplan 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 GA 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 GA Loyalty Unit redeemed is calculated, on a cumulative weighted average basis, separately for each coalition loyalty program owned by the Corporation. The best estimate of the consolidated weighted average Breakage factor currently used by Management is presently 20% of current GA Loyalty Units issued. Breakage is recognized as revenue over the estimated life of a GA Loyalty Unit, currently 30 months for the Aeroplan Program, which represents the average period elapsed between the sale of a mile and its redemption for rewards. The current estimated life of a Nectar Point issued under the Nectar Program is 15 months. Breakage is estimated by Management based on the terms and conditions of membership and historical accumulation and redemption patterns, as adjusted for changes to any terms and conditions that may affect members' redemption practices. During 2008, Management assisted by an independent expert developed an econometric model that takes into account historical activity, and expected member behaviour, projected on a going concern basis. This tool is used by Groupe Aeroplan to estimate and monitor the appropriate Breakage estimates of the different programs it operates on a continuous basis. Groupe Aeroplan also seeks advice from an independent expert every two years to validate the robustness of the Breakage tool.

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

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

Loyalty Marketing Services

Groupe Aeroplan provides loyalty marketing services to its clients principally through its Carlson Marketing division. Carlson Marketing is one of the largest developers of loyalty marketing programs; it offers an end-to-end range of services spanning from strategy and planning, agency services such as award winning creative design, to reward fulfilment, customer service and analytics. Revenues generated by Carlson Marketing primarily consist of sales of direct marketing, sales promotion, and design services and the development and administration of loyalty programs. Carlson Marketing is generally not responsible for underwriting its clients' loyalty programs and therefore does not have responsibility for such programs in terms of funding any required reserve and accordingly does not record any liability for points issued. For those programs where Carlson Marketing holds funds for its clients in order to pay for purchases or pre-paid cards when those cards are used, it is responsible for the redemption liability and consequently manages Breakage for that portion of its business.

Other

In addition to owning and operating coalition loyalty programs and delivering loyalty marketing services, Groupe Aeroplan derives its cash inflows from a number of other related business activities. The I&C business generates data analytics revenues through the provision of its Self-Serve tool to retailers and consumer packaged goods companies, and from operating targeted, multi-channel communication processes.

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 Canada's and Groupe Aeroplan Europe's partners.

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

Carlson Marketing, through its E&E Business, is a full-service meetings and events management provider focused on the employee and channel incentive segments. Carlson Marketing executes a range of events, from small sales meetings and board retreats to large scale conferences and incentive programs for some of the world's largest brands.

Major Accumulation Partners and Significant Redemption Partner

Although the Carlson Marketing acquisition will result in increased revenue diversification, for the year ended December 31, 2009, four Accumulation Partners accounted for a significant percentage of Gross Billings. Since Groupe Aeroplan's revenues are recognized based on redemptions by members as opposed to the issuance of GA 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. The four major Accumulation Partners accounted for significant issuance of GA Loyalty Units as follows:

Accumulation Partner	Year Ended December 31, 2009	Year Ended December 31, 2008
Air Canada	18%	17%
AMEX	10%	10%
CIBC VISA	37%	38%
Sainsbury's	17%	17%

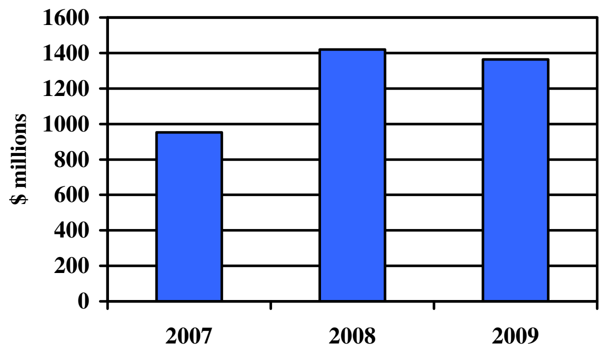
Air Canada is Groupe Aeroplan's largest Redemption Partner providing air-travel related rewards. The cost of rewards provided by Air Canada (and other Star Alliance Partners) as a percentage of total rewards represented 57% for the years ended December 31, 2009 and 2008.

Financial Highlights

For the year ended December 31, 2009, Groupe Aeroplan generated Gross Billings of $1,363 million. Groupe Aeroplan's top four Accumulation Partners were responsible for 82% of Gross Billings for the year ended December 31, 2009.

The following chart illustrates Gross Billings[1] generated by Groupe Aeroplan for the years ended December 31, 2007, 2008 and 2009.

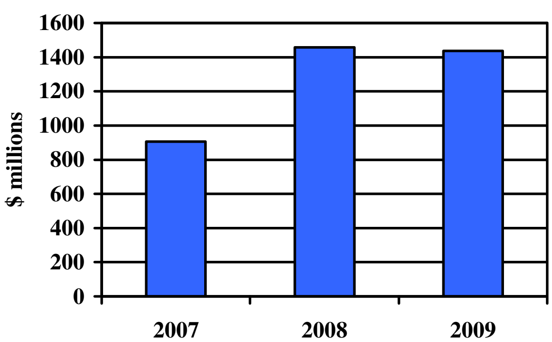
Gross billings from the Sale of GALUs [1]



[1] 2007 results presented are those of Aeroplan LP.

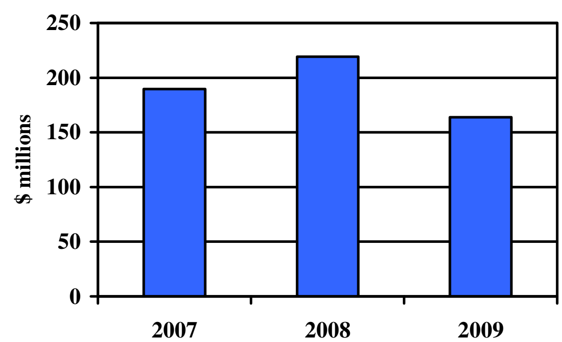
Reported amounts for Groupe Aeroplan's[1] total revenue for the years ended December 31, 2007, 2008 and 2009 were $906.4 million, $1,458 million and $1,437 million, respectively. In addition, reported amounts for Groupe Aeroplan's[1] operating income for the years ended December 31, 2007, 2008 and 2009, were $189.7 million, $219.1 million and $163.8 million, respectively. The following charts illustrate Groupe Aeroplan's[1] total revenue and operating income for the years ended December 31, 2007, 2008 and 2009.

Groupe Aeroplan's Total Revenue [1]



[1] 2007 results presented are those of Aeroplan LP.

Groupe Aeroplan's Operating Income [1] [2]



[1] 2007 results presented are those of Aeroplan LP.

[2] 2008 and 2009, after deducting $88 million and $80 million, respectively, of amortization of Accumulation Partners' contracts and technology

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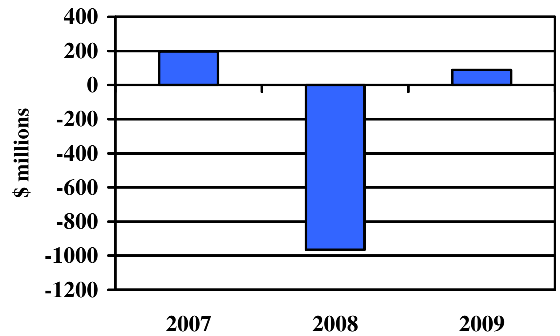
[1] 2007 results presented are those of Aeroplan LP.

Reported amounts for Groupe Aeroplan's[1] net income (loss) for the years ended December 31, 2007, 2008 and 2009, were $197.6 million, $(965.2) million and $89.3 million, respectively. The following chart illustrates Groupe Aeroplan's[1] net income (loss) for the years ended December 31, 2007, 2008 and 2009.

Groupe Aeroplan's Net Income (loss) [1] [2]



[1] 2007 results presented are those of Aeroplan LP.

[2] 2008, after deducting an impairment charge of $1,161 million.

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

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[1] (2007) results presented are those of Aeroplan LP.

Segmented Information

At December 31, 2009, Groupe Aeroplan had two business segments and reporting units: Canada which includes the operations of Aeroplan and is referred to as Aeroplan Canada, and Europe and Middle East which includes Groupe Aeroplan Europe's operations in Europe and the Middle East. Starting on January 1, 2010, Groupe Aeroplan has three operating segments: Aeroplan Canada, Carlson Marketing and Groupe Aeroplan Europe.

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

GEOGRAPHIC BUSINESS SEGMENTATION	Canada	Rest of the World		Canada	Europe and Middle East		Canada	Europe and Middle East	
REPORTING UNITS	Aeroplan Canada & Carlson Marketing	Groupe Aeroplan Europe & Carlson Marketing	Consolidated	Aeroplan Canada	Groupe Aeroplan Europe	Consolidated	Aeroplan Canada	Groupe Aeroplan Europe	Consolidated
(in thousands)	December 31, 2009			December 31, 2008			December 31, 2007		
	2009	2009	2009	2008	2008	2008	2007	2007	2007
	$	$	$	$	$	$	$	$	$
Gross Billings	993,295	369,715	1,363,010	1,025,184	395,364	1,420,548	952,165	-	952,165
GALUs revenue	967,590	384,937	1,352,527	953,537	424,200	1,377,737	665,816	-	665,816
Other revenue	53,276	31,036	84,312	55,450	25,043	80,493	44,347	-	44,347
Total revenue	1,020,866	415,973	1,436,839	1,008,987	449,243	1,458,230	710,163	-	710,163
Software and technology[1]	87,512	26,106	113,618	75,977	24,969	100,946	77,901	42,262	120,163
Trade names[2]	275,000	122,087	397,087	275,000	129,145	404,145	275,000	159,671	434,671
Accumulation Partners' contracts and customer relationships [3]	1,349,783	68,215	1,417,998	1,370,215	48,183	1,418,398	1,434,635	160,575	1,595,210
Other intangibles[4]	6,440	9,840	16,280	-	-	-	-	-	-
Goodwill [5]	1,698,164	369,933	2,068,097	1,676,108	299,894	1,976,002	2,517,237	477,453	2,994,690

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

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

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

(4) Other intangibles, which include the rights to use the Carlson Marketing trade name 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.

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

THE AEROPLAN CANADA BUSINESS

History of the Aeroplan Program

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

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

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

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

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

Beginning in 2003, Aeroplan made a strategic shift to expand the reward portfolio by offering non-flight and specialty rewards. Today, Aeroplan's roster of non-flight rewards includes more than 750 existing specialty, merchandise, and experiential rewards, as well as hotel and car rental rewards.

In October 2006, Aeroplan introduced ClassicPlus Flight Rewards. With the introduction of ClassicPlus Flight Rewards, the ClassicFlight Reward grid was not changed. In fact, very few changes have been made to the grid since program inception 25 years ago, and, as such, ClassicFlight Rewards continue to be a core element of Aeroplan's value proposition to members. ClassicFlight Rewards are made available through the supply of 8% of Air Canada and Jazz Air LP 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 Groupe Dumoulin, Home Hardware, Imperial Oil (Esso), Primus, Sobeys and Uniprix.

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

In 2008, Aeroplan announced the signing of a multi-year partnership with Sobeys that enables members of the Aeroplan Program to earn 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 13 different product categories.

In 2008, Aeroplan also announced the addition of two new Star Alliance partners, EGYPTAIR and Turkish Airlines. In 2009, Aeroplan further announced the addition of TAM Airlines and two new Star Alliance partners, Brussels Airlines and Continental Airlines, to its roster of travel partners, bringing the total number of airline partners to 33.

In 2009, Aeroplan entered into multi-year agreements with Katz Group Canada Inc. and Astral Media Radio Inc.

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.

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

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.

Member Services

Aeroplan's customer service levels meet and frequently exceed industry standards in its comparative groups. With the launch of aeroplan.com in May 2002, Aeroplan invested significantly in the progressive development of its online presence, products and services. In 2005, a redesigned online redemption tool was launched for its suite of non-air rewards, increasing the scope of the program and significantly improving the redemption experience for members. In 2006, Aeroplan completely redesigned its website with a major focus on enhancing functionality and the user experience. Aeroplan's new 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.

Since May 2002, Aeroplan has experienced growth in the adoption and use of its website which currently accounts for about 67% of air travel bookings and about 76% of all rewards booked (including non-air rewards). Overall, Aeroplan issued over 1.4 million rewards through its website in 2009.

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.

Increasing Gross Billings from Credit and Charge Card Partners

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

Acquiring Additional Capacity from Air Canada

On October 16, 2006, in order to improve reward travel choices and provide greater flexibility to make travel arrangements, Aeroplan introduced ClassicPlus Flight Rewards which offer Aeroplan members unrestricted access to available seat inventory across the Air Canada and Jazz 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. In fact, very few changes have been made to the grid since program inception 25 years ago, and, as such, ClassicFlight Rewards continue to be a core element of Aeroplan's value proposition to members. ClassicFlight Rewards are made available through the supply of 8% of Air Canada and Jazz Air LP seat capacity on every route, every month.

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

In 2008, Aeroplan and Air Canada introduced several "more seats" promotions that made additional ClassicFlight Rewards seats available during certain times of the year. These additional seats were over and above the 8% of ClassicFlight Rewards capacity normally available during the promotional periods. In 2009, Aeroplan and Air Canada launched two major “more seats” promotions, each making more than 250,000 additional ClassicFlight Rewards seats available to members in the months of April and November. As with similar promotions in 2008, these seats were above and beyond the contractually committed capacity made available as ClassicFlight Rewards.

Adding Accumulation Partners

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

In 2009, Aeroplan entered into new partner relationships, renewed partnership agreements with existing partners and further expanded its partner base in the grocery and airline industries:

- 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;

- Aeroplan entered into a multi-year agreement with Astral Media Radio Inc. for an exclusive business-to-business partnership providing for a program that offers Astral Media Radio's direct radio and web clients with Aeroplan Miles when they purchase airtime and web space;

- Aeroplan renewed its multi-year agreement with Imperial Oil (Esso) that enables members to earn Aeroplan Miles on the purchase of gas, car washes and convenience store items at participating Esso-branded stations across Canada;

- Aeroplan renewed its multi-year agreements with its car rental partners - Avis and Hertz - that enable Aeroplan members to earn and redeem Aeroplan Miles on all car rentals across North America and Europe;

- Aeroplan expanded its partnership with Sobeys Inc. to include Thrifty Foods stores in British Columbia. Aeroplan members can earn Aeroplan Miles at more than 20 Thrifty Foods stores by joining Club Thrifty Foods and auto-converting their Club Thrifty Foods points into Aeroplan Miles;

- Aeroplan entered into a new partnership with MSC Cruises that enables Aeroplan members to earn Aeroplan Miles when they book an eligible MSC Cruises sailing; and

- Aeroplan added TAM Airlines and two new Star Alliance partners, Brussels Airlines and Continental Airlines, to its roster of travel partners, bringing the total number of airline partners to 33.

Diversifying Reward Portfolio

Between 2003 and 2007, as part of its continuing strategy to expand and diversify reward opportunities for its members, Aeroplan added many new rewards to its non-air reward portfolio which by year-end offered over 750 such rewards to members for redemption. During 2007, the Aeroplan Music Store was launched, enabling members to exchange their miles for digital music downloads. Aeroplan members' concerns over the environment and global warming prompted the launch of a collection of eco-friendly rewards. Aeroplan also offered its members the option to offset the carbon emissions of their rewards flights. Aeroplan's online booking engine was further expanded to include hotel rewards from Best Western as well as from Starwood hotels including Sheraton, Westin, Meridien, and W Hotels. Member response has been consistently positive to the increasing choice and value that non-air rewards provide.

In 2008, responding to member interest in travel rewards, Aeroplan introduced electronic reward certificates for CruiseShipCentres (an Accumulation Partner) and added more options for packaged vacations from Air Canada Vacations. Aeroplan re-launched the Aeroplan Music Store as an all MP3 site, the first of its kind in

Canada. New merchandise and entertainment rewards were also added throughout the year. Later in 2008, Aeroplan updated its non-air online booking engine with more flexible search options and new features to better support its growing portfolio of such rewards.

In 2009, Aeroplan further broadened its travel rewards offering by adding Delta Hotels and Resorts as well as Fairmont Hotels & Resorts' Canadian properties to its direct connect online booking engine. In addition, Aeroplan increased the number of options available for redeeming Aeroplan Miles against the purchase of packaged-vacations from Air Canada Vacations.

Air travel remains the most popular reward among members, representing approximately 73% of all rewards claimed by Aeroplan members in 2009.

Retail Ghost Cards

In early November, 2006, Aeroplan launched a new member acquisition tool in the retail sector with its pharmacy partner Uniprix, with over 150 participating locations in Québec. Home Hardware, one of the largest home improvement stores in Canada with over 1,000 participating locations nationwide, followed in February of 2007. The ghost card product is a plastic Aeroplan member card with its own account number, but with no name attached. The card is packaged with information about the Aeroplan Program and partners, and is offered by cashiers at the register for instant swiping to 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 600,000 new members through this channel. Ghost cards are now distributed at Uniprix, Home Hardware, Rexall, Esso as well as other Aeroplan 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.

Credit and Charge Cards

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

Aeroplan's association with CIBC started in 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 new premium Visa card in the Canadian market offering additional purchasing power as well as insurance and travel benefits. Each CIBC/Aeroplan co-branded Visa card offers a unique set of features and benefits.

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

AMEX. Pursuant to the AMEX Agreement, AMEX administers various American Express products through which Aeroplan members can accumulate Aeroplan Miles through their card spending. In exchange, 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 in 2014 with renewal provisions.

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

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

Bank of America. Aeroplan and Bank of America offer jointly branded Mastercard credit card products to Aeroplan members who are residents of the United States to allow those Aeroplan members to accumulate Aeroplan Miles through their credit card spending. Cardholders accumulate Aeroplan Miles based upon an earnings ratio specific to the particular card for purchases charged to such card. In addition, 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.

Airlines

The airline category is comprised of 33 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 — The Aeroplan Canada Business — Long-Term Strategic Relationship with Air Canada — CPSA".

Star Alliance. Aeroplan members can accumulate Aeroplan Miles for travel on flights operated by all Star Alliance member airlines. Air Canada is a founding member of the Star Alliance network, the world's largest airline alliance group. Air Canada operates an extended global network in conjunction with its international partners. Since its inception in 1997, the Star Alliance network has grown to include, as of March 2010, the following 26 airlines: Adria Airways, Air Canada, Air China, Air New Zealand, ANA, Asiana Airlines, Austrian, Blue 1, bmi, Brussels Airlines, Continental Airlines, Croatia Airlines, EGYPTAIR, LOT Polish Airlines, Lufthansa, Scandinavian Airlines, Shanghai Airlines, Singapore Airlines, South African Airways, Spanair, SWISS, TAP Portugal, THAI, Turkish Airlines, United and US Airways.

Retail and Other

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

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

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

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

Launched in mid-2008, Aeroplan eStore is an online shopping portal that allows members to earn Aeroplan Miles as they shop online from over 150 top-branded retailers in 13 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 Groupe Dumoulin, Direct Energy, Pepsi QTG, Primus and Uniprix.

Members

Membership

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

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

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

Communications to Members

Regular communication with individual members is a cornerstone of the Aeroplan Program. Subsequent to the completion of a study in 2003 and 2004 on the effectiveness of its member communications, Aeroplan's portfolio of member communications and its list of strategic suppliers were revised in 2005 to offer members more choice in channels, more flexible tools and increased potential for highly targeted and relevant messages. 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 the Aeroplan Arrival magazine in 2008 and its online counterpart in 2009. Over 2.7 million members now receive newsletters and partner information from Aeroplan by electronic mail.

Protecting the Privacy of Aeroplan's Members

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

Operations

Member Segmentation and Data Analysis

Aeroplan's member segmentation model leverages its members' purchasing behaviour data and insights obtained through its proprietary research panel, Aeroplan Advisors. The model identifies different segments of members based on key behavioural indicators including travel patterns, accumulation sources, tenure in the Aeroplan Program, as well as segments' needs and attitudes. Aeroplan's communications with its members have become more relevant and meaningful to members, and 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 communication are: (i) to increase members' spending and accumulation of Aeroplan Miles with greater number of Accumulation Partners, (ii) to accelerate the activation of new members, and (iii) to maximize the engagement of members in the Aeroplan Program by encouraging their active participation in the Aeroplan Program through accumulation and redemption.

All Accumulation Partners are given communications access to targeted members through Aeroplan's member communications, including direct mail, email and new member fulfillment materials, 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.

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 receive extensive training upon joining Aeroplan and on an ongoing basis. The Vancouver and Montreal contact centres are staffed with 431 and 320 full-time equivalent agents, respectively. The centres are managed by a team of contact centre managers who are accountable for performance and continued productivity improvements.

The centres handle approximately 3.1 million calls per year, which are primarily for booking air reward redemptions. Agents' knowledge of the Aeroplan Program allows them to guide and advise members on how best to utilize the Aeroplan Program. In addition, the contact centres provide product support by answering member queries and provide administrative support for product fulfillment, including ticketing and account crediting.

On June 1, 2009, Aeroplan successfully transitioned Air Canada's call center agents to become Aeroplan employees and, on October 30, 2009, reached an agreement with the CAW for a three year collective agreement, effective November 15, 2009.

Aeroplan's Website: aeroplan.com. Aeroplan's website accounts for about 67% 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. In 2006, Aeroplan implemented the next phase of development of its Internet site, introducing enhanced user experience, a state-of-the-art booking engine with shopping cart functionality and increased on-line booking functionality. Aeroplan has also designed and implemented direct connect car rentals and hotel reservations using state-of-the-art technology. This allows members to shop and book car or hotel rewards in one easy step, directly on aeroplan.com. The number of visits to aeroplan.com was over 28 million in 2009.

Systems and Infrastructure

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

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

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.

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

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

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

- an affiliation with the strong Air Canada brand;
- Aeroplan's role as Air Canada's exclusive loyalty marketing provider based in Canada;
- attractive rates for seat capacity on the Air Canada and Jazz 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**"); (iv) Trademark License Agreements dated May 13, 2005 and November 23, 2006 (the "**Trademark License Agreements**"); and (v) the Air Canada Club Loan.

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. Aeroplan has access to unlimited seat capacity on AC Flights with the ClassicPlus Flight Rewards product. No changes have been made to the ClassicFlight Rewards terms, and Aeroplan continues to have access to 8% of the seat capacity on AC Flights at a fixed rate (subject to adjustments described above) and is able to purchase additional inventory based on published fares with a variable discount depending on fare type. Any future adjustments to this variable discount would be based on an identified set of parameters. The CPSA also provides that Aeroplan would be charged the most favourable rates charged to any other loyalty program, taking into account Aeroplan's status as the largest consumer of Air Canada's seat inventory. These 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 Groupe Aeroplan.

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, 2009, Aeroplan is required to purchase reward travel seats with an exchange amount of approximately $416.7 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 2010 is $210.5 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 shall cease to apply if, in four consecutive quarters based on a quarterly, year-over-year comparison, a very significant decrease occurs in the total seat capacity of Air Canada and Jazz 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 alliance partners who have agreed to give Aeroplan reciprocal access and internal programs that are not denominated in a reward currency, as well as certain other programs operated by third parties if particular conditions are met. This exclusivity provision shall cease to apply if, in four consecutive quarters based on a quarterly, year-over-year comparison, a very significant decrease occurs in the total number of Aeroplan Miles accumulated in the Aeroplan Program, provided that such decrease is unrelated to material reductions in the seat capacity of Air Canada and Jazz 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 Aeroplan Miles to be redeemed from accumulations of Aeroplan Miles up to December 31, 2001. Aeroplan assumed responsibility for all Aeroplan Miles issued beginning January 1, 2002. Pursuant to the October 13, 2006 amendment to the CPSA, Aeroplan and Air Canada agreed to revise Air Canada's obligation for the cost of air rewards related to the redemption of Aeroplan Miles issued under the Aeroplan Program and earned by members prior to January 1, 2002 from 103.4 to 112.4 billion Aeroplan Miles.

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

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 2009, no fees were billed or paid under the Database Agreement.

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

MSA

Pursuant to the MSA, Air Canada has agreed to provide certain services to Aeroplan in return for a fee based on Air Canada's fully allocated cost of providing such services to Aeroplan plus a mark-up to reflect overhead and administrative costs. For 2009, such fees were calculated based on Air Canada's fully allocated cost of providing the services, plus a pre-determined mark-up to reflect overhead and administrative costs. The services contemplated by the MSA provide Aeroplan with infrastructure support and are mostly administrative in nature, including information technology and human resources.

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 2009, Aeroplan had isolated most of its technology footprint from Air Canada's networks and systems.

Trademark License Agreement dated May 13, 2005

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

Trademark License Agreement dated November 23, 2006

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

GSA

In accordance with the termination provisions of the general services agreement entered into on May 13, 2005 between Aeroplan and Air Canada (the "**GSA**"), Aeroplan notified Air Canada of its plans to terminate the GSA, effective June 1, 2009. On November 27, 2008, Aeroplan delivered to Air Canada its formal six-month notice of termination of the GSA and subsequently offered all agents continued employment as of June 1, 2009, in the same positions, unless, if eligible, they elected to return to Air Canada. On January 14, 2009 Aeroplan announced that it had come to a tentative three-year agreement with the CAW and Air Canada with respect to the transition of the contact centre employees from Air Canada to Aeroplan employment. The agreement included a detailed transition plan for affected employees in addition to a new labour contract. On January 28, 2009, Aeroplan announced that the tentative labour agreement had not been ratified and that all agents working in Aeroplan's contact centres in Vancouver and Montreal were being offered continued employment effective June 1, 2009 as per the original offer. On March 4, 2009, the CAW filed an application before the Canada Industrial Relations Board related to the transition of contact centre agents from Air Canada to Aeroplan to clarify certain issues relating to the transition. On May 22, 2009, Groupe Aeroplan announced that following the outcome of a mediation at the Canada Industrial Relations Board, Aeroplan, Air Canada and the CAW Local 2002 reached an agreement on the transition of contact centre agents to Aeroplan. This included confirmation of Aeroplan as the employer of its contact centre agents as of June 1, 2009 and CAW Local 2002 as their bargaining agent. The transfer of the 805 contact centre employees was fully effected on June 14, 2009, and the GSA was terminated effective June 1, 2009.

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 expected average remaining service of active employees covered by the pension plan of 16.2 years.

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 Groupe Aeroplan's financial statements.

Air Canada Club Loan

On November 27, 2008, Aeroplan entered into an agreement with Air Canada to temporarily accelerate the contractual payment terms under the CPSA for air travel rewards purchased from Air Canada for the period from October 2008 to May 2009. On June 29, 2009, Aeroplan and Air Canada terminated the acceleration of payment terms agreement and Air Canada remitted to Aeroplan approximately $40.0 million to reverse amounts remaining on that date related to accelerated payments previously disbursed. Concurrent with such repayment by Air Canada of all remaining amounts previously accelerated, Aeroplan Canada agreed to make available to Air Canada, on a secured basis, a revolving loan to replace the existing prepayment arrangement in an amount equal to the aggregate of the previous 60 days accumulated purchases by Aeroplan of reward seats from Air Canada, up to a maximum of $100 million. The revolving loan was repaid in full by Air Canada and terminated on July 30, 2009.

On July 29, 2009, Aeroplan Canada, with a syndicate of other lenders, entered into the Air Canada Club Loan to provide financing to Air Canada, pursuant to which Aeroplan Canada committed to advance $150.0 million to the airline upon satisfaction of certain conditions, including the repayment in full and termination of the revolving loan and security agreement entered into by Aeroplan and Air Canada on June 29, 2009.

GE Canada Finance Holding Company, Export Development Canada and ACE Aviation Holdings Inc. are also part of the syndicate of lenders. An aggregate of $600.0 million was made available and advanced to Air Canada on July 30, 2009. Aeroplan's maximum commitment is limited to $150.0 million, which was advanced to Air Canada on July 30, 2009. In February 2010, Air Canada requested consent from its lenders to increase the facility by $100.0 million. This financing by a group of additional lenders was advanced to Air Canada on February 12, 2010. Aeroplan Canada's portion of the Air Canada Club Loan is repayable in 16 consecutive quarterly installments of $7.5 million commencing in August 2010 with the balance of $30.0 million due in July 2014. The Air Canada Club Loan bears interest at the greater of the bankers' acceptance rate plus 9.75% or 12.75%.

The Air Canada Club Loan is secured by a security interest and hypothec over substantially all of the present and after-acquired property of Air Canada and its subsidiaries, subject to certain exclusions and permitted liens. The credit agreement is subject to customary commercial terms and conditions, including certain financial covenants requiring Air Canada to maintain minimum liquidity, earnings before interest, income taxes, depreciation, amortization, aircraft rents, certain other items and a fixed charge coverage test.

Under the financing arrangement, Air Canada issued the lenders 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, exercisable at any time and expiring in four years. In addition, Aeroplan Canada was entitled to its pro rata share of additional warrants, representing up to an aggregate of 5% of the total issued common stock of Air Canada at the time of issuance, in the event that Air Canada did not grant additional security over certain assets within 90 days of closing.

The security was not granted within the 90-day period and on October 19, 2009, Aeroplan Canada received 1,250,000 additional warrants. The warrants have an exercise price of $1.44 each, are exercisable at any time and expire four years from the date of grant, consistent with the warrants previously granted by Air Canada in connection with the Air Canada Club Loan.

The total fair value of the 2,500,000 warrants amounted to $1.1 million at December 31, 2009.

In consideration of the foregoing, Aeroplan Canada and Air Canada agreed to certain mutually beneficial commercial arrangements, none of which relate to the pricing of Aeroplan Miles or the cost of reward travel seats.

THE CARLSON MARKETING BUSINESS

History of the Carlson Marketing Business

Carlson Marketing started in 1938 as the Gold Bond Stamp Company. Gold Bond trading stamps were provided to customers of participating retailers and could be redeemed for items within a catalog. This program revolutionized marketing within retail and became one of the first and most notable loyalty program in the U.S., reaching a zenith in the 1960s. Since that time, Carlson Marketing has grown organically and through acquisitions to establish scale, increase its breadth of services, expand its geographical footprint and its portfolio of services significantly. It broadened its capabilities from primarily the sale of consumer and business incentive merchandise and travel awards to the development of customized and proprietary loyalty services and technology.

Today, Carlson Marketing operates two main business units: (i) the Loyalty Business which delivers consumer and business loyalty marketing solutions globally through four regional headquarters covering the U.S., Canada, Europe, the Middle East and Asia Pacific, and (ii) the E&E Business which provides employee and channel incentive programs, and large scale event planning and fulfillment services, primarily to U.S. corporations both domestically and abroad.

Loyalty Business

Overview

Carlson Marketing, through its Loyalty Business, 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. Carlson Marketing 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. Carlson Marketing develops programs that utilize innovative methods, such as mobile and interactive marketing, for marketers such as Amtrak, Exxon Mobile, Delta, GM and Visa. Carlson Marketing's clients rely on Carlson Marketing 's experience and technology to design, deploy and manage their loyalty programs. Carlson Marketing's flexible technology system provides a platform that supports exclusive clubs with fewer than 100 members to large-scale, international programs with millions of members.

The Loyalty Business operates out of four continents, with an affiliate office in South America. While its corporate headquarters are located in Minneapolis, Carlson Marketing also has large regional offices in Detroit, Toronto, London, Sydney and Singapore.

Carlson Marketing, through its Loyalty Business, 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 fulfillment and customer service. Carlson Marketing'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.

Carlson Marketing'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 Carlson Marketing's 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 Carlson Marketing designs, there are six core service offerings that support each program: (i) strategic planning, (ii) decision sciences, (iii) communications, (iv) award services, (v) customer service and (vi) technology services.

Strategic Planning

At the outset of new engagements, Carlson Marketing employs market research and customer data analysis to map program variables, competitive forces, purchase behavior and identify customer insights. Research includes focus groups, surveys and segmentation studies as well as reviews of industry analyst reports. Carlson Marketing 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, Carlson Marketing utilizes 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 Carlson Marketing's clients with a sustainable competitive advantage. Carlson Marketing measures 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.

Decision Sciences (Analytics)

Data capture and analytics have always been a distinguishing factor and an important driver of the economics of loyalty programs. Carlson Marketing employs statisticians as part of its decision sciences group that utilize 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 Carlson Marketing to provide marketing recommendations from several points of view.

Amtrak, AT&T, Aramark, Budget, Delta, Ford, GM, GMAC, Jet Blue, Merial and Visa are some of Carlson Marketing's clients that utilized Carlson Marketing's analytics services in 2009.

Effective segmentation is critical to the development of a successful marketing campaign as it provides the foundation for customization and targeting. Carlson Marketing's decision sciences staff creates financial and return on investment 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 Carlson Marketing to develop impactful and relevant communication strategies. For each segment, Carlson Marketing maps a distinct communication plan that leverages a broad range of point and interactive media charnels. 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, Carlson Marketing 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. Carlson Marketing'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.

Carlson Marketing provides 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 additional 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. Carlson Marketing's decision sciences team utilizes 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.

Communications

Carlson Marketing's full-service creative, interactive, media and mobile marketing capabilities enhance the overall customer engagement and 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 device beyond just talking; (iii) media planning and buying, where sophisticated targeting methods are used to acquire new customers and incite existing customers to spend more; and (iv) creative design, where behavioral data is combined with attitudinal insights to deliver evocative ideas.

Among its communications services, Carlson Marketing develops and hosts branded websites, including program portals, and micro-sites. These services include user experience and creative design, technical development with the latest approaches and hosting. Carlson Marketing's integrated email and text messaging services include strategic planning, dynamic and personalized message development, market testing and deployment, as evidenced through the management of over 3,000 campaigns and delivery of more than 250 million messages during 2009. At the launch of a new program, Carlson Marketing often utilizes dynamic rich media advertisements and/or search engine marketing to drive traffic to program websites and encourage participation. As at March 22, 2010, Carlson Marketing's media services controlled approximately U.S.$50 million in media buying for its clients. Carlson Marketing's dedicated mobile marketing team delivers solutions across all possible mobile channels – voice, messaging, browsing and downloads – allowing Carlson Marketing to develop experiences and deliver messages through existing technology platforms that take advantage of these important growing avenues to reach customers. Additionally, Carlson Marketing creates viral marketing opportunities through the development of social networking sites and other tactics like branded toolbars and widgets.

Award Services

An important driver of program enrolment, member satisfaction and retention is the appeal of a program's rewards. Carlson Marketing 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. Carlson Marketing devises award strategies based on member, brand, economic and market profiles.

Customer satisfaction is also influenced by the speed of the rewards fulfilment process. Carlson Marketing fulfilled over 3,200,000 rewards in 2009, 95% of which were delivered in five days. Of the overall rewards fulfilled, 600,000 were merchandise rewards, with the totality of these merchandise rewards delivered within five days. Carlson Marketing manages the fulfilment process using an inventory control tool within its technology platform. The system tracks merchandise availability and provides Carlson Marketing with resource planning tools to manage inventory costs. Additionally, the system helps Carlson Marketing maintain stock of the most popular items, ensuring that its 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, Carlson Marketing maintains 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. Carlson Marketing's contact centres are fully integrated with each program to ensure that the appropriate service levels are maintained for each customer segment.

Information Technology

Carlson Marketing's technology platforms reside at the center of many of Carlson Marketing's 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 Carlson Marketing to deploy loosely-coupled modules to create customized solutions based on the needs of each client.

Furthermore, to support its end-to-end loyalty marketing services, Carlson Marketing has 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. While Carlson Marketing uses a multitude of proprietary and licensed technology systems, four are particularly integral to successful loyalty program operations: Core20, A2K, TOPS and MyWorkLink.

Clients

During the last three years, Carlson Marketing delivered loyalty marketing solutions to over 200 corporations, including AT&T, British Telecom, Exxon Mobile, IBM Corporation, Lloyds TSB, Delta, Pfizer and Visa. Carlson Marketing has an international client base, with clients in the U.S., Canada, Europe, the Middle East and Asia Pacific. Carlson Marketing's Loyalty Business client base spans multiple industries including the financial services, automotive, pharmaceutical, airline and travel and retail industries. The average tenure of the top ten clients is 14 years, with seven clients having tenure greater than ten years. Carlson Marketing's scale, flexibility and breadth of services enables Carlson Marketing to deliver a diverse set of solutions for both large and small clients. Carlson Marketing's client base is distributed evenly among clients that generate over $1 million in gross profit, between $250,000 and $1 million, and less than $250,000.

Sales and Marketing

Carlson Marketing's business development processes are focused on expanding relationships with existing clients and acquiring new clients through referrals and inbound inquiries. In 2009, Carlson Marketing acquired a number of new Loyalty Business clients including, but not limited to, Malaysia Airlines, ASB Bank, Proctor & Gamble, Jet Blue, Best Buy, ANZ Bank, Tabcorp, Ikea and Starwood. In nearly all of its new client wins, Carlson Marketing has 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, creative, decision sciences and information technology departments collaborate to complete request for proposal responses. Carlson Marketing typically works with large corporations and therefore senior management is highly involved in the request for proposal process and participates in most meetings.

E&E Business

Carlson Marketing, through its E&E Business, is a full-service meetings and events management provider primarily focused on the employee and channel incentive segments. Carlson Marketing executes a range of events, from small sales meetings and board retreats to large scale conferences, incentive programs or consumer events for some of the world's largest brands, including General Electric, Microsoft, Pfizer, Sun Microsystems, UPS and Wal-Mart.

In order to support marketing, sales and human resource initiatives, incentive programs utilize events, travel, merchandise, gift cards and other motivational awards to advance a worker's sense of identity and commitment to an organization. Events are generally the center of these programs, driving learning, communication, teamwork and overall enjoyment of the initiative. Event programs for channel partners such as auto dealers, IT software resellers and consumer electronics distributors are implemented to increase the productivity of these key business partners by educating them on new product launches, recent business developments, and by providing other information and experience that will lead to greater motivation and performance. These programs generally target specific segments, including most commonly sales professionals, all employees or channel partners.

Carlson Marketing, through its E&E Business, is a key strategic partner to its clients' overall marketing strategies. It delivers a comprehensive range of services, including strategy and design, procurement, creative execution and analysis, as well as back-end services such as on-site registration, program management, award fulfillment and customer service.

Carlson Marketing enjoys long-tenured, preferred relationships with thousands of leading hotels, visitor bureaus, destination management companies and convention centers located around the globe. This provides Carlson Marketing with the ability to match venues to attendee preferences and client budgets.

Carlson Marketing's expertise spans client services and client operations focused on maximizing impact. It also includes business planning, creative, interactive and mobile marketing and analytics teams. Among the marketing disciplines, Carlson Marketing's copy editors, creative staff and production experts integrate clients' brand images and marketing platforms throughout event themes, presentations, videos, décor and entertainment to create an impactful convection between the attendee and sponsor. Carlson Marketing complements its event design and execution capabilities with a vast range of integrated marketing services including the development of online registration websites customized for each client's brand identity. Pre-event email marketing generates excitement and drives traffic to registration sites. Further, Carlson Marketing may leverage third-party relationships to fulfill additional program components, such as gift cards, merchandise or other awards.

Carlson Marketing employs control test methods to evaluate the effectiveness of events, measured in increased sales or other targets. Other insights derived from this analysis include effectiveness measures of audience and site selection, as well as the performance of a large conference versus several small, intimate meetings. Carlson Marketing utilizes these insights, along with post-event attendee surveys and customer research, to develop actionable plans for future events and to optimize its clients' return on investment.

The average tenure of the top ten clients of the E&E Business is 24 years, with nine having a tenure of ten years or greater. Carlson Marketing's E&E Business client base spans various industries including pharmaceutical and healthcare, financial services, automotive, technology and business services. In 2009, the Company served over 67 clients in managing events in more than 100 cites in 15 countries.

Transition Services

Concurrently with the closing of the Carlson Marketing acquisition on December 7, 2009, Groupe Aeroplan entered into a transition services agreement to facilitate the effective migration of Carlson Marketing from Carlson Companies, Inc.'s administrative services platform, including accounting, human resources and payroll, information technology, consolidation, facilities and treasury, in consideration for certain fees. Each of the services under the agreement may be terminated upon 30 days notice. Maximum annual payments under this agreement amount to U.S.$31.8 million ($33.4 million).

THE GROUPE AEROPLAN EUROPE BUSINESS

Business Overview

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

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

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

The Nectar Program is the United Kingdom's leading coalition loyalty program. It was launched in September 2002 and enables its over 11 million active accounts as at March 22, 2010 to earn Nectar Points for making everyday household purchases at leading retailers and service providers. Current Accumulation Partners include household names such as American Express, BP, EDF Energy, Expedia, Inc., Ford, 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.

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

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.

On March 1, 2010, Groupe Aeroplan Europe launched a new Nectar branded 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 1, 2010, Accumulation Partners in the Nectar Italia Program included household names such as Auchan, Simply and Punto Sma, Api Ip, Oney Banque Accord, UniEuro, PC City and Hertz. It is anticipated that more Accumulation Partners will join the Nectar Italia Program in the future. Members can then redeem their Nectar Italia Points with Redemption Partners for rewards ranging from merchandise to shopping discounts. Groupe Aeroplan owns a 75% interest in Nectar Italia.

Nectar Program

History of the Nectar Program

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

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

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

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

Overview

The Nectar Program enables its members to earn Nectar Points for making everyday household purchases at 13 market leading Accumulation Partners. Current Accumulation Partners include household names such as American Express, BP, EDF Energy, Expedia, Inc., Ford, 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 rapidly emerged as the United Kingdom's leading coalition loyalty program with over 11 million active accounts as at March 22, 2010. In order to drive member interest and engagement, Nectar focuses on five key program drivers:

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

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

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

An internet shopping portal, Nectar e-Stores, was launched in October 2005. This portal offers members the opportunity to earn Nectar Points on purchases from over two hundred online businesses, including Amazon, Argos, eBay, Dell, Apple and United Kingdom domestic retailers covering an extensive range of consumer spending. The number of visits on average to nectar.com each month in the last quarter of 2009 was over 1.4 million and, since the launch of Nectar e-Stores, over 740,000 members have purchased through Nectar e-Stores.

On May 18, 2009, Homebase, the UK's second largest home improvement retailer, became Nectar's do-it-yourself partner allowing Nectar members to earn Nectar Points at Homebase's more than 300 stores. More than 500,000 new Nectar members signed up and over 3 million members collected points at Homebase within ten weeks.

Accumulation Partners

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

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

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

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

Redemption Partners

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

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

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

Travel and Leisure: Members can redeem Nectar Points for more traditional rewards such as discounts off flights and hotel reservations with Expedia.

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

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

Registration and Fulfilment: In addition to the Points Update Mailing, the print and production function is responsible for sourcing all materials and production of registration kits. Registration and fulfilment consist primarily of registration of new 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 though outsourced contact centres operated by Sitel. The call centre handles all member service inquiries and certain redemption reward bookings. Calls handled at the offshore site in Mumbai, India, are predominantly administrative in nature. Calls handled in the United Kingdom at the Sitel site in Newcastle are predominantly more complex complaints, redemption calls plus email, web chat and mail responses.

Air Miles Middle East

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

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

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

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

I&C

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

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

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

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. 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 1, 2010, 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 will launch 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, and (vii) Hertz, a car rental company.

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.

LOGOS AND TRADEMARKS

Management believes that its trademarks are important to its competitive position. Groupe Aeroplan owns many registered trademarks, including, without limitation, registrations for the following trademarks in Canada: Aeroplan, Aéroplan, Aeroplan Arrival, AeroCorporate, AéroEntreprise, Aeromortgage, Aérohypothèque, Aeroplan Plus, Aéroplan Plus, Aeroservice, Aerogold, Aéro Or, Aeromove, Aeronote, Aéronote, Classicflight, Classicplus Flight, 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 — The Aeroplan Canada Business — Long-Term Strategic Relationship with Air Canada".

Carlson Marketing has an optional three year license to the "Carlson Marketing" trademark. During the term of the license, Groupe Aeroplan will work to rebrand the company with a mark that will emphasize the heritage, experience and innovation that Carlson Marketing brings to Groupe Aeroplan. In addition to the rebranded mark, Carlson Marketing 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.

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

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

COMPETITION

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

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

Carlson Marketing, through its Loyalty Business, 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 loyalty marketing are (i) Brierley & Partners, a privately-held company based in Dallas creating customer loyalty programs, (ii) LoyaltyOne, Inc., a wholly-owned Subsidiary of Alliance Data Systems Corporation, a provider of loyalty and marketing solutions, (iii) Maritz Loyalty Marketing, a privately-held company providing strategy and analytics, market research, technology, creative communications and rewards fulfillment services for consumer loyalty programs, (iv) Rapp Collins Worldwide, a direct marketing and customer relationship management agency and a Subsidiary of Omnicom Group, a diversified marketing agency and (v) 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.

Carlson Marketing, through its E&E Business, competes in the employee and channel incentives industry, primarily with other full-service providers. These companies offer integrated solutions in support of employee and channel incentive strategies, including program development, design, deployment and management. Carlson Marketing also competes with meetings and travel specialists that utilize experimental marketing strategies to influence employees and channel partners.

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 11 million active members, Nectar is the leading coalition loyalty program in the United Kingdom. The rest of the market is largely fragmented as the vast majority of loyalty programs in the United Kingdom represent single retailer in-house programs (the main one being Boots' Advantage card). Nectar's principal competitors which operate loyalty programs are Tesco, Clubcard and the Air Miles program.

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

For each of Groupe Aeroplan's businesses, it is expected that competition will remain intense in their respective markets. 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.

REGULATORY

Privacy

A number of privacy laws have been enacted in Canada, the United Stated and Europe. Groupe Aeroplan 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 Privacy Act**") governs the collection, use and disclosure of personal information in the course of commercial activities. Pursuant to the Federal Privacy Act, organizations may collect, use or disclose personal information only for purposes that a reasonable person would consider appropriate in the circumstances. Furthermore, the knowledge and consent of the individual are required for the collection, use or disclosure of his or her personal information except in certain circumstances as set out in the Federal Privacy Act. Québec, Alberta and British Columbia also have private sector privacy legislation and that legislation has been declared substantially similar to the Federal Privacy Act. The Canadian Radio-television and Telecommunications Commission governs rules for telemarketing and the National Do Not Call List. Management of both Aeroplan Canada and Carlson Marketing believe that each of their privacy policies and practices comply with applicable law. In particular, please see the section "The Business — The Aeroplan Canada Business — 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 Carlson Marketing's heavy concentration of clients in the financial services industry, Carlson Marketing 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 Carlson Marketing, 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 organisations comply with the requirements of the Data Protection Act. Nectar has registered with the Information Commissioner's Office in the United Kingdom as required by the Data Protection Act. Management believes that Nectar's Policy on Privacy and Data Protection, cookie policy and practices comply with the applicable law.

EMPLOYEES

Aeroplan Canada has offices in Montreal, Vancouver and Toronto, with 314 Management employees and 751 full-time equivalent contact centre agents.

The Montreal offices serve as Groupe Aeroplan's headquarters and house one of Aeroplan's contact centres, with 320 full-time equivalent contact centre agents. Aeroplan's Vancouver offices house Aeroplan's second contact centre with 431 full-time equivalent contact centre agents. The Toronto office serves as Aeroplan's base for commercial development of the Aeroplan Program.

Carlson Marketing employs 1,822 full-time staff in its Loyalty Business and 389 full-time staff in its E&E Business. Its operations are centralized in the Plymouth, Minnesota office, supported by seven additional U.S. offices and 20 international offices. The international offices span the following regions: Canada, Europe, the Middle East and Asia Pacific. The Company also has an affiliate office in South America.

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

As at December 31, 2009, Groupe Aeroplan Europe employed a total of 295 employees in its London office, with 94 employees working for Nectar, 70 employees working for I&C, 89 in operations and 42 providing support functions across the Groupe Aeroplan Europe business.

Air Miles Middle East has offices in the United Arab Emirates, Qatar and Bahrain, as well as a small presence in each of Jordan, Oman and Egypt. Air Miles Middle East employs a total of 74 employees, the majority of which are based in Dubai in the United Arab Emirates, where the regional head office and call centre are located.

As at December 31, 2009, Nectar Italia employed 20 employees in its Milan office.

FACILITIES

Aeroplan rents 42,195 square feet of office space and contact centre space located at the Vancouver International Airport at 6001 Grant McConachie, Richmond, British Columbia. Aeroplan rents 139,591 square feet of office space and contact centre space at 5100 de Maisonneuve Boulevard West, Montreal, Québec, and 16,558 square feet of office space at 50 Bay Street, Toronto, Ontario.

The lease for the Montreal premises is at market rates for a five-year term commencing on January 1, 2004, with certain renewal and expansion rights. In October 2008, Aeroplan extended the lease for an additional three-year term beyond the lease expiry date of December 31, 2008, and exercised its option to expand its leased premises by a further 9,911 square feet in 2009 and 13,788 square feet in 2010 once Air Canada's lease expires. In July 2009, the lease was further extended for a ten-year term to expire on May 31, 2019 with a right of first offer to extend to May 31, 2024.

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

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

The lease for Carlson Marketing's main operating location in Plymouth, MN is for 246,585 square feet (including office and warehouse space). The lease is at market rates for a five year term commencing January 1, 2009, with certain renewal and expansion rights. Other main offices internationally include: (i) a lease of 17,624 square feet in Toronto, Ontario which expires December 31, 2010 (ii) a lease of 7,200 square feet in Sydney, NSW Australia which expires December 31, 2011, (iii) a lease of 22,300 square feet in (Northampton) London, England which expires September 29, 2012, and (iv) a lease of 13,512 square feet in (Putney) London, England which expires September 28, 2013. All such leases are at market rates.

Groupe Aeroplan Europe leases 23,767 square feet of office space located at 3rd Floor, 80 Strand, London, WC2. The lease expires on February 25, 2016, subject to a termination option, enabling it to terminate the lease on July 21, 2013, provided it gives the landlord 12 months notice. The lease is at market rates. Air Miles Middle East leases three offices. The main office in located on the 2nd floor, Building 15, Dubai Internet City, Dubai, United Arab Emirates and is 5,845 square feet. It houses the main back office support team, including the call centre for the region. The office in Qatar is 1,230 square feet located at Office 316B, Royal Plaza, Doha Qatar. In Bahrain the office is 1,326 square feet located at Office 13, 1st Floor, Building 2415, Road 2831, Al Seef District, Manama, Bahrain. All the above leases are at market rates. Nectar Italia leases at market rates 3,875 square feet of office space located at Skada 8-Palazzo N, Rozzano (MI), Italy. The lease expires on November 30, 2015.

ENVIRONMENTAL

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

RISKS AND UNCERTAINTIES AFFECTING THE BUSINESS

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

RISKS RELATED TO THE BUSINESS AND THE INDUSTRY

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 the current economic environment, market volatility in the price of fuel, 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. In an effort to mitigate its liquidity risks, Air Canada implemented during 2009 an extensive series of measures and financial initiatives, including the Air Canada Club Loan.

There can be no assurance that these measures or that this additional liquidity will be sufficient to allow Air Canada 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 loss by Aeroplan Canada of all or a portion of the $150.0 million advanced to Air Canada under the Air Canada Club Loan. It could also lead to a termination or renegotiation of the CPSA. Upon such a renegotiation, Aeroplan Canada may be required to pay more for seat capacity from Air Canada than the currently negotiated rates under the CPSA. If the CPSA is terminated, Aeroplan Canada would have to purchase seat capacity from other airlines. Seat capacity from other airlines could be more expensive than comparable seat capacity under the CPSA, and the routes offered by the other airlines may be inconvenient or undesirable to the redeeming members. As a result, Aeroplan Canada 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, Aeroplan's gross proceeds from the sale of Aeroplan Miles could be negatively affected.

Dependency on Top Accumulation Partners and Clients

Groupe Aeroplan's top four Accumulation Partners were responsible for 82% of Gross Billings for the year ended December 31, 2009. Although the Carlson Marketing acquisition will result in increased revenue diversification, a decrease in sales of GA 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 Groupe Aeroplan's principal Accumulation Partners will be renewed on similar terms, or at all when they expire.

Carlson Marketing's 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 could reduce future spending. A significant reduction in marketing spending by Carslon Marketing'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 marketing service revenues and impact Groupe Aeroplan's results of operations and financial condition.

Conflicts of Interest

Groupe Aeroplan'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.

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, or from increasingly restrictive security measures, such as restrictions on the content of carry-on baggage, too much uncertainty could result in the minds of the traveling public and have a material adverse effect on passenger demand for air travel. Consequently, members might forego redeeming miles for air travel and therefore might not participate in the Aeroplan Program to the extent they previously did which could adversely affect revenue from the Aeroplan Program. A reduction in member use of the Aeroplan Program could impact Aeroplan's ability to retain its current 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, less importantly, another airline's withdrawal from Star Alliance or its dissolution could also have a negative impact since Aeroplan's members would lose access to the existing portfolio of international reward travel. In addition, the growth or emergence of other airline alliance groups could have a negative impact on Aeroplan by reducing traffic on Air Canada and Star Alliance member airlines.

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

Retail Market/Economic Downturn

The markets for the services that Groupe Aeroplan's businesses offer may fail to expand or may contract and this could negatively impact growth and profitability. Loyalty and database marketing strategies are relatively new to retailers, and there can be no guarantee that merchants will continue to use these types of marketing strategies. In addition, Gross Billings 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.

Greater Than Expected Redemptions for Rewards

A significant portion of our profitability is based on estimates of the number of GA Loyalty Units that will never be redeemed by the member base. The percentage of GA 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. During 2008, Management assisted by an independent expert developed an econometric model that takes into account historical activity, and expected member behaviour, projected on a going-concern basis. This tool is used by Groupe Aeroplan to estimate and monitor the appropriate Breakage estimates of the different programs it operates on a continuous basis. Groupe Aeroplan also seeks advice from an independent expert every two years to validate the robustness of the Breakage tool. Based on the results of the application of the model, incorporating the adjustments to the Breakage rates applicable to the respective programs operated by each of the Subsidiary entities, the consolidated weighted average estimated Breakage factor is 20%. Breakage is recognized rateably over the estimated average life of a mile or point issued being 30 and 15 months for the Aeroplan and Nectar Programs, respectively, which has been determined in a rational and systematic manner. Breakage for the Aeroplan and Nectar Programs may decrease as such programs grow and a greater diversity of rewards become available. If actual redemptions are greater than current estimates, profitability could be adversely affected due to the cost of the excess redemptions. Furthermore, the actual mix of redemptions between air and non-air rewards could adversely affect profitability.

Industry Competition

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 Groupe Aeroplan'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. With respect to database marketing services, the ability to continue collecting detailed transaction data on consumers is critical in providing effective marketing strategies. 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.

Integration of Carlson Marketing

Prior to its acquisition by Groupe Aeroplan, Carlson Marketing was a subsidiary of Carlson Companies, Inc. As part of the Carlson Companies, Inc. group, Carlson Marketing's U.S. operations were integrated in Carlson Companies, Inc.'s administrative services platform, which includes accounting, human resources and payroll, information technology, consolidation, facilities and treasury (the "**Transition Services**"). As of December 7, 2009, Carlson Companies, Inc. and Groupe Aeroplan entered into a transition services agreement to facilitate the effective transition of Carlson Marketing from Carlson Companies, Inc. and its suppliers to Groupe Aeroplan and its suppliers. As such, the agreement provides that the Transition Services will continue to be provided to Carlson Marketing by Carlson Companies, Inc. and its suppliers on a transitional basis, in consideration of certain fees payable to Carlson Companies, Inc. under the agreement.

Groupe Aeroplan may experience difficulties or delays in integrating such Transition Services under its own and its suppliers' administrative, financial and information technology services platform. Should they occur, such difficulties or delays may have an adverse effect on the administrative functions of Carlson Marketing and may eventually have an adverse effect on the operations and financial performance of Carlson Marketing.

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

Unfunded Future Redemption Costs

In the coalition loyalty program model, Gross Billings are derived from the sale of GA Loyalty Units to Accumulation Partners. The earnings process is not complete at the time a GALU is sold as most of the costs are incurred on the redemption thereof. Based on historical data, the estimated period between the issuance of GA 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 GA 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 loyalty programs and in connection with Carlson Marketing and the I&C business' activities, 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 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.

Consumer Privacy Legislation

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

Changes to Loyalty Programs

From time to time we may make changes to our 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.

Regulatory Matters

Groupe Aeroplan's businesses are subject to several types of regulation, including legislation relating to banking and credit card systems, privacy, telemarketing, consumer protection, competition, advertising and sales, and lotteries, gaming and publicity contests.

During the month of March 2009, the Canadian Senate Standing Committee on Banking Trade and Commerce and the House of Commons Standing Committee on Industry, Science and Technology announced that it would study the credit card systems and their relative rates and fees including, among other things, credit cards' interchange rates. The committee proposed a code of conduct in November 2009, which is subject to further review. While the government appears to have not made any recommendations on direct caps to interchange rates the ultimate outcome is not determinable, and any downward change in the credit cards' interchange rates could lead to a decrease in revenue for credit card companies and, as a result, could require Aeroplan to renegotiate certain agreements with certain of its credit and charge cards' partners. Changes to credit card regulation in Canada could have a significant impact on our operations and financial condition given the importance of Aeroplan Canada's relationships with financial card providers.

An increasing number of laws and regulations pertain to the Internet. These laws and regulations relate to liability for information retrieved from or transmitted over the Internet, online content regulation, user privacy, taxation and the quality of products and services. Moreover, the applicability to the Internet of existing laws governing intellectual property ownership and infringement, copyright, trademark, trade secret, obscenity, libel, employment, personal privacy and other issues is uncertain and developing.

In addition, Air Canada and several other Commercial Partners operate in the highly regulated airline industry. Changes in regulations affecting Groupe Aeroplan's businesses, Air Canada, the airline industry in general, or the implementation of additional limitations or adverse regulatory decisions affecting such entities, may have a material adverse effect on Groupe Aeroplan's businesses, results from operations and financial condition.

Legal Proceedings

From time to time, Groupe Aeroplan 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

Groupe Aeroplan's success depends on the abilities, experience, industry knowledge and personal efforts of senior Management and other key employees, including the ability to retain and attract skilled employees for Aeroplan and Nectar. The loss of the services of such key personnel could have a material adverse effect on our business, financial condition or future prospects. Groupe Aeroplan's growth plans may also put additional strain and demand on senior Management and key employees and produce risks in both productivity and retention levels. In addition, 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

Groupe Aeroplan'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. Groupe Aeroplan 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 to defend and could result in the diversion of time and resources. Any claims from third parties may also result in limitations on the ability to use the intellectual property subject to these claims.

RISKS RELATED TO GROUPE AEROPLAN

Interest Rate and Currency Fluctuations

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

Prior to the acquisition of Carlson Marketing, our results were primarily 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 Groupe Aeroplan. Substantially all of Groupe Aeroplan Europe's revenues and expenses are denominated in pounds sterling (GPB) rendering its results and their impact on Groupe Aeroplan's consolidated statements sensitive to fluctuations in the Canadian dollar exchange rate.

Further to the acquisition of Carlson Marketing, Groupe Aeroplan is subject to greater exposure to currency fluctuations given that Carlson Marketing's activities are principally located outside Canada, including the United States, Europe 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 and the Australian dollar.

Leverage and Restrictive Covenants in Current and Future Indebtedness

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

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

Groupe Aeroplan may need to refinance its available credit facilities or other debt and there can be no assurance that it will be able to do so or be able to do so on terms as favourable as those presently in place. If Groupe Aeroplan is unable to refinance these credit facilities or other debt, or is only able to refinance these credit facilities or other debt on less favourable and/or more restrictive terms, this may have a material adverse effect on Groupe Aeroplan's financial position, which may result in a reduction or suspension of payments of dividends to Shareholders. In addition, the terms of any new credit facility or debt may be less favourable or more restrictive than the terms of the existing credit facilities or other debt, which may indirectly limit or negatively impact the ability of Groupe Aeroplan to pay dividends.

Dilution of Shareholders

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

Uncertainty of Dividend Payments

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

Level of Indebtedness – Refinancing Risk

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

Managing Growth

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 operation 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

Groupe Aeroplan 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 Groupe Aeroplan 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 Groupe Aeroplan'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, Groupe Aeroplan'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 Groupe Aeroplan consists of (i) an unlimited number of Common Shares issuable in series, of which 199,989,346 are issued and outstanding as of March 22, 2010, 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 are issued and outstanding as of March 22, 2010. As of December 31, 2009, Groupe Aeroplan had $440 million drawn from its credit facilities, and $160 million remained committed and available. See "Description of Capital Structure - Debt Financing". Groupe Aeroplan further has $200 million Series 1 Notes, $150 million Series 2 Notes and $200 million Series 3 Notes issued and outstanding as of March 22, 2010. The summary below of the rights, privileges, restrictions and conditions attaching to the securities of Groupe Aeroplan does not purport to be complete and is subject to, and qualified by reference to, Groupe Aeroplan's articles and by-laws and the trust indenture dated April 23, 2009 between Groupe Aeroplan 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 Groupe Aeroplan, 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 Groupe Aeroplan.

In the event of the liquidation, dissolution or winding-up of Groupe Aeroplan, whether voluntary or involuntary, or other distribution of assets of Groupe Aeroplan among Shareholders for the purpose of winding up its affairs, subject to the rights, privileges, restrictions and conditions attaching to the Preferred Shares and to any other class of shares ranking senior to the Common Shares, the holders of Common Shares shall be entitled to receive the remaining property of Groupe Aeroplan. In the event of an insufficiency of property and assets to pay in full the amounts which the holders of 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 Groupe Aeroplan may, at any time and from time to time, issue the Preferred Shares in one (1) or more series, each series to consist of such number of shares as may, before issuance thereof, be determined by the directors. The directors may from time to time fix, before issuance, the designation, rights, privileges, preferences, restrictions, conditions and limitations attaching to the Preferred Shares of each series, the whole subject to the issuance of a certificate of amendment in respect of articles of amendment in the prescribed form to designate a series of shares.

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

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

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

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 Groupe Aeroplan, 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, Groupe Aeroplan 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 Groupe Aeroplan, 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, Groupe Aeroplan 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), Groupe Aeroplan 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 Groupe Aeroplan or any other distribution of assets of Groupe Aeroplan among its shareholders for the purpose of winding-up its affairs, subject to the prior satisfaction of the claims of all creditors of Groupe Aeroplan and of holders of shares of Groupe Aeroplan 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 Groupe Aeroplan), before any amount may be paid or any assets of Groupe Aeroplan are distributed to the registered holders of any shares ranking junior to the Series 1 Preferred Shares and the Series 2 Preferred Shares. Alter 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 Groupe Aeroplan.

Subject to applicable law, holders of Series 1 Preferred Shares and Series 2 Preferred Shares, as such, will not be entitled to receive notice of, or to attend or to vote at, any meeting of Groupe Aeroplan's shareholders, unless and until Groupe Aeroplan has failed to pay dividends. In the event that Groupe Aeroplan 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 Groupe Aeroplan, other than meetings at which only holders of another specified class or series are entitled to vote, and to vote together with all of Groupe Aeroplan'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 Groupe Aeroplan of all accrued but unpaid dividends on the shares of such series until such time as Groupe Aeroplan may again fail to pay the applicable dividend for any further eight quarters, in which case such voting rights will become effective again. The foregoing entitlement is subject to the amendment of the voting rights' provisions of the Preferred Shares as a class to give effect to the foregoing right, which amendment will be subject to approval by the Shareholders at the annual and special meeting of the Shareholders to be held on May 12, 2010.

The Series 1 Preferred Shares and Series 2 Preferred Shares will rank on parity with all other Preferred Shares on Groupe Aeroplan and will rank prior to the Common Shares as to the payment of dividends and the distribution of the assets of Groupe Aeroplan in the event of the dissolution, liquidation or winding-up of the Corporation or any other distribution of the assets of Groupe Aeroplan 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 Groupe Aeroplan 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 Groupe Aeroplan 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 Groupe Aeroplan or Aeroplan Canada, as the case may be. In addition, Groupe Aeroplan shall cause certain of its Subsidiaries to provide an unconditional guarantee for the obligations of Groupe Aeroplan under the Notes. Groupe Aeroplan, when 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 Groupe Aeroplan and certain of its Subsidiaries to incur liens or enter into transactions in which all or substantially all of Groupe Aeroplan's property and assets would become the property of another person. In addition, the Trust Indenture limits Groupe Aeroplan's and its Subsidiaries' ability to incur additional indebtedness.

Notes

As of March 22, 2010, Groupe Aeroplan 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 any of DBRS or S&P downgrade (or subsequently 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 Groupe Aeroplan, 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).

As of March 22, 2010, Groupe Aeroplan 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 any of DBRS or S&P downgrade (or subsequently 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 Groupe Aeroplan, 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 March 22, 2010, Groupe Aeroplan 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 any of DBRS or S&P downgrade (or subsequently 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 Groupe Aeroplan, 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 Groupe Aeroplan, secured by certain present and future undertakings, property and assets of Groupe Aeroplan 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 Groupe Aeroplan or Aeroplan Canada, as the case may be. In the event that all *pari passu* ranking secured and unsubordinated Indebtedness for borrowed money of Groupe Aeroplan or Aeroplan Canada, as the case may be, becomes unsecured, the Notes will become direct unsecured Indebtedness of Groupe Aeroplan and will rank equally and *pari passu* with all other unsecured and unsubordinated Indebtedness of Groupe Aeroplan or Aeroplan Canada, as the case may be.

RATINGS

In addition to the ratings assigned to its securities as described herein, Groupe Aeroplan 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, Groupe Aeroplan concluded with a syndicate of lenders a renewal of its $650 million credit facilities, consisting of a bridge loan of $100 million, maturing June 19, 2010, as well as a term facility of $300 million and a revolving facility of $250 million, both maturing on April 23, 2012. The credit facilities rank *pari passu* with the Series 1 Notes, the Series 2 Notes and the Series 3 Notes. Interest rates under the credit facilities are at Canadian prime rate plus 2.5% and Bankers' Acceptance and LIBOR rates plus 3.75%. Depending on Groupe Aeroplan's credit ratings, interest rates under the facilities may vary within a range of Canadian prime rate plus 1.75% to 4.25%; and Bankers' Acceptance and LIBOR rates plus 2.75% to 5.25%. The debt service ratio covenant under the credit facilities is maximum of 2.0 to 1.0. As of December 31, 2009, $440 million had been drawn and $160 million remained committed and available.

AEROPLAN CANADA MILES 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 "**Aeroplan Canada Miles Redemption Reserve**") in connection with the Aeroplan Program. As at December 31, 2009, the Aeroplan Canada Miles Redemption Reserve amounted to $400.0 million and was included in cash and cash equivalents.

The amount held in the Aeroplan Canada Miles Redemption Reserve, as well as the types of securities in which it may be invested (high quality commercial paper), are based on policies established by Management, which are reviewed periodically. At December 31, 2009, the Aeroplan Canada Miles Redemption Reserve was invested in bankers' acceptances.

Subject to compliance with the provisions of the June 12, 2009 credit facilities, the Aeroplan Canada Miles Redemption 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 Aeroplan Canada Miles Redemption 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 Aeroplan Canada Miles Redemption 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 Aeroplan Canada Miles Redemption Reserve periodically and may adjust the level of the Aeroplan Canada Miles Redemption Reserve depending upon the outcome of this review.

To date, Groupe Aeroplan has not had to use the funds held in the Aeroplan Canada Miles Redemption Reserve.

At December 31, 2009, the Aeroplan Canada Miles Redemption Reserve, as well as other assets held to comply with a contractual covenant with a major Accumulation Partner, represented 43.2% 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 years ended December 31, 2009 and 2008 represents accumulated unredeemed GA Loyalty Units valued at their weighted average selling price and unamortized Breakage. The estimated Future Redemption Cost liability of those GALUs, calculated at the current Average Cost of Rewards per GALU redeemed, is approximately $1,226 million.

DIVIDENDS AND DISTRIBUTIONS

DIVIDEND POLICY

Groupe Aeroplan's current policy is to declare dividends of $0.125 per Common Share per quarter. On October 21, 2008, Groupe Aeroplan declared its first dividend, in the amount of $0.125 per Common Share, payable in respect of the quarter ended September 30, 2008. On February 26, 2009, Groupe Aeroplan declared a quarterly dividend of $0.125 per Common Share payable in respect of the quarter ended December 31, 2008. On May 12, 2009, Groupe Aeroplan declared a quarterly dividend of $0.125 per Common Share payable in respect of the quarter ended March 31, 2009. On August 14, 2009, Groupe Aeroplan declared a quarterly dividend of $0.125 per Common Share payable in respect of the quarter ended June 30, 2009. On November 13, 2009, Groupe Aeroplan declared a quarterly dividend of $0.125 per Common Share payable in respect of the quarter ended September 30, 2009. On March 3, 2010, Groupe Aeroplan declared a quarterly dividend of $0.125 per Common Share payable in respect of the quarter ended December 31, 2009. Dividends payable by Groupe Aeroplan to its Shareholders are recorded when declared.

On March 3, 2010, Groupe Aeroplan 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.

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

CASH DISTRIBUTIONS

As Aeroplan Income Fund, the predecessor entity to Groupe Aeroplan, was an income trust, it did not pay dividends. Aeroplan Income Fund paid distributions of $0.0700 per Unit from December 2006 to June 2008.

MARKET FOR SECURITIES

The Common Shares and the Series 1 Preferred Shares are 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 2009, as quoted on Bloomberg.

2009 Month	Price per Common Share ($) Monthly High	Price per Common Share ($) Monthly Low	Common Shares Total Monthly Volume	Common Shares Average Daily Volume
January	$10.05	$8.18	15,382,069	699,185
February	$10.26	$8.65	14,846,345	742,317
March	$9.54	$7.84	16,130,216	733,192
April	$8.33	$7.18	15,168,551	689,480
May	$9.02	$7.10	18,977,100	903,671
June	$8.39	$7.18	23,598,662	1,072,666
July	$9.81	$7.34	31,002,540	1,347,937
August	$10.40	$8.59	18,460,529	879,073
September	$9.95	$8.92	12,044,537	547,479
October	$9.91	$9.00	16,799,423	763,610
November	$10.29	$8.86	20,370,297	970,014
December	$10.89	$9.44	23,186,343	1,008,102

PRIOR SALES

During the financial year ended December 31, 2009, the following securities of Groupe Aeroplan that are not listed or quoted on a marketplace were issued as follows:

Form of Securities	Size of Offering ($ millions)	Date of Offering
Series 1 Notes	200	April 23, 2009 and April 30, 2009
Series 2 Notes	150	September 2, 2009

Groupe Aeroplan further issued on January 26, 2010 $200 million of Series 3 Notes.

DIRECTORS AND OFFICERS

DIRECTORS

The articles of Groupe Aeroplan provide for the board of directors to consist of a minimum of three (3) and a maximum of twelve (12) directors, a minimum of twenty-five (25) percent of whom must be residents of Canada. 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, 2010, of nine (9) members as set out in the following table.

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

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

OFFICERS

The following table sets out, as at March 22, 2010, for each of the current executive officers, the person's name, municipality of residence, position, principal occupation and date of start of office.

Name, Municipality and Province of Residence	Position and Principal Occupation	Executive Officer Since
David L. Adams Beaconsfield, Québec, Canada	Executive Vice President and Chief Financial Officer of Groupe Aeroplan	July 16, 2007
Jeff Balagna Minneapolis, Minnesota, United States	President and Chief Executive Officer of Carlson Marketing and Executive Vice President of Groupe Aeroplan	December 7, 2009
Rupert Duchesne Toronto, Ontario, Canada	President and Chief Executive Officer of Groupe Aeroplan	August 1, 2000
Liz Graham Pointe-Claire, Québec, Canada	Executive Vice President and Chief Operating Officer of Groupe Aeroplan	November 1, 2000
Mark Hounsell, Montreal, Québec, Canada	Senior Vice President, General Counsel and Corporate Secretary of Groupe Aeroplan	October 2, 2006
David Johnston London, England	President and Chief Executive Officer of Groupe Aeroplan Europe and Executive Vice President of Groupe Aeroplan	January 11, 2010
Melissa Sonberg Montreal, Québec, Canada	Senior Vice President, Corporate Services of Groupe Aeroplan	June 25, 2001
Vincent R. Timpano Toronto, Ontario, Canada	President and Chief Executive Officer of Aeroplan Canada and Executive Vice President of Groupe Aeroplan	November 3, 2008

As at March 22, 2010, the directors and officers of Groupe Aeroplan as a group owned, directly or indirectly, or had control or direction over 152,465 Common Shares representing approximately 0.08% of the issued and outstanding Common Shares.

BIOGRAPHIES

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

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

Robert E. Brown is Chairman of Groupe Aeroplan 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. and Bell Canada. 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*.

Jeff Balagna is President and Chief Executive Officer of Carlson Marketing and Executive Vice President of Groupe Aeroplan. With more than 27 years of experience, Mr. Balagna is a seasoned executive with broad marketing and general management expertise. His career spans multiple industries and includes stints at prominent brands including GE, Ford, Medtronic and Carlson. Before joining Groupe Aeroplan, Mr. Balagna was Executive Vice President and Chief Executive Officer of Carlson Marketing. Prior to that, he served as CEO of Carlson Restaurants, which included the TGI Friday's brand. He also was a board member of Carlson Wagonlit Travel and Carlson Restaurants Worldwide. Before that, Mr. Balagna served for four and a half years as Chief Administrative Officer at Medtronic, the world's largest medical device company, where he managed global and quality operations, oversaw the creation of a shared services organization, and served as the companies first Chief Information Officer. Prior to Medtronic, he was with GE as General Manager-Operations of its US$4 billion Medical Systems Americas division and directed that group to greater than 20 percent per year record growth. He also has held executive roles at Ford Motor Company, and was the founder and CEO of DataComm, Inc. Additionally, he currently serves as a board and audit committee member of Tennant Company, and is a past board member of Minnesota Public Radio and the Minnesota Orchestra. Mr. Balagna holds a bachelor's degree in computer science from Oakland University in Rochester, Michigan. He is also a graduate of the GE Executive Development program at Crotonville, in Ossining, New York, and is a certified master black belt in Six Sigma and Lean operations.

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

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

Joanne Ferstman is Vice Chair and Head of Capital Markets of DundeeWealth Inc. Prior to taking on this position at the start of 2009, Ms. Ferstman 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 in 1998, Ms. Ferstman spent four years as chief financial officer for a national securities firm and five years at a major international accounting firm. Ms. Ferstman is also a trustee of Dundee Real Estate Investment Trust and a director of Breakwater Resources Ltd. Ms. Ferstman holds a Bachelor of Commerce from McGill University and is a Chartered Accountant.

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

John M. Forzani is the founder (1974) of The Forzani Group Ltd., Canada's largest retailer of sporting goods with over 600 stores under eight different banners. He is presently Chairman of the Board and has held the positions of Chief Executive Officer, President and Chief Operating Officer. He is 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. 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 Groupe Aeroplan on June 25, 2008, she was appointed Executive Vice President and Chief Operating Officer of Groupe Aeroplan. In her current role as Chief Operating Officer of Groupe Aeroplan, 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.

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

David Johnston was appointed as President and Chief Executive Officer, Groupe Aeroplan Europe and Executive Vice President Groupe Aeroplan in January 2010. In his role as President and CEO for Groupe Aeroplan Europe, he has full responsibility for driving the expansion of Groupe Aeroplan's businesses in Europe including Nectar and Nectar Italia. Mr. Johnston is also responsible for RMMEL, the operator of Air Miles Middle East, and for I&C. Mr. Johnston joined Groupe Aeroplan from PepsiCo where he spent 13 years in Marketing and General Management. Most recently he ran PepsiCo's Quaker/Tropicana Business Unit in the UK, driving significant market share and profit growth across the portfolio. Prior to this role Mr. Johnston 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 three other public companies: Biovail Corporation (TSX/NYSE), EMCOR Group Inc. (NYSE) and Prosep Inc. (TSX). He is a director of the Bank of Canada and Aviva Canada Inc. and Chairman of the Board of Nautilus Indemnity Limited and also serves on the boards of the Fraser Institute, the Lester B. Pearson College of the Pacific, the McGill University Health Centre Foundation, and the Desautels Faculty of Management of McGill University. Mr. Laidley is a Fellow of the Québec Order of Chartered Accountants and holds a Bachelor of Commerce degree from McGill University.

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

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

Melissa Sonberg previously held the position of Vice President, Corporate Services, Aeroplan. Upon completion of the reorganization of Aeroplan Income Fund into Groupe Aeroplan on June 25, 2008, she was appointed Senior Vice President, Corporate Services of Groupe Aeroplan. Mrs. Sonberg is responsible for the corporate affairs portfolio, overseeing all aspects of Groupe Aeroplan's human resources, corporate communications, and corporate social responsibility programs. She has hands on experience in the private and public sectors. She has previously held a number of senior management positions at Air Canada, including Director of Organizational Learning and Director – Customer Service Communication, Employee Involvement and Training. Mrs. Sonberg has also had key leadership roles in Québec's health and social services sector. Mrs. Sonberg's expertise in her field has been noted in the Who's Who of Canadian Business, the Who's Who of Canadian Women, the Who's Who of Canada, as well as Women in the Lead, the directory of qualified Canadian Women for Board Appointment. Mrs. Sonberg holds a Bachelor's degree in Psychology from McGill University and a Master's of Administration from the University of Ottawa. She currently guest lectures at McGill University, and other institutions. She also offers her expertise through involvement and Board membership of various organizations such as The Women's Y and The Royal Victoria Hospital Foundation. 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 of Aeroplan Canada and Executive Vice President of Groupe Aeroplan. In this role, Mr. Timpano has full accountability for leading and growing the Aeroplan Canada business. Previously, he served as President, Coca-Cola Ltd. in Canada where he led the organization in the development and expansion of Canada's leading non-alcoholic beverage portfolio. Prior to holding that position, Mr. Timpano served as President and CEO for The Minute Maid Company Canada Inc., an operating unit of The Coca-Cola Company. In this role, he successfully oversaw all activities associated with the company's juice and juice drinks business. In addition to his broad general management experience, Mr. Timpano has a proven background in creating high value customer partnerships and stewarding globally and nationally recognized leading brands. He currently serves with the United Way, Toronto as member of the board of trustees, the Administration and Audit Committee as well as the Operations and Technology Committee. He is also the past Chair and former member of the board of directors of The Grocery Foundation. Mr. Timpano holds a Masters of Business Administration degree from the Richard Ivey School of Business, University of Western Ontario.

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

Corporate Cease Trade Orders or Bankruptcies

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

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

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

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

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

Penalties or Sanctions

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

Personal Bankruptcies

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

CONFLICTS OF INTEREST

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

AUDIT COMMITTEE INFORMATION

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

CHARTER OF THE AUDIT COMMITTEE

The charter of the Audit Committee, as approved on August 14, 2009, is set out in Schedule "A" to this Annual Information Form.

COMPOSITION OF THE AUDIT COMMITTEE

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

RELEVANT EDUCATION AND EXPERIENCE OF THE AUDIT COMMITTEE MEMBERS

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

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

(ii) Joanne Ferstman is Vice Chair and Head of Capital Markets of DundeeWealth Inc. Prior to taking on this position at the start of 2009, Ms. Ferstman 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 in 1998, Ms. Ferstman spent four years as chief financial officer for a national securities firm and five years at a major international accounting firm. Ms. Ferstman is also a trustee of Dundee Real Estate Investment Trust and a director and Chair of the Audit

Committee of Breakwater Resources Ltd. 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 three other public companies: Biovail Corporation (TSX/NYSE), EMCOR Group Inc. (NYSE) and Prosep Inc. (TSX). He is a director of the Bank of Canada and Aviva Canada Inc. and Chairman of the Board of Nautilus Indemnity Limited and also serves on the boards of the Fraser Institute, the Lester B. Pearson College of the Pacific, the McGill University Health Centre Foundation, and the Desautels Faculty of Management of McGill University. Mr. Laidley is a Fellow of the Québec Order of Chartered Accountants and holds a Bachelor of Commerce degree from McGill University.

PRE-APPROVAL POLICIES AND PROCEDURES

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

AUDIT FEES

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

Fees payable for the years ended December 31, 2009 and December 31, 2008 to PricewaterhouseCoopers LLP and its Subsidiaries are $2,748,816 and $1,533,564, respectively, as detailed below:

	Year ended December 31, 2009	**Year ended December 31, 2008**
Audit fees	$1,091,558	$848,028
Audit-related fees	$152,230	$148,800
Tax fees	$355,532	Nil
All other fees	$1,149,496	$536,736
	$2,748,816	$1,533,564

The nature of each category of fees is described below.

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

<u>Audit-related fees</u>. In 2008, audit-related fees were paid for services rendered in connection with the secondary offering of 20,400,000 Units held by ACE Aviation Holdings Inc. and the preparation of the Management Information Circular relating to the Arrangement. In 2009, audit-related fees were paid for services rendered in

connection with the preparation and filing of the Shelf Prospectus and the offering of $200 million Series 1 Notes, and $150 million Series 2 Notes.

Tax fees. Tax fees were paid in 2009 in connection with assistance in the preparation of Scientific Research & Experimental Development tax credit claims and general tax advice relating to the Nectar Italia Program and I&C.

All other fees. In 2008, other fees were paid for professional services rendered with respect to the translation of the prospectus, Management Information Circular and other documents of Groupe Aeroplan and review of quarterly reporting by Groupe Aeroplan. In 2009, other fees were paid for professional services rendered with respect to the translation of the Shelf Prospectus and related prospectus supplements, review of quarterly reporting by Groupe Aeroplan and the due diligence investigation in connection with the Carlson Marketing acquisition.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

From time to time, Groupe Aeroplan becomes involved in various claims and litigation as a result of carrying on its business. This section describes important legal proceedings which involve Groupe Aeroplan'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

LMG 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).

LMG 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. LMG, in turn, appealed to the Court of Appeal, which issued a judgement in favour of LMG on October 5, 2007 requiring the refund of the assessed amount and confirming LMG'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 European Court of Justice, which heard the case on January 21, 2010. A decision is expected at some time during 2010. Until the outcome is known, it is unclear whether LMG will have to repay amounts awarded under the October 5, 2007 judgment, as well as any VAT recovered as a deduction in calculating input tax credits until such time as a decision is rendered, together with interest thereon. At December 31, 2009, LGM had recorded in its accounts the benefit of VAT input tax credits in the aggregate amount of £33.4 million ($56.5 million).

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

Motion for Authorization to Institute a Class Action

On July 2, 2009, Groupe Aeroplan 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.

No class action has yet been filed. The motion is the first procedural step before any such action can be instituted. Petitioners seek court permission to sue Groupe Aeroplan on behalf of program members in Canada 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 is of the view that there are good grounds for opposing the motion and will vigorously defend any class action, should one be authorized by the Superior Court of Québec.

Claim by Air Canada

On October 22, 2009, Aeroplan received written notice from Air Canada claiming that Air Canada had been incorrectly billing Aeroplan for redemption bookings since January 1, 2005. This claim was based on alleged errors by Air Canada in the methodology used to calculate such billings under the CPSA and certain inherent limitations in the system used to price redemption bookings in foreign jurisdictions and currencies. Air Canada has requested a payment of approximately $49 million from Aeroplan as a retroactive settlement for these alleged errors.

Aeroplan believes that the methodology used by Air Canada since 2005 for the billing of redemption bookings was implemented as agreed by the parties and has been calculated in accordance with the terms of the CPSA. Aeroplan believes that Air Canada's claim is without merit and no amounts have been provided for in Groupe Aeroplan's financial statements. Aeroplan intends to continue settling Air Canada billings for reward tickets, using its own estimate of billings in accordance with the agreed to methodology in place since 2005.

In the event Air Canada's claim cannot be resolved amicably, the CPSA provides for arbitration procedures. While Aeroplan believes the claim is without merit and will vigorously defend its position, there can be no assurance that Aeroplan will be successful and any amount ultimately payable, as a result of arbitration, may be greater than the $49 million currently requested.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

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

TRANSFER AGENT AND REGISTRAR

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

MATERIAL CONTRACTS

Except for those contracts entered into in the ordinary course of business of Groupe Aeroplan, Groupe Aeroplan, and/or its Subsidiaries, as the case may be, entered into the following material contracts: (i) before the most recently completed financial year, and these contracts are still in effect at the current time; or (ii) during the financial year ended December 31, 2009:

- the Trust Indenture;

- the credit facility dated June 12, 2009 among Groupe Aeroplan, as borrower, Royal Bank of Canada, as administrative agent, RBC Capital Markets and TD Securities, 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**");

- the amendment No. 1 to the Credit Facility dated December 7, 2009;

- the amendment No. 2 to the Credit Facility dated as of December 23, 2009; and

- the amendment No. 3 to the Credit Facility dated February 3, 2010.

INTERESTS OF EXPERTS

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

ADDITIONAL INFORMATION

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

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

Additional financial information is provided in the audited consolidated financial statements and management's discussion and analysis of Groupe Aeroplan for the year ended December 31, 2009.

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

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

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

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

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

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

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

SCHEDULE A

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

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

1. Structure, 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**"). The members of the Committee shall have no relationships with management, the Corporation and its related entities that in the opinion of the Board may interfere with their independence. In addition, a Committee member shall not receive, other than for service on the Board or the Committee or other committees of the Board, any consulting, advisory, or other compensatory fee from the Corporation or any of their related parties or subsidiaries. The members of the Committee shall possess the mix of characteristics, experiences and skills to provide an appropriate balance for the performance of the duties of the Committee and in particular each member of the Committee shall be "financially literate".

2. 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 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 mean which enables all participants to communicate with each other simultaneously.

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

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

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

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 maybe, of the accounting policies adopted by the Corporation, the process used by management in formulating particularly significant accounting estimates and the basis for the external auditor's conclusions regarding the reasonableness of those estimates;

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

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

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

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

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

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

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

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

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

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

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

(g) Review 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.

(h) Review a report from the external auditor, if deemed appropriate by the Committee, of all relationships between the external auditor and its related entities and the Corporation and its related entities, including all work performed and fees paid for such work of a non-audit nature, that in the external auditor's professional judgment may reasonably be perceived to bear on its objectivity and independence and confirming, or otherwise, that in the external auditor's professional judgment it is independent and discuss this report with the external auditor in order to evaluate the objectivity and independence of the external auditor.

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

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

(k) 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.

(l) 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.

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

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

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

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

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

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

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

(n) 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.

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

(p) 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.

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

(r) 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.

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

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

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

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

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

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

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

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

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

<u>OTHER</u>

(a) Public Disclosure

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

(ii) Where practicable, management will review with the Committee or the 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. 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

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

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

(iii) Review, monitor and approve 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.

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.

August 14, 2009.