A copy of this preliminary short form prospectus has been filed with the securities regulatory authorities in each of the provinces and territories of Canada, but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary short form prospectus may not be complete and may have to be amended. These securities may not be sold until a receipt for the short form prospectus is obtained from the securities regulatory authorities.

This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or any U.S. state securities laws and may not be offered, sold or delivered within the United States except in compliance with an exemption from the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. Accordingly, the securities will only be offered and sold within the United States pursuant to the exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A thereunder. See "Plan of Distribution".

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. *Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of Aeroplan Income Fund, at 5100 de Maisonneuve Boulevard West, Montreal, Québec, Canada, H4A 3T2, telephone: 514 205-7315, and are also available electronically at www.sedar.com.*

PRELIMINARY SHORT FORM PROSPECTUS

<u>Secondary Offering</u> April 8, 2008

MC
TM

AEROPLAN INCOME FUND

$357,000,000

20,400,000 UNITS

This short form prospectus qualifies the distribution by ACE Aviation Holdings Inc. ("ACE" or the "Selling Unitholder") of 20,400,000 units (the "Offered Units") of Aeroplan Income Fund (the "Fund") at a price of $17.50 per Offered Unit (the "Offering"). The Fund and Aeroplan (as is hereinafter defined) will not receive any proceeds pursuant to this Offering. See "Plan of Distribution". The Fund is an unincorporated open-ended trust established under the laws of the Province of Ontario and indirectly holds 100% of the outstanding limited partnership units of Aeroplan Limited Partnership ("Aeroplan"). ACE currently holds 20.1% of the issued and outstanding units of the Fund (the "Units"). After giving effect to the Offering, ACE will hold 9.9% of the issued and outstanding Units. See "Selling Unitholder" and "Plan of Distribution". The head office of the Fund is located at 5100 de Maisonneuve Boulevard West, Montreal, Québec, Canada H4A 3T2.

The outstanding Units are listed for trading on the Toronto Stock Exchange (the "TSX") under the symbol "AER.UN". On April 2, 2008, the last trading day before the announcement of the Offering, the closing price of the Units on the TSX was $18.00 per Unit.

RBC Dominion Securities Inc., CIBC World Markets Inc., BMO Nesbitt Burns Inc., TD Securities Inc., National Bank Financial Inc., Scotia Capital Inc., Canaccord Capital Corporation, Raymond James Ltd., Blackmont Capital Inc., Desjardins Securities Inc., Dundee Securities Corporation and Research Capital Corporation (collectively, the "Underwriters") have agreed to purchase the Offered Units from ACE subject to the terms and conditions set forth in an underwriting agreement dated April 8, 2008 among ACE, the Fund, Aeroplan Trust (the "Trust"), Aeroplan, Aeroplan Holding GP Inc. ("Aeroplan GP") and the Underwriters (the "Underwriting Agreement") referred to under "Plan of Distribution". The price at which the Units are being offered hereunder was determined by negotiation between ACE and the Underwriters with reference to the market price of the Units. Subject to applicable laws and in connection with this Offering, the Underwriters may effect transactions that stabilize or maintain the market price of the Offered Units at levels other than those which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time. See "Plan of Distribution".

	Price: $17.50 per Unit		
	Price to the Public (1)	Underwriters' Fee(2)	Net proceeds to ACE(1)(2)
Per Offered Unit	$17.50	$0.70	$16.80
Total	$357,000,000	$14,280,000	$342,720,000

(1) Before deducting the expenses of the Offering of approximately $400,000 (excluding the Underwriters' fee), which will be paid by Aeroplan in accordance with the terms of the Investor Liquidity Agreement (as is hereinafter defined).

(2) The Underwriters' fees will be paid by ACE.

The Underwriters, as principals, conditionally offer the Offered Units, subject to prior sale, if, as and when sold and delivered by ACE to, and accepted by, the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution", and subject to the approval of certain legal matters on behalf of ACE and the Fund by Stikeman Elliott LLP and on behalf of the Underwriters by Osler, Hoskin & Harcourt LLP.

Subscriptions will be received subject to rejection or allotment in whole or in part and the Underwriters reserve the right to close the subscription books at any time without notice. The Offering will be conducted under the book-based system. Upon a purchase of any Offered Units, the owner will receive only the customary confirmation from the registered dealer from or through whom the Offered Units are purchased and who is a participant in the depository service of CDS Clearing and Depository Services Inc. ("CDS"). CDS will record the CDS participants ("CDS Participants") who hold the Offered Units on behalf of owners who have purchased or transferred the Offered Units in accordance with the book-based system. Closing of the Offering is expected to occur on or about April 21, 2008 ("Closing"), or such later date as ACE, the Fund and the Underwriters may agree, but in any event no later than April 30, 2008.

RBC Dominion Securities Inc., CIBC World Markets Inc., BMO Nesbitt Burns Inc., TD Securities Inc., National Bank Financial Inc., Scotia Capital Inc. and Desjardins Securities Inc. are subsidiaries or affiliates of lenders that have made credit facilities available to Aeroplan. RBC Dominion Securities Inc., CIBC World Markets Inc., BMO Nesbitt Burns Inc. and TD Securities Inc. are subsidiaries or affiliates of lenders that have made credit facilities available to Air Canada, a subsidiary of ACE. Accordingly, under applicable securities laws, each of the Fund and ACE may be considered a "connected issuer" of such Underwriters. See "Plan of Distribution".

All monetary amounts used herein are in Canadian dollars, unless otherwise indicated.

A return on a unitholder's (a "Unitholder") investment in Units is not comparable to the return on an investment in a fixed-income security. The recovery of a Unitholder's initial investment is at risk, and the anticipated return on a Unitholder's investment is based on many performance assumptions. Although the Fund intends to make distributions of its available cash to its Unitholders, these cash distributions may be reduced or suspended. The actual amount distributed will depend on numerous factors including Aeroplan's operating cash flows, profitability, fluctuations in its working capital, its obligations under applicable credit facilities, sustainability of its margins and capital expenditures. In addition, the market value of the Units may decline if the Fund is unable to meet its cash distribution targets in the future, and that decline may be significant. See "Risk Factors" and "Recent Developments – Potential Reorganization to a Corporate Structure".

It is important for Unitholders to consider the particular risk factors that may affect the loyalty marketing industry in which Aeroplan operates, and therefore the stability of the distributions that they receive. See "Risk Factors".

For Canadian federal income tax purposes, the after-tax return from an investment in Units to Unitholders of the Fund will depend, in part, on the composition for tax purposes of distributions paid by the Fund (portions of which may be fully or partially taxable or may be tax-deferred). That composition may change over time, thus affecting a Unitholder's after-tax return. Income distributions are generally taxed as ordinary income in the hands of a Canadian-resident Unitholder. Amounts in excess of the income of the Fund that are paid to a Canadian-resident Unitholder are generally tax-deferred (and reduce the Unitholder's cost base in the Units for tax purposes). See "Certain Canadian Federal Income Tax Considerations".

On June 22, 2007, Bill C-52 an Act to implement certain provisions of the budget tabled in Parliament on March 19, 2007 received royal assent. Bill C-52 included legislative provisions previously released on December 21, 2006, providing for a tax on certain income earned by "specified investment flow-through" ("SIFT") trusts or partnerships, as well as generally taxing the taxable distributions received by investors from such entities as taxable dividends (the "SIFT Rules"). The SIFT Rules do not apply to an income trust, the units of which were publicly listed as of October 31, 2006, until 2011, subject to compliance with the Normal Growth Guidelines, as discussed further herein. See "Certain Canadian Federal Income Tax Considerations — SIFT Rules" and "Risk Factors — Risks Related to the Structure of the Fund — Income Tax Matters".

The Fund has retained financial advisors and is currently conducting an in-depth analysis with respect to a potential reorganization of the Fund’s income trust structure to a corporate structure. See "Recent Developments — Foreign Ownership Limitations" and "Recent Developments — Potential Reorganization to a Corporate Structure".

TABLE OF CONTENTS

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of the Fund, at 5100 de Maisonneuve Boulevard West, Montreal, Québec, Canada, H4A 3T2, telephone: 514 205-7315 and are also available electronically at www.sedar.com.

The following documents of the Fund, filed by the Fund with the various securities commissions or similar authorities in each of the provinces and territories of Canada, are specifically incorporated by reference into and form an integral part of this short form prospectus:

(a) Annual Information Form of the Fund dated March 28, 2008 (the "Annual Information Form");

(b) Restated Audited Consolidated Financial Statements of the Fund for the years ended December 31, 2007 and 2006, together with the notes thereto and the auditors' report thereon;

(c) Restated Management's Discussion and Analysis of the financial condition and results of operations of the Fund for the years ended December 31, 2007 and 2006 (the "Management's Discussion and Analysis"); and

(d) Management Information Circular of the Fund dated February 15, 2007 in connection with the annual meeting of Unitholders of the Fund held on March 27, 2007.

Any documents of the type referred to above as well as any business acquisition reports and any material change reports (excluding confidential material change reports) subsequently filed by the Fund with securities regulatory authorities in Canada, after the date of this short form prospectus and prior to the completion or withdrawal of the Offering hereunder, shall be deemed to be incorporated by reference into this short form prospectus.

Any statement contained in this short form prospectus or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for the purposes of this short form prospectus, to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The

modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not constitute a part of this short form prospectus, except as so modified or superseded.

ELIGIBILITY FOR INVESTMENT

In the opinion of Stikeman Elliott LLP, counsel to the Fund and ACE, and Osler, Hoskin & Harcourt LLP, counsel to the Underwriters, provided that, on the date of issue, the Fund is a mutual fund trust under the *Income Tax Act* (Canada) (the "Tax Act"), the Offered Units will be, on that date, qualified investments under the Tax Act for trusts governed by registered retirement savings plans ("RRSPs"), registered retirement income funds, deferred profit sharing plans, registered education savings plans and registered disability savings plans (the "Plans").

NON-GAAP MEASURES

The terms "Adjusted EBITDA", "Distributable Cash" and "Standardized Distributable Cash" (collectively, the "Non-GAAP Measures") are financial measures used in this short form prospectus or the documents incorporated by reference in this short form prospectus that are not recognized by Canadian generally accepted accounting principles ("GAAP"). "Adjusted EBITDA", "Distributable Cash" and "Standardized Distributable Cash", as used in this short form prospectus or in the documents incorporated by reference in this short form prospectus, may not be comparable to similar measures presented by other issuers.

Since Aeroplan completed the acquisition of Loyalty Management Group Limited ("LMG") on December 20, 2007, the results of LMG for the 11 days ended December 31, 2007 have not been included in the Fund's statement of earnings, as they are not material. As a result, Adjusted EBITDA, Distributable Cash, Standardized Distributable Cash, Change in deferred revenue, Gross Billings and Change in Future Redemption Costs used in the calculation of Adjusted EBITDA, Distributable Cash and Standardized Distributable Cash, as applicable and included in the Management's Discussion and Analysis incorporated by reference in this short form prospectus, refer only to the results of Aeroplan and exclude any results related to LMG for the year ended December 31, 2007.

Earnings before interest, taxes, depreciation and amortization adjusted for certain factors particular to Aeroplan's business, such as changes in deferred revenue and Future Redemption Costs ("Adjusted EBITDA"), is used by the management of Aeroplan (the "Management") to evaluate performance, to measure compliance with debt covenants and to make decisions relating to distributions to Unitholders. Management believes that Adjusted EBITDA assists investors in comparing the performance of the Fund on a consistent basis without regard to depreciation and amortization, which are non-cash in nature and can vary significantly depending on accounting methods and non-operating factors such as historical cost.

Change in deferred revenue is calculated as the difference between Gross Billings less Aeroplan Miles (as is hereinafter defined) issued since January 1, 2002 and Nectar Points (as is hereinafter defined) revenue recognized as a result of reward redemption activity and recognition of Breakage (as is hereinafter defined). "Gross Billings" means gross proceeds from the sale of Aeroplan Miles or the currency (the "Nectar Points") accumulated by members under the loyalty marketing program (the "Nectar Program") owned and operated by LMG, as applicable.

Adjusted EBITDA is not a measurement based on GAAP and is not considered an alternative to operating income or net income determined in accordance with GAAP as an indicator of the Fund's performance or to cash flows from operating, investing and financing activities as a measure of liquidity and cash flows because it does not account for the impact of working capital growth, capital expenditures, debt repayments and other sources and uses of cash, which are disclosed in the statements of cash flows.

"Future Redemption Costs" means the total estimated liability of the future cost of rewards in respect of the miles (the "Aeroplan Miles") accumulated by members of Aeroplan under the loyalty marketing program operated by

Aeroplan (the "Aeroplan Program") since January 1, 2002 and the Nectar Points which have been sold and remain outstanding, net of Breakage, and valued at the latest available Average Cost of Rewards per Mile experienced during the most recent quarter (for interim periods) or fiscal year (for annual reporting purposes). "Average Cost of Rewards per Mile" means, for any reporting period, the cost of rewards for the period divided by the number of Aeroplan Miles and Nectar Points redeemed for rewards during the period.

As a result, Future Redemption Costs and the change in Future Redemption Costs must be calculated at the end of any given period and for that period. The simple addition of sequential inter-period changes to arrive at a cumulative change for a particular period may result in inaccurate results depending on the fluctuation in the Average Cost of Rewards per Mile redeemed for the period in question.

"Distributable Cash" for a given period will consist, in general, of Aeroplan's Adjusted EBITDA for the particular period less any estimated cash amounts required for debt service obligations of Aeroplan, if any, other expense obligations, maintenance capital expenditures, taxes, reserves (including amounts on account of the Aeroplan Miles redemption reserve and reserves intended to stabilize distributions to Unitholders), and such other amounts as may be considered appropriate by Aeroplan GP. "Distributable Cash" is a Non-GAAP Measure generally used by Canadian open-ended trusts as an indicator of financial performance. It should not be seen as a measurement of liquidity or a substitute for comparable metrics prepared in accordance with GAAP. The Fund's method of calculating distributable cash may differ from similar calculations as reported by other entities and, accordingly, may not be comparable to distributable cash as reported by such entities

"Standardized Distributable Cash" is a non-GAAP measure recommended by the Canadian Institute of Chartered Accountants in order to provide a consistent and comparable measurement of distributable cash across entities. "Standardized Distributable Cash" is defined as cash flows from operating activities, as reported in accordance with GAAP, less adjustments for: (a) total capital expenditures as reported in accordance with GAAP; and (b) restrictions on distributions arising from compliance with financial covenants restrictive at the date of the calculation of Standardized Distributable Cash.

Investors are cautioned that the Non-GAAP Measures are not alternatives to measures under GAAP and should not, on their own, be construed as an indicator of performance or cash flows or a measure of liquidity of Aeroplan. These Non-GAAP Measures should only be used in conjunction with the financial statements incorporated by reference in this short form prospectus.

For a reconciliation of Adjusted EBITDA to operating income and a reconciliation of Distributable Cash to cash flows from operations, see "Selected Annual Information and Reconciliation of Adjusted EBITDA and Distributable Cash" in the Management's Discussion and Analysis which is incorporated by reference in this short form prospectus.

FORWARD-LOOKING STATEMENTS

This short form prospectus 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.

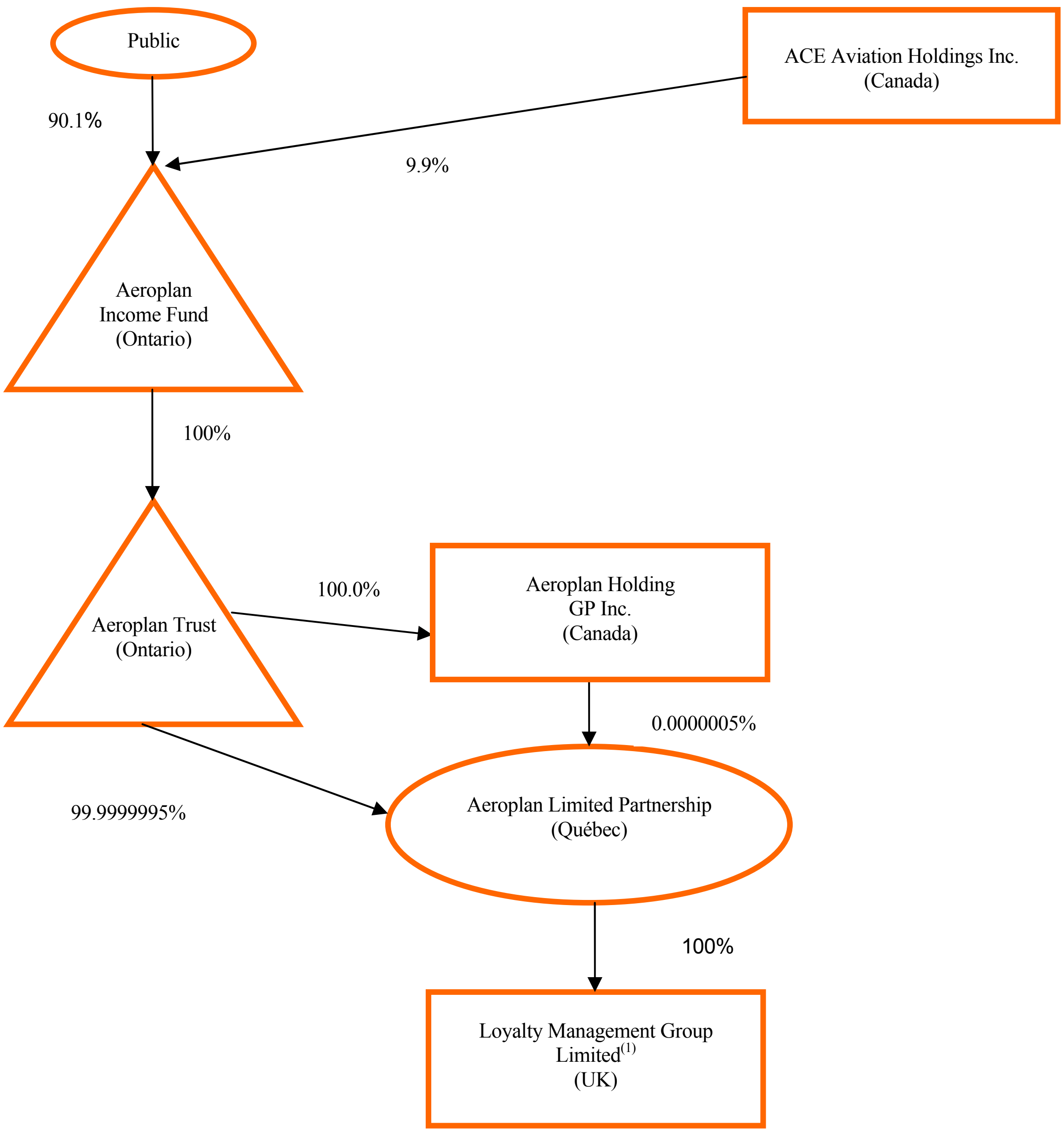
Forward-looking statements, by their nature, are based on assumptions and are subject to important risks and uncertainties. Any forecasts or forward-looking predictions or statements cannot be relied upon due to, amongst other things, changing external events and general uncertainties of the business and its corporate structure. Results indicated in forward-looking statements may differ materially from actual results for a number of reasons, including without limitation, dependency on top three partners that purchase loyalty marketing services, including Aeroplan Miles and Nectar Points (the "Accumulation Partners)", Air Canada or travel industry disruptions, reduction in activity, usage and accumulation of Aeroplan Miles or Nectar Points, retail market or economic downturn, greater than expected redemptions for rewards, industry competition, supply and capacity costs, unfunded Future Redemption Costs, changes to the Aeroplan and Nectar Programs, seasonal nature of the business, regulatory matters, VAT appeal, appointment rights of ACE, foreign ownership limitations and impact on mutual fund trust status and value and liquidity of Units, future sales or distributions of Units by ACE, income tax matters, SIFT Rules (as hereinafter defined), conversion to corporate structure as well as the other factors identified throughout this short form prospectus or in the documents incorporated by reference herein. The forward-looking statements contained herein represent Management's expectations as of the date of this short form prospectus, and are subject to change after such date. However, each of the Fund and 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 "Risk Factors".

DESCRIPTION OF THE FUND

The Fund is an unincorporated, open-ended trust established under the laws of the Province of Ontario by a declaration of trust dated May 12, 2005 and amended by an amended and restated declaration of trust dated June 21, 2005 (the "Fund Declaration of Trust").

The principal and head office of the Fund is located at 5100 de Maisonneuve Boulevard West, Montreal, Québec, Canada, H4A 3T2.

The following chart illustrates the structure of the Fund as at April 8, 2008 (including jurisdiction of establishment or incorporation of the various entities) after giving effect to the Offering. For simplification purposes, this chart omits certain wholly-owned holding companies.



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(1) This diagram includes the consolidated group at the LMG level.

BUSINESS OF THE FUND

The Fund is entirely dependent upon the operations and financial condition of its subsidiaries, including Aeroplan and LMG.

Business of Aeroplan

Aeroplan is Canada's premier loyalty marketing company. Aeroplan provides its Accumulation Partners with loyalty marketing services to attract and retain customers and to stimulate demand for these partners' products and services. Aeroplan's objective is to offer (i) its Accumulation Partners superior value relative to other marketing alternatives through access to Aeroplan's member base, and (ii) the design and execution of marketing programs aimed at increasing revenue, market share and customer loyalty.

The Aeroplan Program is one of Canada's longest standing loyalty programs. It was founded in 1984 by Air Canada, Canada's largest domestic and full-service international airline, to manage the airline's frequent flyer program. Aeroplan benefits from its unique strategic relationship with Air Canada in addition to its contractual arrangements with leading Accumulation Partners and Redemption Partners (as is hereinafter defined) (the "Commercial Partners") including AMEX, CIBC, Home Hardware, Imperial Oil (Esso), 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 certain Redemption Partners to Aeroplan members. "Redemption Partners" means partners that offer air travel and other rewards to members upon redemption of their Aeroplan Miles or Nectar Points.

Business of LMG

LMG is primarily engaged in the operation of multi-partner coalition loyalty programs and the provision of related analytical services to retailers and their suppliers. LMG currently operates in the following principal areas: (i) the Nectar Program; (ii) Insight & Communication; and (iii) Rewards Management Middle East Limited ("RMMEL"). LMG also owns the worldwide rights, trademarks and other intellectual property of the Air Miles brand and receives royalty income from these assets.

The Nectar Program is the United Kingdom's leading coalition loyalty program. It was launched in September 2002 and enables its over 10 million active members to earn Nectar Points for making everyday household purchases at leading retailers and service providers. Current Accumulation Partners include household names such as American Express, BP, EDF Energy, Ford and Sainsbury's. Members can then redeem Nectar Points with Redemption Partners for rewards ranging from merchandise and shopping discounts to flights and admissions to leisure attractions.

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

RMMEL manages loyalty programs under the Air Miles Shopping Rewards Trademark. RMMEL operates in Middle Eastern markets, principally the United Arab Emirates, Bahrain and Qatar. On January 17, 2008 LMG increased its interest in RMMEL from the 20% held as at December 31, 2007 to 60%.

RECENT DEVELOPMENTS

Foreign Ownership Limitations

In order for the Fund to maintain its status as a mutual fund trust under the *Income Tax Act* (Canada) (the "Tax Act"), the Fund must not be established or maintained primarily for the benefit of non-residents of Canada ("Non-Residents") within the meaning of the Tax Act. Accordingly, for as long as is required by the Tax Act to meet such test, the Fund Declaration of Trust provides that at no time may Non-Residents be the beneficial owners of more than 49.9% of the Units.

The trustees of the Fund (the "Trustees") may take such actions as are required to ensure that the Non-Resident ownership limitation is not contravened, including the following: (i) requiring residency declarations from Unitholders, (ii) refusing to accept a subscription for Units from or issue or register a transfer of Units to a Non-Resident, (iii) imposing other limits on Unit ownership by Non-Residents and (iv) requiring Non-Resident Unitholders to dispose of all or a portion of their Unit holdings. In any situation where it is unclear whether Units are held for the benefit of Non-Resident beneficial unitholders, the Trustees may exercise their discretion in determining whether such Units are or are not so held. See "Description of the Fund – Limitation on Non-Resident Ownership" in the Annual Information Form which is incorporated by reference in this prospectus for further details relating to the measures that could be implemented by the Trustees.

These restrictions may limit (or inhibit the exercise of) the rights of Non-Residents to acquire Units, to exercise their rights as Unitholders and to initiate and complete take-over bids in respect of the Units. As a result, these restrictions may limit the demand for Units from certain investors and thereby adversely affect the liquidity and market value of the Units held by the public.

Management regularly monitors the level of Non-Resident ownership of the Fund through declarations obtained from market intermediaries. Given the limitations in the securities registration system and the lack of any process for real-time residency information to flow to the transfer agent of the Fund, the Fund is of the view that the periodic declarations received from various market intermediaries are currently the most appropriate method of determining the residency status of its Unitholders. Since the initial public offering of the Fund (the "Initial Public Offering"), the number of Units held by Non-Residents has grown significantly to levels which may eventually jeopardize the Fund's compliance with Non-Resident ownership limitations. Based on information obtained from market intermediaries, the Fund estimates that as of December 31, 2007, approximately 43% of its outstanding Units were held by Non-Residents.

ACE, a resident of Canada for the purposes of the Tax Act (a "Resident"), currently owns 20.1% of the issued and outstanding Units. Pursuant to the Offering, 20.4 million Units held by ACE (representing 10.2% of the issued and outstanding Units) will be offered and sold by the Underwriters to the public. The Underwriters have agreed in the Underwriting Agreement that a maximum of 4.4 million Units will be offered and sold by the Underwriters to purchasers, whether beneficially or of record, that are Non-Residents, which will increase the level of Non-Resident ownership in the Fund. While at least 16 million Units will be offered and sold in the Offering by the Underwriters to purchasers, whether beneficially or of record, that are Residents, such purchasers may subsequently transfer such Units to Non-Residents, which would further increase the level of Non-Resident ownership in the Fund. To the extent that the demand for Units in the market is from Non-Residents, a significant portion of the Units sold in the Offering to purchasers that are Residents could eventually be acquired by Non-Residents. The Offering therefore increases the risk that the measures described above would have to be implemented by the Trustees. In the absence of such measures, the Fund may no longer comply with non-resident ownership limitations and lose its status as a mutual fund trust should Non-Residents become the beneficial owners of more than 49.9% of the Units. There can be no assurance that any measure described above and implemented by the Trustees would prevent the Fund from losing its mutual fund trust status.

Should the Fund lose its status as a mutual fund trust, it would have negative consequences for the Fund and Unitholders, including:

- the imposition of entity level taxation at a rate of 36% starting at the beginning of the fiscal year in which the Fund is deemed to have lost its mutual fund trust status;

- the Units ceasing to be "qualified investments" for RRSPs and other deferred plans and, consequently, the deferred plans becoming subject to tax on all income emanating from the ownership or disposition of the Units and either (i) the plans becoming subject to a 1% monthly tax on the value of the Units until they are disposed of, or (ii) if the plans acquire the Units after the loss of status, the beneficiaries of the plans being required to include in their income the value of the Units;

- the Units becoming "taxable Canadian property" and, consequently, Non-Resident Unitholders being taxable upon the sale of their Units unless the gain was exempted from tax under the terms of an applicable income tax treaty; and

- Non-Resident Unitholders being required to obtain clearance certificates under section 116 of the Tax Act in connection with any sale of Units and purchasers of Units being potentially liable for taxes if they acquired the Units from Non-Resident Unitholders without effecting applicable withholding and remittance to the Canada Revenue Agency.

Given the risk that the level of Non-Resident ownership in the Fund may ultimately reach or exceed 49.9% as a result of additional Units being purchased on the public markets or otherwise by Non-Residents, and in order to ensure that the Fund's capital structure is efficient and that Unitholder value is being maximized, the Fund announced on March 4, 2008 that it would retain financial advisors to conduct an in-depth analysis with respect to a potential reorganization of the Fund's income trust structure to a corporate structure. Following this announcement, the Fund has retained RBC Dominion Securities Inc. and TD Securities Inc. as financial advisors and is currently conducting its analysis. Although no final decision has been made at this time, the review may lead to a recommendation in the near future that Unitholders approve a conversion to a corporation. See "Recent Developments – Potential Reorganization to a Corporate Structure".

Should the Fund proceed with a conversion to a corporation, the Non-Resident ownership limitations described above would no longer apply.

Potential Reorganization to a Corporate Structure

Given the risk that the level of Non-Resident ownership in the Fund may ultimately reach or exceed 49.9% as a result of additional Units being purchased on the public markets or otherwise by Non-Residents, and in order to ensure that the Fund’s capital structure is efficient and that Unitholder value is being maximized, the Fund has retained RBC Dominion Securities Inc. and TD Securities Inc. as financial advisors and is currently conducting an in-depth analysis with respect to a potential reorganization of the Fund’s income trust structure to a corporate structure. Although no final decision has been made at this time, the review may lead to a recommendation in the near future that Unitholders approve a conversion to a corporation.

If such a recommendation were to be approved and implemented, the Fund's income trust structure would be reorganized into a corporation and the Unitholders would become shareholders of that corporation which would own all of the Units of the Fund. Each Unitholder would exchange its Units for shares of the successor corporation. It is expected that the reorganization would be made on a tax-free rollover basis, subject to the filing of any required tax elections. The reorganization would be subject to approval of the Unitholders and to such other approvals as may be required, including regulatory, stock exchange and court approvals.

In connection with the reorganization, the current distribution policies of the Fund, the Trust and Aeroplan described under "Distributions" in the Annual Information Form incorporated by reference in this short form prospectus would be replaced by the dividend policy of the successor corporation. This new dividend policy of the successor corporation would most likely result in a decrease in the cash amount distributed compared with the current distributions of the Fund.

The reorganization would result in the conversion of the Fund into an entity that would be subject to Canadian federal and provincial income tax.

VAT Appeal

LMG has been in litigation with Her Majesty's Revenue & Customs ("HMRC") since 2003 relating to the Value Added Tax ("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.

LMG appealed to the VAT and Duties Tribunal and won. HMRC then appealed to the High Court which found in favour of HMRC. LMG, in turn, appealed to the Court of Appeal, who 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 (approximately $27.1 million) was recorded in the accounts at December 31, 2007, and subsequently collected in January 2008.

HMRC sought leave to appeal the Court of Appeal's decision to the House of Lords. The hearing on whether to grant leave to appeal was held on April 3, 2008. The House of Lords granted the leave to appeal and the case has been referred to the European Court of Justice. The case will be heard at a future date to be set. 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 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 LMG's profitability and accordingly the value of the LMG business. LMG will continue to argue this case. The Fund remains confident that this case will be resolved to its satisfaction.

Securityholders' Agreement with ACE

Under a securityholders' agreement entered into on June 29, 2005 by the Fund, the Trust, Aeroplan, Aeroplan GP and ACE, as amended on March 14, 2007 (the "Securityholders' Agreement"), ACE has the right to nominate a majority of the members of the board of directors of Aeroplan GP until its interest in the Fund falls below 20%. ACE currently owns 40,292,088 Units representing 20.1% of issued and outstanding units of the Fund. Immediately following the Closing of the Offering, ACE will hold 19,892,088 Units representing 9.9% of the issued and outstanding Units and will no longer have the right to nominate a majority of the members of the board of directors of Aeroplan GP.

The Securityholders' Agreement however provides that ACE retains the ability to nominate two members of the board of directors of Aeroplan GP for as long as one of its subsidiaries is a party to the amended and restated commercial participation and services agreement dated June 9, 2004 between Air Canada and Aeroplan, as amended (the "CPSA"). Aeroplan GP has not received notice from ACE that it wishes to exercise its entitlement under the Securityholders' Agreement to nominate members of the board of directors of Aeroplan GP. See "Management, Trustees and Directors – Governance of Aeroplan GP" in the Annual Information Form incorporated by reference in this short form prospectus for further information with respect to ACE's appointment rights and the current composition of the board of directors of Aeroplan GP.

DESCRIPTION OF UNITS

An unlimited number of Units may be issued pursuant to the Fund Declaration of Trust. Each Unit is transferable and represents an equal undivided beneficial interest in any distributions from the Fund, whether of net income, net realized capital gains (other than net realized capital gains allocated and distributed to redeeming Unitholders) or other amounts, and in the net assets of the Fund in the event of termination or winding-up of the Fund.

All Units are of the same class with equal rights and privileges, are not subject to future calls or assessments, and entitle the holders thereof to one vote for each whole Unit held at all meetings of Unitholders. Except as set out under "Description of the Fund — Redemption at the Option of Unitholders" in the Annual Information Form, which is incorporated by reference in this short form prospectus, the Units have no conversion, retraction, redemption or pre-emptive rights.

The Fund Declaration of Trust contains provisions that allow it to be amended or altered from time to time by the trustees of the Fund with the consent of the Unitholders by a special resolution of the holders of not less than 66 2/3% of the Units. See "Description of the Fund — Amendments to the Fund Declaration of Trust" in the Annual Information Form, which is incorporated by reference in this short form prospectus.

The current distribution policies of the Fund, the Trust and Aeroplan are described under "Distributions" in the Annual Information Form incorporated by reference in this short form prospectus.

PRIOR SALES

On October 22, 2007, ACE completed the sale by way of secondary offering of 22,000,000 Units at a price of $21.90 per Unit.

On December 20, 2007, in connection with the acquisition of LMG, and as partial consideration to certain management shareholders of LMG, the Fund issued 288,937 Units with a total value of $6.4 million.

TRADING PRICE AND VOLUME

The Units are listed for trading on the TSX under the symbol "AER.UN". The following table shows the monthly range of high and low prices per Unit, the total monthly volumes, and the average daily volumes of Units traded on the TSX for each month from April 2007 to the period that commences on April 1, 2008 and terminates on April 7, 2008.

Month	Price per Unit ($) Monthly High	Price per Unit ($) Monthly Low	Units Total Monthly Volume	Units Average Daily Volume
April 2007	20.80	19.36	12,522,036	626,102
May 2007	21.91	19.51	20,532,726	933,306
June 2007	21.23	20.25	20,259,272	964,727
July 2007	22.70	20.29	8,223,545	391,597
August 2007	21.60	19.95	14,540,098	660,914
September 2007	22.25	20.51	6,624,995	348,684
October 2007	23.75	22.25	24,120,563	1,096,389
November 2007	23.00	21.25	14,393,907	654,269
December 2007	23.70	21.95	8,465,571	445,556
January 2008	24.40	18.85	21,988,073	999,458
February 2008	21.07	18.97	8,741,058	437,053
March 2008	19.85	14.84	28,061,905	1,403,095
April 1, 2008 to April 7, 2008	18.00	17.54	12,005,833	2,401,167

CONSOLIDATED CAPITALIZATION OF THE FUND

There have been no material changes in the Fund's unit or loan capital on a consolidated basis since December 31, 2007. There are an aggregate of 199,968,791 Units of the Fund issued and outstanding as of the date hereof. Immediately following the completion of the Offering, ACE will hold 19,892,088 Units representing a 9.9% interest in the Fund and the Fund will continue to own a 100% indirect interest in Aeroplan.

The table below sets out the consolidated capitalization of the Fund as at December 31, 2007. The historical amounts are derived from the audited consolidated balance sheet of the Fund as at December 31, 2007.

Aeroplan Income Fund	**As at December 31, 2007** (000'S)[1]
Cash and cash equivalents	$456,004
Short-term investments	$123,361
Long-term debt	$734,686
Unitholders' Capital	$3,248,075
Retained earnings (deficit)	$(206,592)
Contributed surplus	$9,582
Accumulated other comprehensive income	$Nil
Total Unitholders' Equity	$3,051,065
Number of Units	199,968,791

(1) Except for "Number of Units".

USE OF PROCEEDS

The net proceeds from the sale of the Offered Units to be received by ACE under this short form prospectus are estimated to be $342,720,000 after deduction of the Underwriters' fee of $14,280,000. The Fund and Aeroplan will not receive any proceeds pursuant to this Offering. In accordance with the investor liquidity agreement entered into by the Fund, the Trust, Aeroplan, Aeroplan GP and ACE on June 29, 2005 in connection with the Initial Public Offering (the "Investor Liquidity Agreement"), Aeroplan will pay the expenses of the Offering (excluding Underwriters' fees) estimated to be $400,000.

SELLING UNITHOLDER

The Selling Unitholder under this Offering is ACE. Following the closing of the Initial Public Offering on June 29, 2005 and the exercise of the option granted by the Fund to underwriters to purchase up to 3,750,000 additional units for a period of 30 days from the closing of the Initial Public Offering, ACE owned a 85.6% indirect interest in the Fund through its holding of an 85.6% limited partnership interest in Aeroplan. The limited partnership units were exchangeable at the option of ACE into an equal number of Units of the Fund in accordance with the Investor Liquidity Agreement. Following multiple exercises of such exchange rights and distributions of Units to its shareholders, together with a secondary offering of Units in October 2007, ACE currently holds 20.1% of the issued and outstanding Units of the Fund. Pursuant to this Offering, 20,400,000 Offered Units are distributed for the account of ACE.

The following table sets out information concerning ACE's ownership of Units of the Fund as of the close of business on April 8, 2008, and as adjusted as of that date to give effect to the Offering.

	Units owned Before Offering		**Units to be sold in Offering**	**Units owned After Offering**	
Name	**Number**	**Percentage**	**Number**	**Number**	**Percentage**
ACE Aviation Holdings Inc.	40,292,088	20.1%	20,400,000	19,892,088	9.9%

All of the Units owned by ACE are owned of record and beneficially and were acquired by ACE upon the exchanges by ACE of its common shares of Aeroplan GP and its limited partnership units of Aeroplan for Units of the Fund in accordance with the Investor Liquidity Agreement. Such limited partnership units of Aeroplan and common shares of Aeroplan GP were acquired by ACE in connection with the Initial Public Offering.

ACE has agreed to pay the fees payable to the Underwriters pursuant to the Underwriting Agreement. None of the proceeds from the sale of the Offered Units will be received by the Fund or Aeroplan.

PLAN OF DISTRIBUTION

Pursuant to the Underwriting Agreement dated April 8, 2008 among ACE, the Fund, the Trust, Aeroplan, Aeroplan GP and the Underwriters, ACE has agreed to sell an aggregate of 20,400,000 Units and the Underwriters have agreed to purchase from ACE, as principals, on Closing, subject to the conditions stipulated in the Underwriting Agreement, all but not less than all of such Units at a price of $17.50 per Unit payable in cash to ACE, against delivery. The Underwriting Agreement provides that the Underwriters will be paid a fee of $0.70 per Unit purchased by the public in consideration for services performed in connection with the Offering. The Underwriters have agreed in the Underwriting Agreement that a maximum of 4.4 million Units will be offered and sold by the Underwriters to purchasers, whether beneficially or of record, that are Non-Residents. See "Recent Developments – Foreign Ownership Limitations".

The terms of the Offering of the Units were established through negotiation between ACE and the Underwriters.

The obligations of the Underwriters under the Underwriting Agreement are joint (several) and not solidary (joint and several), and may be terminated at their discretion upon the occurrence of certain stated events. The

Underwriters are obligated to take up and pay for all of the Offered Units if any of such Offered Units are purchased under the Underwriting Agreement. The Underwriting Agreement also provides that the Fund, the Trust, Aeroplan, Aeroplan GP and ACE will jointly (severally), and not solidarily, indemnify the Underwriters and their respective directors, officers, agents and employees against certain liabilities and expenses, including, as the case may be, liabilities under Canadian securities legislation. In addition, the Fund has agreed to indemnify ACE and ACE has agreed to indemnify the Fund against certain liabilities and expenses.

Subscriptions for Offered Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice.

The Fund has been advised by the Underwriters that, in connection with the Offering, the Underwriters may effect transactions which stabilize or maintain the market price of Units at levels other than those which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

Pursuant to policy statements of certain securities regulators, the Underwriters may not, throughout the period of distribution, bid for or purchase Units. The foregoing restrictions are subject to certain exceptions. The Underwriters may only avail themselves of such exceptions on the condition that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Units. These exceptions include a bid or purchase permitted under the Universal Market Integrity Rules of Market Regulation Services Inc., relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Pursuant to the first mentioned exception, in connection with the Offering, the Underwriters may effect transactions which stabilize or maintain the market price of the Units at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

RBC Dominion Securities Inc., CIBC World Markets Inc., BMO Nesbitt Burns Inc., TD Securities Inc., National Bank Financial Inc., Scotia Capital Inc. and Desjardins Securities Inc. are subsidiaries or affiliates of entities which are members of a syndicate of financial institutions (the "Aeroplan Lenders") that have made credit facilities in the aggregate amount of $850 million available to Aeroplan (the "Credit Facilities"). See "The Business — Debt Financing" in the Annual Information Form which is incorporated by reference in this prospectus for further information with respect to the Credit Facilities. RBC Dominion Securities Inc., CIBC World Markets Inc., BMO Nesbitt Burns Inc. and TD Securities Inc. are subsidiaries or affiliates of entities which are members of a syndicate of financial institutions (the "Air Canada Lenders", and together with the Aeroplan Lenders, the "Lenders") that have made available a secured revolving credit facility in an aggregate amount of $400 million (the "Air Canada Facility") to Air Canada, a subsidiary of ACE. Accordingly, each of the Fund and ACE may be considered a connected issuer to the Underwriters for purposes of securities laws in certain Canadian provinces. As at April 8, 2008, an aggregate amount of approximately $730 million was drawn by Aeroplan under the Credit Facilities. Aeroplan is not in default of its obligations to the financial institutions that have made the Credit Facilities available. The Credit Facilities are secured by a first priority interest and hypothec over the present and after-acquired property of Aeroplan, subject to certain exclusions and permitted encumbrances. Based on Air Canada's public disclosure documents, as at March 28, 2008, (i) no funds have been drawn by Air Canada under the Air Canada Facility, (ii) Air Canada is not and has not been in default of its obligations to the financial institutions that have made the Air Canada Facility available to Air Canada and (iii) the Air Canada Facility is secured by a first priority interest and hypothec over the present and after-acquired property of Air Canada, subject to certain exclusions and permitted encumbrances.

The decision to distribute Offered Units was made by ACE and the terms and conditions of distribution were determined through negotiations between ACE and the Underwriters. The Lenders have not had any involvement in such decision and will not have any involvement in such determination. None of the Underwriters will receive any benefit from the Offering other than its portion of the remuneration payable by ACE on the number of Offered Units sold through or to such Underwriters.

Certain of the Underwriters, their subsidiaries or their affiliates have in the past engaged, and may in the future engage, in transactions with and perform services, including commercial banking, financial advisory and investment banking services, for ACE, the Fund, Aeroplan and their respective affiliates in the ordinary course of business for which they have received or may receive customary compensation.

The Offered Units have not been and will not be registered under the U.S. Securities Act, or any state securities laws of the United States. The Underwriting Agreement, however, permits the Underwriters to reoffer and resell Offered Units in the United States that were purchased by them pursuant thereto, through registered U.S. broker dealers, to certain qualified institutional buyers in the United States, provided that such reoffers and resales are made only in accordance with Rule 144A under the U.S. Securities Act and the requirements of the Underwriting Agreement applicable to such reoffers and resales. In addition, until 40 days after the commencement of the Offering, any offer or sale of Offered Units in the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an exemption from the registration requirements under the U.S. Securities Act.

Pursuant to the Underwriting Agreement, ACE and the Fund shall not, directly or indirectly, without the prior written consent of RBC Dominion Securities Inc. and CIBC World Markets Inc., on behalf of the Underwriters, such consent not to be unreasonably withheld: (i) offer, issue, pledge, sell, contract to sell, announce an intention to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise lend, transfer or dispose of, directly or indirectly any Units or securities convertible into or exchangeable for Units (other than for purposes of directors', officers' or employee plans, to satisfy existing instruments already issued at the date hereof; securities issued, sold, transferred or distributed in connection with an arms' length acquisition, merger, consolidation or amalgamation with any company or fund; an announcement of ACE's intention to issue, sell, transfer or distribute securities in connection with a reorganization or liquidation, or convene and hold a securityholders meeting to approve any such transaction or in connection with an exchange of Units as part of the conversion of the Fund into a corporate entity); or (ii) enter into any swap or other similar arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Units of the Fund, whether any such transaction described in clause (i) or (ii) above is settled by delivery of Units or other such securities of the Fund, in cash or otherwise, for a period ending on the date that is 45 days after the closing of the Offering.

The Fund Declaration of Trust provides that at no time may Non-Residents be the beneficial owners of more than 49.9% of the Units. See "Recent Developments — Foreign Ownership Limitations" and "Risk Factors — Risks Related to the Structure of the Fund — Foreign Ownership Limitations and Impact on Mutual Fund Trust Status and Value and Liquidity of Units".

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Stikeman Elliott LLP, counsel to the Fund and ACE, and Osler, Hoskin & Harcourt LLP, counsel to the Underwriters (together, "Counsel"), the following summary, as at the date hereof, describes the principal Canadian federal income tax considerations generally applicable under the Tax Act to a prospective purchaser of Units pursuant to the Offering who, for purposes of the Tax Act, at all relevant times, (i) is resident or deemed to be resident in Canada, (ii) holds the Units as capital property and (iii) deals at arm's length with the Fund, the Trust, Aeroplan and Aeroplan GP and is not affiliated with the Fund, the Trust, Aeroplan and Aeroplan GP. Generally, Units will be considered to be capital property to a Unitholder provided the Unitholder does not hold the Units in the course of carrying on a business and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain Unitholders who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to have them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. Such Unitholders should consult their own tax advisors regarding their particular circumstances.

This summary is not applicable to a Unitholder that is a "financial institution" for purposes of the mark-to-market rules contained in the Tax Act, a "specified financial institution", or a Unitholder an interest in which is a "tax shelter investment" (all as defined in the Tax Act) or to a Unitholder to whom the "functional currency" reporting rules under the Tax Act apply. Such Unitholders should consult their own tax advisors with respect to the tax consequences to them of an investment in Units.

This summary is based upon the facts set out in the prospectus, the provisions of the Tax Act in force on the date hereof, Counsel's understanding of the current administrative policies and assessing practices of the Canada Revenue Agency (the "CRA") published in writing prior to the date hereof, the assumption that the Fund will at all times comply with the Fund Declaration of Trust, and certificates of the Fund, the Trustees of the Trust, the officers of Aeroplan GP and the Underwriters as to certain factual matters. This summary also takes into account the specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "Proposed Amendments"). No assurance can be given that the Proposed Amendments will be enacted as currently proposed or at all. Except for the Proposed Amendments, this summary does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial decision or action, or in the administrative policies or assessing practices of the CRA, nor does it take into account provincial, territorial or foreign tax considerations, which may differ significantly from those discussed herein.

This summary is not exhaustive of all possible Canadian federal income tax consequences of acquiring, holding or disposing of Units. Furthermore, the income and other tax consequences of acquiring, holding or disposing of Units will vary depending on the Unitholder's particular circumstances, including the province or provinces in which the Unitholder resides or carries on business. Accordingly, this summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any prospective purchasers of Units. Prospective purchasers of Units should consult their own tax advisors for advice with respect to the tax consequences to them of an investment in Units, having regard to their particular circumstances.

SIFT Rules

On October 31, 2006, the Minister of Finance (Canada) announced a "Tax Fairness Plan" which, in part, proposed changes to the manner in which certain flow-through entities and the distributions from such entities are taxed. Bill C-52, Budget Implementation Act, 2007, which received Royal Assent on June 22, 2007, contained the SIFT Rules, which are designed to implement these proposals. Under the SIFT Rules, the Fund, as a publicly traded income trust, is considered a SIFT and will be subject to trust level taxation as of January 1, 2011 at a rate comparable to the combined federal and provincial corporate tax rate on certain types of income. In addition, the taxable distributions received by Unitholders will be treated as dividends from a taxable Canadian corporation.

The SIFT Rules could become effective on a date earlier than January 1, 2011 if the Fund is deemed to have undergone "undue expansion" during the period from November 1, 2006 to December 31, 2010, as described in the Normal Growth Guidelines issued by the Department of Finance (Canada) ("Finance") on December 15, 2006.

The Normal Growth Guidelines indicate that the Fund will not lose the benefit of the deferred application of the new tax regime to 2011 if the equity capital of the Fund does not grow as a result of issuances of new equity (which includes Units, debt that is convertible into Units, and potentially other substitutes for such equity) before 2011 by an amount that exceeds the greater of $50 million and an objective "safe harbour" amount based on a percentage of the Fund's market capitalization as of the end of trading on October 31, 2006 (measured in terms of the value of the Fund's issued and outstanding publicly traded Units, not including debt, options or interests that were convertible into Units, the "October 31, 2006 Market Capitalization"). The Normal Growth Guidelines provide for a "safe harbour" amount as follows:

Time Period	Safe Harbour Amount
November 1, 2006 to December 31, 2007	40% of October 31, 2006 Market Capitalization
2008	20% of October 31, 2006 Market Capitalization
2009	20% of October 31, 2006 Market Capitalization
2010	20% of October 31, 2006 Market Capitalization

These "safe harbour" amounts are cumulative during the transition period. Management has advised Counsel that the Fund's October 31, 2006 Market Capitalization was approximately $792 million. Management has further advised Counsel that taking into account all equity issuances since November 1, 2006, determined in accordance with the Normal Growth Guidelines, as of October 5, 2007, the Fund had not exceeded the "safe harbour" amount of 40% of the October 31, 2006 Market Capitalization allowed during the time period from November 1, 2006 and ending December 31, 2007. It is assumed, for the purpose of this summary, that the Fund will not currently be subject to the SIFT Rules. However, in the event that the Fund issues additional units or convertible debentures (or other equity substitutes) prior to 2011, the Fund may become subject to the SIFT Rules prior to January 1, 2011. No assurance can be given that the SIFT Rules will not apply to the Fund prior to 2011.

Although this was likely not the intent of the SIFT Rules proposed by Finance, there can be no assurance that the SIFT Rules, as they currently read, may not be interpreted and applied in a manner that would cause the Trust and Aeroplan to be considered SIFTs. On December 20, 2007, Finance announced proposed technical amendments to the SIFT Rules to, among other things, clarify that trusts and partnerships, such as the Trust and Aeroplan, that are not publicly traded and that are wholly-owned by, among other entities, SIFTs, are not considered to be SIFTs. It is assumed for the purposes of this summary that the Trust and Aeroplan will not be considered SIFTs. No assurance may be given that the December 20, 2007 Proposed Amendments will be enacted as currently proposed or at all. If the Trust and Aeroplan were considered to be SIFTs, it is assumed that they would also be considered to have been SIFTs on October 31, 2006 and that they would not currently be subject to the SIFT Rules.

On June 26, 2007, the ministère des Finances (Québec) published Information Bulletin 2007-5 confirming that Québec's tax legislation will be harmonized with the SIFT Rules but that a separate Québec tax regime relating to SIFT entities will be implemented. More specifically, the ministère des Finances (Québec) has announced that a SIFT with an establishment in Québec at any time in a taxation year will be subject to a Québec tax at a rate generally equal to the Québec tax rate relating to corporations and that a business allocation formula based on the gross income of a SIFT and the wages and salaries it pays, similar to the one used for the purposes of determining the tax payable by a corporation that has activities in Québec and outside Québec, will apply to determine the tax payable to Québec by a SIFT that has, in a taxation year, an establishment both in Québec and outside Québec. On February 26, 2008, Finance announced changes to the SIFT Rules that will among other things, result in harmonization between the SIFT Rules and the separate Québec tax regime relating to SIFT entities.

The remainder of this summary is subject to the SIFT Rules as discussed above.

Qualification as a Mutual Fund Trust

This summary is based on the assumption that the Fund will qualify as a "mutual fund trust", as defined in the Tax Act, on the completion of the Offering and will thereafter continuously qualify as a mutual fund trust at all relevant times. If the Fund were not to so qualify as a mutual fund trust, the income tax considerations would be materially different, in some respects, from those described below.

Currently, a trust will not be considered to be a mutual fund trust if it is established or maintained primarily for the benefit of Non-Residents unless all or substantially all of its property is property other than "taxable Canadian property" as defined in the Tax Act. The Fund Declaration of Trust contains mechanisms to ensure that this limitation will not be breached. On September 16, 2004, the Minister of Finance (Canada) released draft amendments to the Tax Act providing that a trust will cease to qualify as a mutual fund trust at the time trust units representing more than 50% of the fair market value of all issued trust units are held by one or more Non-Residents or one or more partnerships that are not “Canadian partnerships”, as defined in the Tax Act, where more than 10% (based on fair market value) of the trust's property is taxable Canadian property or certain other types of property. On December 6, 2004, the Minister of Finance (Canada) tabled a Notice of Ways and Means Motion to implement certain measures proposed in the September 16, 2004 draft amendments, which Notice did not include this particular draft amendment, and Finance indicated in a concurrent release that further discussions would be pursued with the private sector in this respect. The issue of the ownership of units of mutual fund trusts by Non-Residents and partnerships that are not “Canadian partnerships” was not addressed in the most recent federal budgets or in Bill C-52.

Taxation of the Fund

The Fund will be subject to tax under Part I of the Tax Act in each taxation year (which will be the calendar year) on its taxable income for the year, including net realized taxable capital gains, less the portion thereof that is paid or payable in such year to the Unitholders and that is deducted by the Fund in computing its income for tax purposes. An amount is considered to be payable to a Unitholder in a taxation year if it is paid to the Unitholder in the year or if the Unitholder is entitled in that year to enforce payment of the amount.

The Fund will include in its income for each taxation year such amount of the Trust's income for tax purposes, including net taxable capital gains, as is paid or becomes payable to the Fund in the year in respect of the trust units of the Trust ("Trust Units") held by the Fund and all interest on the Series 1 Trust Notes, Series 2 Trust Notes and Series 3 Trust Notes of the Trust (the "Trust Notes") that accrues to the Fund to the end of the year, or that becomes receivable or is received by it before the end of the year, except to the extent that such interest was included in computing the Fund's income for a preceding year. The Fund will not be subject to income tax on any amount received as a payment of principal in respect of the Trust Notes or on any amount received as distributions on the Trust Units that are in excess of the income of the Trust that is paid or payable by the Trust to the Fund in the year, which amount will generally reduce the adjusted cost base of the Trust Units. If, as a result, the Fund's adjusted cost base in any taxation year of its Trust Units would otherwise be a negative amount, the Fund will be deemed to realize a capital gain in such amount for that year and the Fund's adjusted cost base of its Trust Units will then be reset to nil. The Fund will generally be entitled to deduct in computing income reasonable administrative and other operating expenses (other than expenses on account of capital) incurred by it for the purpose of earning income, subject to the relevant provisions of the Tax Act.

Under the terms of the Fund Declaration of Trust, an amount equal to the annual income of the Fund (determined without reference to subsection 104(6) of the Tax Act), together with the taxable and non-taxable portion of any net capital gains realized by the Fund in the year (excluding taxable capital gains or income of the Fund arising upon a distribution in specie of property of the Fund on redemption of a Unit which are paid or payable by the Fund to the redeeming Unitholder and taxable capital gains which may be offset by allowable capital losses of the Fund carried forward from prior years) will be payable in the year to the Unitholders by way of cash distributions, subject to the exceptions described below. The Fund Declaration of Trust further provides that the Fund will deduct in computing its income for tax purposes such amounts as are paid or payable to Unitholders for the year whether in cash, additional Units or otherwise as is necessary to ensure that the Fund is not liable to pay income tax under Part I of the Tax Act in any year. Counsel express no opinion in this regard. Income of the Fund which is applied to fund redemptions of Units for cash or is otherwise unavailable for cash distribution will be distributed to Unitholders in the form of additional Units. Losses incurred by the Fund cannot be allocated to Unitholders, but can be deducted by the Fund in future years in computing taxable income, in accordance with the Tax Act.

A distribution in specie by the Fund to a Unitholder upon a redemption of Units will give rise to dispositions of property by the Fund. Such dispositions will result in a capital gain (or a capital loss) to the Fund to the extent that the proceeds of disposition exceed (or are exceeded by) the cost amount to the Fund of such property and any reasonable costs of disposition. Capital gains and income of the Fund attributable to an in specie distribution will be designated in respect of, and made payable to, the redeeming Unitholder, with the result that the taxable portion of such gains and income should generally be included in computing the income of the redeeming Unitholder and deductible by the Fund in computing its income.

Once the Fund becomes subject to the SIFT Rules (which is assumed to be, subject to compliance with the Normal Growth Guidelines, no earlier than 2011), the Fund will no longer be able to deduct any part of the amounts payable to Unitholders in respect of its "non-portfolio earnings", as defined in the Tax Act, which will include all income from the Trust Units (unless the Trust is a SIFT) and the Trust Notes. Income which the Fund is unable to deduct, pursuant to the SIFT Rules, will be taxed in the Fund at a rate comparable to the combined federal and provincial corporate tax rate. The SIFT Rules do not change the tax treatment of distributions that are in excess of the income of the Fund.

Taxation of the Trust

The Trust will be taxable on its income determined under the Tax Act for each taxation year (which will be the calendar year), which will include its allocated share of the income of Aeroplan for the fiscal period of Aeroplan ending in or coincidentally with the taxation year of the Trust, except to the extent such income is paid or payable in such year to the Fund, its sole unitholder, and is deducted by the Trust in computing its income for tax purposes. The Trust generally will be entitled to deduct in computing income its expenses incurred to earn income from a business or property provided such expenses are reasonable and not on account of capital, subject to the relevant provisions of the Tax Act. Under the declaration of trust pursuant to which the Trust was established on June 21, 2005, as may be amended from time to time (the "Trust Declaration of Trust"), all of the income of the Trust for each year (determined without reference to subsection 104(6) of the Tax Act), together with the taxable and non-taxable portion of any capital gains realized by, or attributed to, the Trust in the year, will generally be payable in the year to the Fund, the sole unitholder of the Trust. The Trust Declaration of Trust provides that the Trust will deduct in computing its income for tax purposes the amounts paid or payable to the Trust in the year as may reasonably be considered necessary to ensure that the Trust will not be liable to pay income tax under Part I of the Tax Act. Counsel express no opinion in this regard.

Taxation of Aeroplan

Aeroplan is not subject to tax under the Tax Act. Each partner of Aeroplan, including the Trust, is required to include in computing the partner's income the partner's share of the income or loss, limited to its "at-risk amount", of Aeroplan for its fiscal period ending in, or coincidentally with, the partner's taxation year, whether or not any such income is distributed to the partner in the taxation year. For this purpose, the income or loss of Aeroplan will be computed for each fiscal period as if Aeroplan were a separate person resident in Canada. In computing the income or loss of Aeroplan for a fiscal year, deductions may be claimed in respect of reasonable administrative costs, interest and other expenses incurred by Aeroplan to earn income from its business or investments in the given fiscal period, subject to the relevant provisions of the Tax Act.

The income or loss of Aeroplan for a fiscal period will be allocated to the partners of Aeroplan, including the Trust, on the basis of their respective share of such income or loss, as determined under the Aeroplan limited partnership agreement dated June 21, 2005, as amended on September 29, 2005, and subject to detailed rules in the Tax Act. Generally, distributions to partners in excess of the income of Aeroplan for a fiscal period will result in a reduction of the adjusted cost base of the partner's limited partnership units of Aeroplan by the amount of such excess. If, as a result, the adjusted cost base to the Trust of its limited partnership units of Aeroplan at the end of a fiscal period of Aeroplan would otherwise be a negative amount, the Trust will be deemed to realize a capital gain in such amount for the Trust's taxation year in which such fiscal period ends, and the Trust's adjusted cost base of its limited partnership units of Aeroplan will then be reset to nil.

Taxable Unitholders

Fund Distributions

A Unitholder generally will be required to include in computing income for a particular taxation year the portion of the income for tax purposes of the Fund for the year, including net Taxable Capital Gains, as is defined below, determined for purposes of the Tax Act, that is paid or payable to the Unitholder in that year whether the amount is received in cash, additional Units or otherwise. Provided that appropriate designations are made by the Fund, such portions of its net Taxable Capital Gains (as is hereinafter defined) and foreign source income as are paid or payable to a Unitholder effectively will retain their character and be treated as such in the hands of the Unitholder for the purposes of the Tax Act. Accordingly, such amounts will be taken into account in determining, if necessary and as applicable, a Unitholder's capital gains and a Unitholder's foreign tax credits.

Once the Fund becomes subject to the SIFT Rules (which is assumed to be, subject to compliance with the Normal Growth Guidelines, no earlier than 2011), taxable distributions from the Fund received by Unitholders and paid from the Fund's after tax income will generally be deemed to be received as dividends from a taxable Canadian corporation. Such dividends will be subject to the gross-up and dividend tax credit provisions in respect of Unitholders that are individuals and will be "eligible dividends" that generally benefit from the enhanced gross-up and dividend tax credit rules under the Tax Act to the extent properly designated by the Fund as "eligible dividends".

A Unitholder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6 2/3% on income received or receivable from the Fund (including income designated as Taxable Capital Gains in respect of the Unitholder).

Any amount in excess of the income of the Fund that is paid or payable by the Fund to a Unitholder in a year generally will not be included in the Unitholder's income for the year, including the non-taxable portion of any net capital gain of the Fund that is paid or payable to a Unitholder in a taxation year. However, where such an amount is paid or becomes payable to a Unitholder, other than as proceeds of disposition or deemed disposition of Units or any part thereof, the amount generally will reduce the adjusted cost base of the Units held by such Unitholder, except to the extent that the amount represents the Unitholder's share of the non-taxable portion of the net capital gains of the Fund for the year, the taxable portion of which was designated by the Fund in respect of the Unitholder. If, as a result, the Unitholder's adjusted cost base in any taxation year in respect of its Units would otherwise be a negative amount, the Unitholder will be deemed to realize a capital gain in such amount for that year, and the Unitholder's adjusted cost base in respect of its Units will then be reset to nil.

Disposition of Units

Upon the disposition or deemed disposition by a Unitholder of a Unit, whether on redemption or otherwise, the Unitholder generally will realize a capital gain (or a capital loss) equal to the amount by which the Unitholder's proceeds of disposition (excluding any amount payable by the Fund which represents an amount that must otherwise be included in the Unitholder's income as described above) are greater (or less) than the aggregate of the Unitholder's adjusted cost base of the Unit and any reasonable costs of disposition.

The adjusted cost base of a Unit to a Unitholder will include all amounts paid or payable by the Unitholder for the Unit, with certain adjustments. Units issued to a Unitholder in lieu of a cash distribution of income (including net capital gains) will have a cost equal to the amount of such income (and the applicable non-taxable portion of the Fund's net capital gains). The adjusted cost base to a Unitholder of a newly acquired Unit will be determined by averaging the cost of such Unit with the adjusted cost base of all other Units owned by the Unitholder as capital property, immediately before that acquisition.

Where Units are redeemed and any Series 2 Exchange Notes and Series 3 Exchange Notes of a wholly owned subsidiary of the Fund (collectively, the "Exchange Notes") are distributed in specie to the Unitholder, the proceeds of disposition to the Unitholder of the Units will be equal to the fair market value of the Exchange Notes so distributed, less any capital gain realized by the Fund as a result of the redemption of those Units which is paid or made payable by the Fund to the redeeming Unitholder. The cost amount to a Unitholder, immediately after a redemption of Units of the Unitholder, of property distributed to the Unitholder by the Fund upon such redemption or upon the termination of the Fund, will be equal to the fair market value of such property at the time of the distribution, less any accrued interest on the Exchange Notes (or in the event of the termination of the Fund, Trust Notes, as the case may be) that form part of the property so distributed. The redeeming Unitholder will be required to include in income interest on any Exchange Notes acquired (including interest that had accrued prior to the date of the acquisition of such Exchange Notes by the Unitholder) in accordance with the provisions of the Tax Act. To the extent that the Unitholder is required to include in income any interest that had accrued prior to the date of the acquisition of the Exchange Notes by the Unitholder, an offsetting deduction will be available.

The consolidation of Units will not be considered to result in a disposition of Units by Unitholders. The aggregate adjusted cost base to a Unitholder of all of the Unitholder's Units will not change as a result of a consolidation of Units; however, the adjusted cost base per Unit will increase.

Capital Gains and Capital Losses

One-half of any capital gain realized by a Unitholder on the disposition of a Unit and the amount of any net taxable capital gains designated by the Fund in respect of a Unitholder (each, a "Taxable Capital Gain") will be included in the Unitholder's income. One-half of any capital loss ("Allowable Capital Loss") realized by a Unitholder on the disposition of a Unit generally must be deducted from Taxable Capital Gains of the Unitholder for the year of disposition. Any unused Allowable Capital Losses may be carried back to any of the three preceding taxation years or forward to any subsequent taxation year, and deducted against net Taxable Capital Gains of the Unitholder in any such other year to the extent and under the circumstances described in the Tax Act.

A Unitholder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6 2/3% on its "aggregate investment income" for the year, which will include an amount in respect of Taxable Capital Gains.

Alternative Minimum Tax

In general terms, net income of the Fund paid or payable to Unitholders that are individuals or certain trusts that is designated by the Fund as net Taxable Capital Gains and capital gains realized by such a Unitholder may give rise to alternative minimum tax under the Tax Act.

Tax-Exempt Unitholders

Provided that the Fund qualifies as a "mutual fund trust" for purposes of the Tax Act on the date of completion of the Offering, the Units will be qualified investments under the Tax Act on that date for Plans. If the Fund ceases to qualify as a mutual fund trust, the Units will cease to be qualified investments under the Tax Act for Plans. Exchange Notes received as a result of a redemption of Units may be qualified investments under the Tax Act for Plans depending on the circumstances at the time. Exchange Notes will not be qualified investments under the Tax Act for a trust governed by a deferred profit sharing plan for which any employer is an employer with whom the corporation issuing the Exchange Notes does not deal at arm's length (within the meaning of the Tax Act). **Plans wishing to redeem Units should consult their tax advisors.**

RISK FACTORS

Investors should consider carefully before purchasing the Offered Units the risks described below as well as the other information in this short form prospectus and the documents incorporated by reference herein. In this section of the prospectus, references to "Fund" means the Fund and, where the context requires, its subsidiaries, and references to "LMG" means LMG and, where the context requires, its subsidiaries.

Risks Related to the Business and the Industry

Dependency on Top Accumulation Partners

Aeroplan's top three Accumulation Partners were responsible for 89% of Gross Billings for the year ended December 31, 2007. Similarly, one Accumulation Partner accounts for a significant amount of the Gross Billings of LMG. A decrease in sales of Aeroplan Miles to any significant partner, for any reason, including a decrease in pricing or activity, or a decision to either utilize another service provider or to no longer outsource some or all of the services provided, could have a material adverse effect on Gross Billings. Subject to the minimum number of Aeroplan Miles to be purchased by Air Canada under the CPSA, Air Canada can change the number of Aeroplan Miles awarded per flight without Aeroplan's consent, which could result in a significant reduction in Gross Billings. There is no assurance that Aeroplan and LMG will be able to renew their contracts with their principal Accumulation Partners on similar terms, or at all when they expire.

Air Canada or Travel Industry Disruptions

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

Airline Industry Changes and Increased Airline Costs

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

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

Reduction in Activity, Usage and Accumulation of Aeroplan Miles or Nectar Points

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

Retail Market/Economic Downturn

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

Greater Than Expected Redemptions for Rewards

A significant portion of profitability is based on estimates of the number of Aeroplan Miles or Nectar Points that will never be redeemed by the member base. The percentage of Aeroplan Miles or Nectar Points that are not expected to be redeemed is known as "Breakage" in the loyalty industry. Under the Aeroplan Program, Management's current estimate of Breakage is based on two independent studies conducted in 2006 on behalf of Aeroplan. As these studies were based on data up to December 31, 2005, which did not take into account the impact of the ClassicPlus Flight™ Rewards program introduced in October 2006, Management, assisted by an independent firm of experts, conducted a Breakage review on the basis of data accumulated until the end of 2006. Based upon the results of this update the estimated Breakage factor for the Aeroplan Program remains at 17%. In addition, during 2008, Management is conducting a full Breakage review taking into consideration a full year's redemption data of ClassicPlus Flight™ rewards and other factors. 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. The total number of Aeroplan Miles and Nectar Points affected by Breakage (including miles issued by Air Canada prior to January 1, 2002) (the "Broken Miles") amounted to 100.7 billion miles as at December 31, 2007 and include 85.4 billion Aeroplan Miles and Nectar Points. The responsibility to provide rewards for these 100.7 billion total Broken Miles, if ever redeemed, rests with the Fund.

While Management believes that a material portion of the estimated 85.4 billion Aeroplan Miles and Nectar Points will not be redeemed, there can be no such assurances.

Industry Competition

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

Supply and Capacity Costs

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

If, upon the renegotiation of the rates charged to Aeroplan under the CPSA which takes place every three years (with the next 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

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

Failure to Safeguard Databases and Consumer Privacy

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

Consumer Privacy Legislation

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

Changes to the Aeroplan and Nectar Programs

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

Seasonal Nature of the Business, Other Factors and Prior Performance

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

LMG'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 first and second quarters are typically slightly lower than those of the third quarter. Nectar Points redemption in the Nectar Program is more seasonal than Gross Billings. More than 40% of all redemptions for the Nectar Program take place during the fourth quarter, as a result of members using their Nectar Points 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

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

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

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.

LMG appealed to the VAT and Duties Tribunal and won. HMRC then appealed to the High Court which found in favour of HMRC. LMG, in turn, appealed to the Court of Appeal, who 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 (approximately $27.1 million) was recorded in the accounts at December 31, 2007, and subsequently collected in January 2008.

HMRC has sought leave to appeal the Court of Appeal's decision to the House of Lords. The hearing on whether to grant leave to appeal was held on April 3, 2008. The House of Lords granted the leave to appeal and the case has been referred to the European Court of Justice. The case will be heard at a future date to be set. 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 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 LMG's profitability and accordingly the value of the LMG business.

Reliance on Key Personnel

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

Labour Relations

Aeroplan contact centre agents are covered by a collective agreement between the National Automobile, Aerospace, Transportation and General Workers Union of Canada (CAW-Canada) Local 2002 ("CAW") and Air Canada until May 31, 2009. While Aeroplan enjoys positive relations with the unionized contact centre agents, if Air Canada faces labour disturbances resulting in work stoppages or other action instigated from within the larger bargaining unit, this could have a material adverse effect on Aeroplan's business. Furthermore, if at the expiration of the applicable collective agreement, the relevant parties are unable to renegotiate the collective agreement with CAW, it could result in work stoppages and other labour disturbances which would similarly have a material adverse effect on Aeroplan's business. In addition, if the general services agreement effective January 1, 2005 between Air Canada and Aeroplan (the "GSA") is terminated by Air Canada, it could have a material adverse effect on Aeroplan's business in the event that Aeroplan is unable to hire a sufficient number of contact centre agents during the six month termination period under the GSA.

Technological Disruptions and Inability to use Third-Party Software

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

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

Failure to Protect Intellectual Property Rights

Third parties may infringe or misappropriate Aeroplan or LMG's trademarks or other intellectual property rights or may challenge the validity of trademarks or other intellectual property rights, which could have a material adverse effect on Aeroplan or LMG's business, financial condition or operating results. The actions that are taken to protect trademarks and other proprietary rights may not be adequate. Litigation may be necessary to enforce or protect intellectual property rights, trade secrets or determine the validity and scope of the proprietary rights of others. Aeroplan and LMG cannot ensure that they will be able to prevent infringement of intellectual property rights or misappropriation of proprietary information. Any infringement or misappropriation could harm any competitive advantage Aeroplan and LMG currently derive or may derive from proprietary rights. Third parties may assert infringement claims against Aeroplan and LMG. Any such claims and any resulting litigation could result in significant liability for damages. An adverse determination in any litigation of this type could require Aeroplan or LMG 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.

Interest Rate and Currency Fluctuations

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

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

Leverage and Restrictive Covenants in Current and Future Indebtedness

The ability of the Fund, the Trust, Aeroplan and LMG to make distributions, pay dividends or make other payments or advances will be subject to applicable laws and contractual restrictions contained in the instruments governing any indebtedness (including the Credit Facilities). The degree to which the Fund is leveraged could have important consequences to Unitholders, including: (i) that the Fund'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 the Fund to the risk of increased interest rates; and (iv) that the Fund may be more vulnerable to economic downturns and be limited in its ability to withstand competitive pressures. These factors may increase the sensitivity of Distributable Cash to interest rate variations.

In addition, the Credit Facilities contain a number of financial and other restrictive covenants that require the Fund 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 result in a termination of distributions and 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 the Fund would be sufficient to repay in full that indebtedness.

The Fund 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 the Fund 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 the Fund's financial position, which may result in a reduction or suspension of cash distributions to Unitholders. 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 the Fund to pay cash distributions.

Restrictions on Potential Growth

The payout by the Fund of a significant portion of its operating cash flow will make additional capital and operating expenditures dependent on increased cash flow or additional financing in the future. Lack of those funds could limit the future growth of the Fund and its cash flow.

Risks Related to the Structure of the Fund

Appointment Rights of ACE

ACE currently owns 40,292,088 Units representing, indirectly, 20.1% of the interests in Aeroplan. Immediately following the closing of the Offering, ACE will hold 19,892,088 Units representing 9.9% of the issued and outstanding Units.

Under the Securityholders' Agreement, ACE has the ability to nominate a majority of the members of the Board of Directors until its interest in the Fund falls below 20% and ACE has the ability to nominate two members of the Board of Directors for as long as one of its subsidiaries is a party to the CPSA. The interests of ACE may conflict with those of Unitholders.

Foreign Ownership Limitations and Impact on Mutual Fund Trust Status and Value and Liquidity of Units

In order for the Fund to maintain its status as a mutual fund trust under the Tax Act, the Fund must not be established or maintained primarily for the benefit of Non-Residents within the meaning of the Tax Act. Accordingly, for as long as is required by the Tax Act to meet such test, the Fund Declaration of Trust provides that at no time may Non-Residents be the beneficial owners of more than 49.9% of the Units.

The Trustees may take such actions as are required to ensure that the Non-Resident ownership limitation is not contravened, including the following: (i) requiring residency declarations from Unitholders, (ii) refusing to accept a subscription for Units from or issue or register a transfer of Units to a Non-Resident, (iii) imposing other limits on Unit ownership by Non-Residents and (iv) requiring Non-Resident Unitholders to dispose of all or a portion of their Unit holdings. In any situation where it is unclear whether Units are held for the benefit of Non-Resident beneficial unitholders, the Trustees may exercise their discretion in determining whether such Units are or are not so held. See "Description of the Fund – Limitation on Non-Resident Ownership" in the Annual Information Form which is incorporated by reference in this short form prospectus for further details relating to the measures that could be implemented by the Trustees.

These restrictions may limit (or inhibit the exercise of) the rights of Non-Residents to acquire Units, to exercise their rights as Unitholders and to initiate and complete take-over bids in respect of the Units. As a result, these restrictions may limit the demand for Units from certain investors and thereby adversely affect the liquidity and market value of the Units held by the public.

Management regularly monitors the level of Non-Resident ownership of the Fund through declarations obtained from market intermediaries. Given the limitations in the securities registration system and the lack of any process for real-time residency information to flow to the transfer agent of the Fund, the Fund is of the view that the periodic declarations received from various market intermediaries are currently the most appropriate method of determining the residency status of its Unitholders. Since the Initial Public Offering, the number of Units held by Non-Residents has grown significantly to levels which may eventually jeopardize the Fund's compliance with Non-Resident ownership limitations. Based on information obtained from market intermediaries, the Fund estimates that as of December 31, 2007, approximately 43% of its outstanding Units were held by Non-Residents.

ACE, a Resident, currently owns 20.1% of the issued and outstanding Units. Pursuant to the Offering, 20.4 million Units held by ACE (representing 10.2% of the issued and outstanding Units) will be offered and sold by the Underwriters to the public. The Underwriters have agreed in the Underwriting Agreement that a maximum of 4.4 million Units will be offered and sold by the Underwriters to purchasers, whether beneficially or of record, that are Non-Residents, which will increase the level of Non-Resident ownership in the Fund. While at least 16 million Units will be offered and sold in the Offering by the Underwriters to purchasers, whether beneficially or of record, that are Residents, such purchasers may subsequently transfer such Units to Non-Residents, which would further increase the level of Non-Resident ownership in the Fund. To the extent that the demand for Units in the market is from Non-Residents, a significant portion of the Units sold in the Offering to purchasers that are Residents could eventually be acquired by Non-Residents. The Offering therefore increases the risk that the measures described above would have to be implemented by the Trustees. In the absence of such measures, the Fund may no longer comply with non-resident ownership limitations and lose its status as a mutual fund trust should Non-Residents become the beneficial owners of more than 49.9% of the Units. There can be no assurance that any measure described above and implemented by the Trustees would prevent the Fund from losing its mutual fund trust status.

Should the Fund lose its status as a mutual fund trust, it would have negative consequences for the Fund and Unitholders, including:

- the imposition of entity level taxation at a rate of 36% starting at the beginning of the fiscal year in which the Fund is deemed to have lost its mutual fund trust status;

- the Units ceasing to be "qualified investments" for RRSPs and other deferred plans and, consequently, the deferred plans becoming subject to tax on all income emanating from the ownership or disposition of the Units and either (i) the plans becoming subject to a 1% monthly tax on the value of the Units until they are disposed of, or (ii) if the plans acquire the Units after the loss of status, the beneficiaries of the plans being required to include in their income the value of the Units;

- the Units becoming "taxable Canadian property" and, consequently, Non-Resident Unitholders being taxable upon the sale of their Units unless the gain was exempted from tax under the terms of an applicable income tax treaty; and

- Non-Resident Unitholders being required to obtain clearance certificates under section 116 of the Tax Act in connection with any sale of Units and purchasers of Units being potentially liable for taxes if they acquired the Units from Non-Resident Unitholders without effecting applicable withholding and remittance to the Canada Revenue Agency.

Given the risk that the level of Non-Resident ownership in the Fund may ultimately reach or exceed 49.9% as a result of additional Units being purchased on the public markets or otherwise by Non-Residents, and in order to ensure that the Fund's capital structure is efficient and that Unitholder value is being maximized, the Fund announced on March 4, 2008 that it would retain financial advisors to conduct an in-depth analysis with respect to a potential reorganization of the Fund's income trust structure to a corporate structure. Following this announcement, the Fund has retained RBC Dominion Securities Inc. and TD Securities Inc. as financial advisors and is currently conducting its analysis. Although no final decision has been made at this time, the review may lead to a recommendation in the near future that Unitholders approve a conversion to a corporation. Conversion to a corporation would involve the replacement of the current distribution policies of the Fund, the Trust and Aeroplan with the dividend policy of the successor corporation and would most likely result in a decrease in the cash amount distributed compared with the current distributions of the Fund. See "Recent Developments – Potential Reorganization to a Corporate Structure".

Should the Fund proceed with a conversion to a corporation, the Non-Resident ownership limitations described above would no longer apply.

Future Sales or Distributions of Units by ACE

ACE holds 20.1%, and following the Closing of the Offering will hold 9.9% of the outstanding Units which can be sold by ACE, subject to certain legal requirements. ACE has also been granted certain registration rights by the Fund under the Investor Liquidity Agreement. If ACE sells or distributes substantial amounts of Units in the public market, the market price of the Units could fall. The perception among the public that these sales or distributions will occur could also produce such effect.

Dependence on Aeroplan and LMG

The Fund is an unincorporated open-ended trust which is entirely dependent on the operations and assets of Aeroplan and its affiliated entities, including LMG, through the indirect ownership of 100% of the issued and outstanding units of Aeroplan. Cash distributions to Unitholders will be dependent on, among other things, the ability of the Trust to make cash distributions in respect of the Trust Units, which, in turn, is dependent on Aeroplan making cash distributions. The ability of Aeroplan or the Trust to make cash distributions or other payments or advances will be subject to applicable laws and regulations and contractual restrictions contained in the instruments governing any indebtedness of those entities.

Cash Distributions Are Not Guaranteed and Will Fluctuate with the Business Performance

Although the Fund intends to distribute cash distributions received in respect of the Trust Units, less expenses and amounts, if any, paid in connection with the redemption of Units, there can be no assurance regarding the amounts of income to be generated or ultimately distributed to the Fund. The actual amount distributed in respect of the Units is not guaranteed and will depend upon numerous factors, including operating cash flows, profitability and its ability to sustain Adjusted EBITDA margins and the fluctuations in working capital and capital expenditures, all of which are susceptible to a number of risks.

If the Fund elects to convert from its current income trust structure to a corporate structure, the current distribution policies of the Fund, the Trust and Aeroplan would be replaced by the dividend policy of the successor corporation. This new dividend policy of the successor corporation would most likely result in a decrease in the cash amount distributed compared with the current distributions of the Fund.

Nature of Fund Units

The Units do not represent a direct investment in the business of Aeroplan or LMG and should not be viewed by investors as direct securities thereof. As holders of Units, Unitholders do not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. The Units represent a fractional interest in the Fund. The Fund's primary assets are Trust Units and Trust Notes. The price per Unit is a function of anticipated distributable income.

The Units are not "deposits" within the meaning of the Canada Deposit Insurance Corporation Act and are not insured under the provisions of that Act or any other legislation. Furthermore, the Fund is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

Unitholder Liability

The Fund Declaration of Trust provides that no Unitholder shall be subject to any liability whatsoever to any person in connection with a holding of Units. However, in jurisdictions outside the Provinces of Ontario, Québec, British Columbia and Alberta, there remains a risk, which is considered by the Fund to be remote in the circumstances, that a Unitholder could be held personally liable, despite such statement in the Fund Declaration of Trust, for the obligations of the Fund to the extent that claims are not satisfied out of the assets of the Fund. The affairs of the Fund are conducted to seek to minimize such risk wherever possible.

Income Tax Matters

No assurance can be given that Canadian federal and/or provincial income tax law respecting income trusts and other flow-through entities will not be further changed in a manner which adversely affects the Fund and its Unitholders.

The Fund Declaration of Trust provides that a sufficient amount of the Fund's net income and net realized capital gains shall be distributed each year to Unitholders in order to eliminate the Fund's liability for tax under Part I of the Tax Act. Where such amount of net income and net realized capital gains of the Fund in a taxation year exceeds the cash available for distribution in the year, such excess net income and net realized capital gains will be distributed to Unitholders in the form of additional Units. Unitholders are generally required to include an amount equal to the fair market value of those Units in their taxable income, in circumstances when they do not directly receive a cash distribution.

SIFT Rules

On October 31, 2006, the Minister of Finance (Canada) announced a "Tax Fairness Plan" which, in part, proposed changes to the manner in which certain flow-through entities and the distributions from such entities are taxed. Bill C-52, Budget Implementation Act, 2007, which received Royal Assent on June 22, 2007, contained the SIFT Rules, which are designed to implement these proposals. Under the SIFT Rules, the Fund, as a publicly traded income trust, is considered a SIFT and will be subject to trust level taxation as of January 1, 2011 at a rate comparable to the combined federal and provincial corporate tax rate on certain types of income. In addition, the taxable distributions received by Unitholders will be treated as taxable dividends from a taxable Canadian corporation.

The SIFT Rules could become effective on a date earlier than January 1, 2011 if the Fund is deemed to have undergone "undue expansion" during the period from November 1, 2006 to December 31, 2010, as described in the Normal Growth Guidelines issued by Finance on December 15, 2006.

On June 26, 2007, the ministère des Finances (Québec) published Information Bulletin 2007-5 confirming that Québec's tax legislation will be harmonized with the SIFT Rules but that a separate Québec tax regime relating to SIFT entities will be implemented. More specifically, the ministère des Finances (Québec) has announced that a SIFT with an establishment in Québec at any time in a taxation year will be subject to a Québec tax at a rate generally equal to the Québec tax rate relating to corporations and that a business allocation formula based on the gross income of a SIFT and the wages and salaries it pays, similar to the one used for the purposes of determining the tax payable by a corporation that has activities in Québec and outside Québec, will apply to determine the tax payable to Québec by a SIFT that has, in a taxation year, an establishment both in Québec and outside Québec. On February 26, 2008, Finance announced changes to the SIFT Rules that will among other things, result in harmonization between the SIFT Rules and the separate Québec tax regime relating to SIFT entities.

There can be no assurance that the Fund will be able to retain the benefit of the deferred application of the SIFT Rules until 2011. Loss of the benefit of the deferred application of the SIFT Rules until 2011 could have a material and adverse effect on the value of the Units.

Although this was likely not the intent of the SIFT Rules proposed by Finance, there can be no assurance that the SIFT Rules, as they currently read, may not be interpreted and applied in a manner that would cause the Trust and Aeroplan to be considered SIFTs. On December 20, 2007, Finance announced proposed technical amendments to the SIFT Rules to, among other things, clarify that trusts and partnerships, such as the Trust and Aeroplan, that are not publicly traded and that are wholly-owned by, among other entities, SIFTs, are not considered to be SIFTs. No assurance may be given that these proposed amendments will be enacted as currently proposed or at all. See "Certain Canadian Federal Income Tax Considerations - SIFT Rules".

The SIFT Rules may have an adverse impact on the Fund, the Trust, Aeroplan and the Unitholders, on the value of the Units and on the ability of the Fund, the Trust and Aeroplan to undertake financings and acquisitions, and, at such time as the SIFT Rules apply, the Distributable Cash of the Fund may be materially reduced. The effect of the recently enacted SIFT Rules on the market for the Units is uncertain.

Investment Eligibility

There can be no assurance that the Units will continue to be qualified investments for Plans under the Tax Act. The Tax Act imposes penalties for the acquisition or holding of non-qualified or ineligible investments by Plans.

Nature of Distributions

The after-tax return for any Units owned by Unitholders which are subject to Canadian income tax will depend, in part, on the composition for tax purposes of distributions paid by the Fund (portions of which may be fully or partially taxable or may be tax deferred). The composition for tax purposes of those distributions may change over time, thus affecting the after-tax return to Unitholders. The SIFT Rules will apply a tax on certain income earned by a specified investment flow through trust ("SIFT Trust") or partnership, and treat the taxable distributions of such income received by investors in such entities as taxable dividends. The SIFT Rules do not change the tax treatment of distributions that are in excess of the taxable income of a SIFT Trust. The SIFT Rules generally do not apply to income trusts, the Units of which were publicly traded as of October 31, 2006, such as the Fund, until January 1, 2011, subject to compliance with the Normal Growth Guidelines released by Finance on December 15, 2006, as may be amended from time to time.

Dilution of Existing Unitholders

The Fund Declaration of Trust authorizes the Fund to issue an unlimited number of Units for that consideration and on those terms and conditions as shall be established by the Trustees without the approval of any Unitholders. The Unitholders have no pre-emptive rights in connection with such further issues.

Conversion to Corporate Structure

Given the risk that the level of Non-Resident ownership in the Fund may ultimately reach or exceed 49.9% as a result of additional Units being purchased on the public markets or otherwise by Non Residents, and in order to ensure that the Fund’s capital structure is efficient and that Unitholder value is being maximized, the Fund has retained RBC Dominion Securities Inc. and TD Securities Inc. as financial advisors and is currently conducting an in-depth analysis with respect to a potential reorganization of the Fund’s income trust structure to a corporate structure. Although no final decision has been made at this time, the review may lead to a recommendation in the near future that Unitholders approve a conversion to a corporation.

If such a recommendation were to be approved and implemented, the Fund's income trust structure would be reorganized into a corporation and the Unitholders would become shareholders of that corporation which would own all of the Units of the Fund. Each Unitholder would exchange its Units for shares of the successor corporation. It is expected that the reorganization would be made on a tax-free rollover basis, subject to the filing of any required tax elections. The reorganization would be subject to approval of the Unitholders and to such other approvals as may be required, including regulatory, stock exchange and court approvals.

In connection with the reorganization, the current distribution policies of the Fund, the Trust and Aeroplan described under "Distributions" in the Annual Information Form incorporated by reference in this short form prospectus would be replaced by the dividend policy of the successor corporation. This new dividend policy of the successor corporation would most likely result in a decrease in the cash amount distributed compared with the current distributions of the Fund.

The reorganization would result in the conversion of the Fund into an entity that would be subject to Canadian federal and provincial income tax.

The reorganization may have an adverse impact on the market price of the Units.

BOOK-BASED SYSTEM

Registration of interests in and transfers of the Units will only be made through the book-based system administered by CDS, the whole subject to applicable law. On or about the date of closing of the Offering, the Fund and the Selling Unitholder will deliver to CDS a certificate evidencing the aggregate number of Units purchased under this Offering. Units must be purchased, transferred and surrendered for redemption, exchange or retraction through a CDS Participant. All rights of an owner of Units must be exercised through, and all payments or other property to which such owner is entitled will be made or delivered by, CDS or the CDS Participant through which the owner holds units. Upon a purchase of any Units, the owner will receive only the customary confirmation. References in this short form prospectus to a Unitholder of Units means, unless the context otherwise requires, the owner of the beneficial interest in such securities.

The ability of a beneficial owner of Units to pledge such securities or otherwise take action with respect to such owner's interest in such securities (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

The Fund has the option to terminate registration of the Units through the book-based system, in which event certificates for Units in fully registered form will be issued to the beneficial owners of such units or their nominees.

EXPERTS

Certain legal matters relating to the Offering will be passed upon on behalf of ACE and the Fund by Stikeman Elliott LLP and on behalf of the Underwriters by Osler, Hoskin & Harcourt LLP. As of the date hereof, the partners and associates of Stikeman Elliott LLP, as a group, and Osler, Hoskin & Harcourt LLP, as a group, beneficially own, directly and indirectly, less than 1% of the securities of the Fund, or any associated party or affiliate of the Fund outstanding at such date.

PROMOTER

Aeroplan may be considered to be a promoter of the Fund for the purposes of applicable securities legislation by reason of Aeroplan's initiative in organizing the business and affairs of the Fund.

TRANSFER AGENT AND REGISTRAR

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

AUDITORS

The independent auditors of the Fund are PricewaterhouseCoopers LLP, Chartered Accountants, Montreal, Québec.

PURCHASER'S STATUTORY RIGHTS OF RESCISSION AND WITHDRAWAL

Securities legislation in certain provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal advisor.

AUDITORS' CONSENT

We have read this short form prospectus of Aeroplan Income Fund (the "Fund") dated April ●, 2008 relating to the sale of Units of the Fund by ACE Aviation Holdings Inc. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned short form prospectus of our report to the Unitholders of the Fund on the consolidated statement of financial position of the Fund as at December 31, 2007 and December 31, 2006 and the Fund's consolidated statements of operations, unitholders' equity, comprehensive income and restated cash flows for the years ended December 31, 2007 and December 31, 2006. Our report is dated March 3, 2008 (except as to note 22 which is as of March 31, 2008).

PricewaterhouseCoopers LLP
Chartered Accountants
Montreal, Québec
April ●, 2008

CERTIFICATE OF THE ISSUER

April 8, 2008

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces and territories of Canada.

AEROPLAN INCOME FUND

By: (Signed) Rupert Duchesne
President and Chief Executive Officer,
Aeroplan Holding GP Inc.

By: (Signed) David L. Adams
Executive Vice-President and Chief Financial Officer,
Aeroplan Holding GP Inc.

On behalf of the Board of Trustees

By: (Signed) Roman Doroniuk
Trustee

By: (Signed) John Forzani
Trustee

CERTIFICATE OF THE PROMOTER

April 8, 2008

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces and territories of Canada.

AEROPLAN LIMITED PARTNERSHIP

By: (Signed) Rupert Duchesne
President and Chief Executive Officer of
Aeroplan Holding GP Inc., the general partner of
Aeroplan Limited Partnership

By: (Signed) David L. Adams
Executive Vice-President and Chief Financial Officer of
Aeroplan Holding GP Inc., the general partner of
Aeroplan Limited Partnership

On behalf of the Board of Directors of Aeroplan Holding GP Inc.,
the general partner of Aeroplan Limited Partnership

By: (Signed) Roman Doroniuk
Director

By: (Signed) John Forzani
Director

CERTIFICATE OF THE UNDERWRITERS

April 8, 2008

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces and territories of Canada.

RBC Dominion Securities Inc.	CIBC World Markets Inc.
By: (Signed) Jean-Marc Bougie	By: (Signed) Charles St-Germain
BMO Nesbitt Burns Inc.	TD Securities Inc.
By: (Signed) Jeffrey P. Watchorn	By: (Signed) Luc Ouellet
National Bank Financial Inc.	Scotia Capital Inc.
By: (Signed) Enrico Pallotta	By: (Signed) Eric Michaud
Canaccord Capital Corporation	Raymond James Ltd.
By: (Signed) Jean-Yves Bourgeois	By: (Signed) William Murray

Blackmont Capital Inc.	Desjardins Securities Inc.	Dundee Securities Corporation	Research Capital Corporation
By: (Signed) Charles Pennock	By: (Signed) Gary Littlejohn	By: (Signed) Benn Mikula	By: (Signed) P. Gage Jull