ARRANGEMENT AGREEMENT

THIS ARRANGEMENT AGREEMENT is made as of the 8th day of May, 2008

AMONG:

GROUPE AEROPLAN INC., a corporation incorporated under the laws of Canada ("**Groupe Aeroplan**")

\- and -

AEROPLAN INCOME FUND, 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, acting through its attorney, **Aeroplan Holding GP Inc.** (the "**Fund**")

\- and -

AEROPLAN TRUST, an unincorporated, open-ended trust established under the laws of the Province of Ontario by a declaration of trust dated June 21, 2005, acting through its attorney, **Aeroplan Holding GP Inc.** (the "**Trust**")

\- and -

AEROPLAN HOLDING GP INC., a corporation incorporated under the laws of Canada ("**Aeroplan GP**")

\- and -

AEROPLAN LIMITED PARTNERSHIP, a limited partnership existing under the laws of the Province of Québec pursuant to a limited partnership agreement dated June 21, 2005, as amended on September 29, 2005, acting through its general partner, **Aeroplan Holding GP Inc.** ("**Aeroplan LP**")

\- and -

4421671 CANADA INC., a corporation incorporated under the laws of Canada ("**Canco**")

WHEREAS:

(a) Groupe Aeroplan, Aeroplan GP, the Fund, the Trust, Aeroplan LP and Canco wish to propose an arrangement with the holders of units of the Fund;

(b) Aeroplan GP and Canco are indirect wholly-owned subsidiaries of the Fund;

(c) Aeroplan GP is the general partner of Aeroplan LP with exclusive authority to manage the business and affairs of Aeroplan LP;

(d) all of the securities of the Trust are held by the Fund;

(e) as a result of the transactions contemplated herein, the holders of units of the Fund will become the shareholders of Groupe Aeroplan and Aeroplan GP and Canco will become indirect wholly-owned subsidiaries of Groupe Aeroplan;

(f) the parties hereto intend to carry out the transactions contemplated herein by way of an arrangement under the *Canada Business Corporations Act*; and

(g) the parties hereto have entered into this Agreement to provide for the matters referred to in the foregoing recitals and for the other matters relating to such arrangement.

NOW THEREFORE, in consideration of the covenants and agreements herein contained and other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged), the parties hereto hereby covenant and agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Agreement, the following terms have the following meanings:

(a) "**Agreement**", "**herein**", "**hereof**", "**hereto**", "**hereunder**" and similar expressions mean and refer to this arrangement agreement (including the schedules hereto) as supplemented, modified or amended, and not to any particular article, section, schedule or other portion hereof;

(b) "**Arrangement**" means the proposed arrangement under the provisions of section 192 of the CBCA, on the terms and conditions set forth in the Plan of Arrangement as supplemented, modified or amended;

(c) "**Arrangement Resolution**" means the special resolution of the Unitholders approving the Arrangement;

(d) "**Articles of Arrangement**" means the articles in respect of the Arrangement required under subsection 192(6) of the CBCA to be filed with the Director after the Final Order has been granted;

(e) "**Business Day**" means a day, other than a Saturday, Sunday or statutory holiday, when banks are generally open for business in the City of Montreal, in the Province of Québec, for the transaction of banking business;

(f) "**CBCA**" means the *Canada Business Corporations Act*, R.S.C., 1985, c. C-44;

(g) "**Certificate**" means the certificate which may be issued by the Director pursuant to subsection 192(7) of the CBCA giving effect to the Arrangement;

(h) "**Court**" means the Superior Court of Québec;

(i) "**Depositary**" means CIBC Mellon Trust Company, or such other Person as may be designated by the Fund and its officers and set out in the Letter of Transmittal;

(j) "**Director**" means the director appointed under section 260 of the CBCA;

(k) "**Effective Date**" means the date the Arrangement is effective under the CBCA;

(l) "**Effective Time**" means 12:01 a.m. (Montreal Time) on the Effective Date;

(m) "**Final Order**" means the final order of the Court approving the Arrangement as such order may be amended or varied at any time prior to the Effective Time or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or as amended on appeal;

(n) "**Fund Declaration of Trust**" means the declaration of trust dated May 12, 2005 as amended by an amended and restated declaration of trust dated June 21, 2005;

(o) "**Groupe Aeroplan Shares**" means the common shares in the share capital of Groupe Aeroplan, which common shares will be issued to Unitholders in consideration for the transfer of their Units held as of the Effective Date to Groupe Aeroplan pursuant to the Arrangement;

(p) "**Holdco**" means a corporation to be incorporated under the CBCA as a wholly-owned Subsidiary of the Trust for the purposes of the Arrangement;

(q) "**Information Circular**" means the information circular of the Fund to be dated on or about May 16, 2008, together with all appendices thereto, forwarded as part of the proxy solicitation materials to Unitholders in respect of the Meeting;

(r) "**Interim Order**" means an interim order of the Court concerning the Arrangement containing declarations and directions with respect to the Arrangement and the holding of the Meeting, as such order may be amended by the Court;

(s) "**Letter of Transmittal**" means the letter of transmittal accompanying the Information Circular sent to the Unitholders pursuant to which Unitholders are required to deliver certificates representing Units to receive certificates representing Groupe Aeroplan Shares issuable to them pursuant to the Arrangement;

(t) "**Meeting**" means the annual and special meeting of Unitholders to be held, among other things, to consider the Arrangement and related matters, and any adjournment thereof;

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

(v) "**Plan of Arrangement**" means the plan of arrangement attached hereto as Exhibit A, as amended or supplemented from time to time in accordance with the terms thereof;

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

(x) "**Trustee**" or "**Trustees**" means the trustees of the Fund or any one of such trustee;

(y) "**Trust Indenture**" means the note indenture entered into by and between the Trust and CIBC Mellon Trust Company on June 29, 2005, as amended by a first supplemental indenture dated as of July 27, 2005;

(z) "**Trust Notes**" means the notes bearing interest at 1% per annum issued pursuant to the Trust Indenture, all of which notes are currently held by the Fund;

(aa) "**TSX**" means the Toronto Stock Exchange;

(bb) "**Units**" means the units of the Fund; and (cc) "**Unitholders**" means holders from time to time of Units.

1.2 Currency

All sums of money which are referred to in this Agreement are expressed in lawful money of Canada unless otherwise specified.

1.3 Interpretation Not Affected by Headings

The division of this Agreement into articles, sections and schedules and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

1.4 Article References

Unless reference is specifically made to some other document or instrument, all references herein to articles, sections and schedules are to articles, sections and schedules of this Agreement.

1.5 Extended Meanings

Unless the context otherwise requires, words importing the singular number shall include the plural and vice versa; words importing any gender shall include all genders; and words importing persons shall include individuals, partnerships, associations, corporations, trusts, unincorporated organizations, governments, regulatory authorities, and other entities.

1.6 Date for any Action

In the event that any date on which any action required to be taken hereunder by any of the parties hereto is not a Business Day in the place where the action is required to be taken, such action shall be required to be taken on the next succeeding day which is a Business Day in such place.

1.7 Entire Agreement

This Agreement, together with the exhibit attached hereto, constitutes the entire agreement between the parties pertaining to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, between the parties with respect to the subject matter hereof.

1.8 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of Québec and the federal laws of Canada applicable therein and shall be treated in all respects as a Québec contract.

1.9 Exhibit

Exhibit A annexed to this Agreement, being the Plan of Arrangement, is incorporated by reference into this Agreement and forms a part hereof.

ARTICLE 2
THE ARRANGEMENT

2.1 Arrangement

As soon as reasonably practicable, Groupe Aeroplan, Aeroplan GP and Canco shall apply to the Court pursuant to section 192 of the CBCA for an order approving the Arrangement and in connection with such application shall:

(a) forthwith file, proceed with and diligently prosecute an application for an Interim Order under subsection 192(4) of the CBCA, providing for, among other things, the calling and holding of the Meeting for the purpose of, among other things, considering and, if deemed advisable, approving the Arrangement Resolution;

(b) subject to obtaining all necessary approvals of the Unitholders as contemplated in the Interim Order and as may be directed by the Court in the Interim Order, take steps necessary to submit the Arrangement to the Court and apply for the Final Order; and

(c) subject to fulfillment of the conditions set forth herein, shall deliver to the Director Articles of Arrangement and such other documents as may be required to give effect to the Arrangement, whereupon the transactions comprising the Arrangement shall occur and shall be deemed to have occurred in the order set out in the Plan of Arrangement without any act or formality.

2.2 Effective Date

The Arrangement shall become effective at the Effective Time on the Effective Date.

ARTICLE 3
COVENANTS

3.1 Covenants of the Fund, the Trust, Aeroplan GP, Aeroplan LP and Canco

Each of the Fund, the Trust, Aeroplan GP, Aeroplan LP and Canco covenants and agrees that it will:

(a) take, and cause its Subsidiaries to take, all actions necessary to give effect to the transactions contemplated by this Agreement and the Arrangement;

(b) use all reasonable efforts to obtain all necessary consents, assignments, waivers and amendments to or terminations of any instruments and take such measures as may be appropriate to fulfill its obligations hereunder and to carry out the transactions contemplated hereby;

(c) in the case of the Fund, solicit proxies to be voted at the Meeting in favour of the Arrangement Resolution and prepare the Information Circular and proxy solicitation materials and any amendments or supplements thereto as required by, and in compliance with, the Interim Order and applicable corporate and securities laws, and file and distribute same to the Unitholders in a timely and expeditious manner in all jurisdictions where same are required to be filed and distributed;

(d) in the case of the Fund, convene the Meeting as ordered by the Interim Order and conduct such Meeting in accordance with the Interim Order and as otherwise required by law;

(e) until the Effective Date, conduct its operations and those of its Subsidiaries in the ordinary and normal course of business and in accordance with applicable laws, generally accepted industry practice and any operating and other agreements applicable to its properties and assets and those of its Subsidiaries;

(f) use all reasonable efforts to cause each of the conditions precedent set forth in Article 4 which are within its control to be satisfied on or before the Effective Date;

(g) in the case of Aeroplan GP and Canco, subject to the approval of the Arrangement Resolution by the Unitholders, as required by the Interim Order, submit the Arrangement to the Court and apply, in conjunction with Groupe Aeroplan, for the Final Order;

(h) forthwith carry out the terms of the Final Order to the extent applicable to it;

(i) in the case of Aeroplan GP and Canco, upon issuance of the Final Order and subject to the fulfillment of the conditions precedent set forth in Article 4, forthwith proceed to file the Articles of Arrangement, the Final Order and all related documents with the Director pursuant to subsection 192(6) of the CBCA;

(j) not, except in the ordinary course of business or as contemplated in connection with the Plan of Arrangement, merge into or with, or consolidate with, any other Person or perform any act or enter into any transaction or negotiation which might interfere or be inconsistent with the consummation of the transactions contemplated by this Agreement;

(k) until the Effective Date, except as specifically provided for hereunder and for the purpose of the Arrangement, not alter or amend its constating or governing documents, articles or by-laws or those of its Subsidiaries as the same exist at the date of this Agreement; and

(l) in the case of the Fund, prior to the Effective Date, make application to list the Groupe Aeroplan Shares issuable pursuant to the Arrangement on the TSX.

3.2 Covenants of Groupe Aeroplan

Groupe Aeroplan covenants and agrees that it will:

(a) take all action necessary to give effect to the transactions contemplated by this Agreement and the Arrangement;

(b) use all reasonable efforts to obtain all necessary consents, assignments, waivers and amendments to or terminations of any instruments and take such measures as may be appropriate to fulfill its obligations hereunder and to carry out the transactions contemplated hereby;

(c) until the Effective Date, other than as contemplated herein, in the Plan of Arrangement or in the Information Circular, not carry on any business, enter into any transaction or effect any corporate act whatsoever other than as contemplated herein or in the Information Circular without the prior written consent of the Fund;

(d) until the Effective Date, not issue any securities or enter into any agreements to issue or grant options, warrants or rights to purchase any of its securities;

(e) use all reasonable efforts to cause each of the conditions precedent set forth in Article 4 which are within its control to be satisfied on or before the Effective Date;

(f) subject to approval of the Arrangement Resolution by Unitholders, as required by the Interim Order, submit the Arrangement to the Court and apply, in conjunction with Aeroplan GP and Canco, for the Final Order;

(g) forthwith carry out the terms of the Final Order to the extent applicable to it;

(h) upon issuance of the Final Order and subject to the fulfillment of the conditions precedent set forth in Article 4, forthwith proceed to file the Articles of Arrangement, the Final Order and all related documents with the Director pursuant to subsection 192(6) of the CBCA;

(i) reserve and authorize for issuance the Groupe Aeroplan Shares issuable pursuant to the Arrangement; and

(j) prior to the Effective Date, apply to list the Groupe Aeroplan Shares on the TSX.

ARTICLE 4
CONDITIONS PRECEDENT

4.1 Mutual Conditions Precedent

The respective obligations of Groupe Aeroplan, Aeroplan GP, the Fund, the Trust, Aeroplan LP and Canco to complete the transactions contemplated by this Agreement and the Arrangement shall be subject to the fulfilment or satisfaction, on or before the Effective Date, of each of the following conditions, any of which may be waived collectively by them without prejudice to their right to rely on any other condition:

(a) the Interim Order shall have been granted in form and substance satisfactory to Groupe Aeroplan, the Fund, Aeroplan GP and Canco, acting reasonably, not later than May 19, 2008 or such later date as the parties hereto may agree and shall not have been set aside or modified in a manner unacceptable to such parties on appeal or otherwise;

(b) the Arrangement Resolution shall have been approved by the requisite number of votes cast by the Unitholders at the Meeting in accordance with the provisions of the Interim Order and any applicable regulatory requirements;

(c) the Final Order shall have been granted in form and substance satisfactory to Groupe Aeroplan, the Fund, Aeroplan GP and Canco, acting reasonably, not later than June 20, 2008 or such later date as the parties hereto may agree;

(d) the Articles of Arrangement and all necessary related documents, in form and substance satisfactory to Groupe Aeroplan, the Fund, Aeroplan GP and Canco, acting reasonably, shall have been accepted for filing by the Director together with the Final Order in accordance with subsection 192(6) of the CBCA;

(e) no material action or proceeding shall be pending or threatened by any person, company, firm, governmental authority, regulatory body or agency and there shall be no action taken under any existing applicable law or regulation, nor any statute, rule, regulation or order which is enacted, enforced, promulgated or issued by any court, department, commission, board, regulatory body, government or governmental authority or similar agency, domestic or foreign, that:

    (i) makes illegal or otherwise directly or indirectly restrains, enjoins or prohibits the Arrangement or any other transactions contemplated herein; or

    (ii) results in a judgment or assessment of material damages directly or indirectly relating to the transactions contemplated herein;

(f) all necessary material third party and regulatory consents and approvals with respect to the transactions contemplated under the Arrangement shall have been completed or obtained including, without limitation, the necessary consents and approvals from Aeroplan's principal lenders;

(g) there shall not, as of the Effective Date, be Unitholders that hold, in aggregate, in excess of 1% of all outstanding Units, that have validly exercised their rights of dissent under the Interim Order and not withdrawn such exercise; and

(h) the TSX shall have conditionally approved the substitutional listing of the Groupe Aeroplan Shares to be issued pursuant to the Arrangement, subject only to the filing of required documents which cannot be filed prior to the Effective Date.

4.2 Additional Conditions to Obligations of the Fund, the Trust, Aeroplan GP, Aeroplan LP and Canco

In addition to the conditions contained in Section 4.1, the obligation of the Fund, the Trust, Aeroplan GP, Aeroplan LP and Canco to complete the transactions contemplated by this Agreement and the Arrangement is subject to the fulfillment or satisfaction, on or before the Effective Date, of each of the following conditions, any of which may be waived by them without prejudice to their right to rely on any other condition:

(a) each of the covenants, acts and undertakings of Groupe Aeroplan to be performed or complied with on or before the Effective Date pursuant to the terms of this Agreement and the Arrangement shall have been duly performed or complied with; and

(b) the board of trustees of the Fund and the board of directors of Aeroplan GP shall not have determined in their sole and absolute discretion that to proceed with the Arrangement would not be in the best interests of the Unitholders.

4.3 Additional Conditions to Obligations of Groupe Aeroplan

In addition to the conditions contained in Section 4.1, the obligation of Groupe Aeroplan to complete the transactions contemplated by this Agreement and the Arrangement is subject to the fulfillment or satisfaction, on or before the Effective Date, of the following conditions, any of which may be waived by Groupe Aeroplan without prejudice to its right to rely on any other condition:

(a) each of the covenants, acts and undertakings of the Fund, the Trust, Aeroplan GP, Aeroplan LP and Canco to be performed or complied with on or before the Effective Date pursuant to the terms of this Agreement and the Arrangement shall have been duly performed or complied with; and

(b) prior to the Effective Date, there shall have been no material adverse change in the affairs, operations, financial condition or business of the Fund, the Trust, Aeroplan GP, Aeroplan LP and Canco or any of their respective Subsidiaries from that reflected in the Information Circular.

4.4 Notice and Effect of Failure to Comply with Conditions

(a) If any of the conditions precedent set forth in Sections 4.1, 4.2 or 4.3 hereof shall not be complied with or waived by the party or parties for whose benefit such conditions are provided on or before the date required for the performance thereof, then a party for whose benefit the condition precedent is provided may, in addition to any other remedies they may have at law or equity, rescind and terminate this Agreement provided that prior to the filing of the Articles of Arrangement for the purpose of giving effect to the Arrangement, the party intending to rely thereon has delivered a written notice to the other party, specifying in reasonable detail all breaches of covenants which the party delivering such notice is asserting as the basis for the non fulfillment of the applicable conditions precedent and the party in breach shall have failed to cure such breach within three Business Days of receipt of such written notice thereof (except that no cure period shall be provided for a breach which by its nature cannot be cured). More than one such notice may be delivered by a party.

4.5 Satisfaction of Conditions

The conditions set out in this Article 4 are conclusively deemed to have been satisfied, waived or released when, with the agreement of the parties, Articles of Arrangement are filed under the CBCA to give effect to the Arrangement.

ARTICLE 5
AMENDMENT AND TERMINATION

5.1 Amendments

This Agreement may, at any time and from time to time before or after the Meeting, be amended in any respect whatsoever by written agreement of the parties hereto without further notice to or authorization on the part of their respective securityholders; provided that any such amendment that changes the consideration to be received by the Unitholders pursuant to the Arrangement is brought to the attention of the Court before approval of the Final Order and is subject to such requirements as may be ordered by the Court.

5.2 Termination

This Agreement shall be terminated in each of the following circumstances:

(a) the mutual agreement of the parties;

(b) the Arrangement shall not have become effective on or before June 30, 2008 or such later date as may be agreed to by the parties hereto; and

(c) termination of this Agreement under Article 4 hereof.

ARTICLE 6
GENERAL

6.1 Binding Effect

This Agreement shall be binding upon and enure to the benefit of the parties hereto and their respective successors and permitted assigns.

6.2 No Assignment

No party may assign its rights or obligations under this Agreement.

6.3 Exclusivity

None of the covenants of the Fund or Aeroplan GP contained herein shall prevent the board of trustees of the Fund or the board of directors of Aeroplan GP from responding as required by law to any unsolicited submission or proposal regarding any acquisition or disposition of assets or any unsolicited proposal to amalgamate, merge or effect an arrangement or any unsolicited acquisition proposal generally or make any disclosure to its securityholders with respect thereto which in the judgment of the board of trustees of the Fund or the board of directors of Aeroplan GP, acting upon the advice of outside counsel, is required under applicable law.

6.4 Equitable Remedies

All covenants herein or to be given hereunder as to enforceability in accordance with the terms of any covenant, agreement or document shall be qualified as to applicable bankruptcy and other laws affecting the enforcement of creditors' rights generally and to the effect that specific performance, being an equitable remedy, may only be ordered at the discretion of the court.

6.5 Severability

If any one or more of the provisions or parts thereof contained in this Agreement should be or become invalid, illegal or unenforceable in any respect in any jurisdiction, the remaining provisions or parts thereof contained herein shall be and shall be conclusively deemed to be, as to such jurisdiction, severable therefrom and:

(a) the validity, legality or enforceability of such remaining provisions or parts thereof shall not in any way be affected or impaired by the severance of the provisions or parts thereof severed; and

(b) the invalidity, illegality or unenforceability of any provision or part thereof contained in this Agreement in any jurisdiction shall not affect or impair such provision or part thereof or any other provisions of this Agreement in any other jurisdiction.

6.6 Further Assurances

Each party hereto shall, from time to time and at all times hereafter, at the request of another party hereto, but without further consideration, do all such further acts, and execute and deliver all such further documents and instruments as may be reasonably required in order to fully perform and carry out the terms and intent hereof.

6.7 Time of Essence

Time shall be of the essence.

6.8 Liability of the Fund

The parties hereto acknowledge that the obligations of the Fund hereunder shall not be personally binding upon the Trustees or any Unitholders and that any recourse against the Fund or any Unitholders in any manner in respect of any indebtedness, obligation or liability of the Fund arising hereunder or arising in connection herewith or from the matters to which this Agreement relates, if any, including without limitation claims based on contract, on negligence, tortious behaviour or otherwise, shall be limited to, and satisfied only out of, the Fund.

6.9 Counterparts

This Agreement may be executed in counterparts, each of which shall be deemed an original, and all of which together constitute one and the same instrument.

[Signature page follows]

IN WITNESS WHEREOF this Agreement has been executed and delivered by the parties hereto effective as of the date first above written.

GROUPE AEROPLAN INC.

By: *(signed) Rupert Duchesne*
Name: Rupert Duchesne
Title: President and Chief Executive Officer

By: *(signed) David L. Adams*
Name: David L. Adams
Title: Chief Financial Officer

AEROPLAN INCOME FUND, by its attorney, Aeroplan Holding GP Inc.

By: *(signed) Rupert Duchesne*
Name: Rupert Duchesne
Title: President and Chief Executive Officer

By: *(signed) David L. Adams*
Name: David L. Adams
Title: Executive Vice President and Chief Financial Officer

AEROPLAN TRUST, by its attorney, Aeroplan Holding GP Inc.

By: *(signed) Rupert Duchesne*
Name: Rupert Duchesne
Title: President and Chief Executive Officer

By: *(signed) David L. Adams*
Name: David L. Adams
Title: Executive Vice President and Chief Financial Officer

AEROPLAN HOLDING GP INC.

By: *(signed) Rupert Duchesne*
Name: Rupert Duchesne
Title: President and Chief Executive Officer

By: *(signed) David L. Adams*
Name: David L. Adams
Title: Executive Vice President and Chief Financial Officer

AEROPLAN LIMITED PARTNERSHIP, by its sole general partner, Aeroplan Holding GP Inc.

By: *(signed) Rupert Duchesne*
Name: Rupert Duchesne
Title: President and Chief Executive Officer

By: *(signed) David L. Adams*
Name: David L. Adams
Title: Executive Vice President and Chief Financial Officer

4421671 CANADA INC.

By: *(signed) Rupert Duchesne*
Name: Rupert Duchesne
Title: President

By: *(signed) David L. Adams*
Name: David L. Adams
Title: Chief Financial Officer

<u>**EXHIBIT A**</u>

PLAN OF ARRANGEMENT

UNDER SECTION 192 OF THE

CANADA BUSINESS CORPORATIONS ACT

ARTICLE 1
INTERPRETATION

1.1 In this Plan of Arrangement, the following terms have the following meanings:

(a) "**Aeroplan GP**" means Aeroplan Holding GP Inc., a corporation incorporated under the CBCA to act as general partner of Aeroplan LP with exclusive authority to manage the business and affairs of Aeroplan LP, and an indirect wholly-owned Subsidiary of the Fund;

(b) "**Aeroplan LP**" means Aeroplan Limited Partnership, a limited partnership established under the laws of the Province of Québec;

(c) "**Arrangement**", "**herein**", "**hereof**", "**hereto**", "**hereunder**" and similar expressions mean and refer to the arrangement pursuant to Section 192 of the CBCA set forth in this Plan of Arrangement as supplemented, modified or amended, and not to any particular article, section or other portion hereof;

(d) "**Arrangement Agreement**" means the agreement dated as of May 8, 2008, among Groupe Aeroplan, the Fund, the Trust, Aeroplan GP, Aeroplan LP and Canco with respect to the Arrangement and all amendments thereto;

(e) "**Articles of Arrangement**" means the articles in respect of the Arrangement required under subsection 192(6) of the CBCA to be filed with the Director after the Final Order has been granted;

(f) "**Business Day**" means a day, other than a Saturday, Sunday or statutory holiday, when banks are generally open for business in the City of Montreal, in the Province of Quebec, for the transaction of banking business;

(g) "**Canco**" means 4421671 Canada Inc., a corporation incorporated under the CBCA and an indirect wholly-owned Subsidiary of the Fund;

(h) "**Canco Multiple Voting Shares**" means the multiple voting shares in the share capital of Canco, each such share entitling the holder thereof to a thousand votes;

(i) "**CBCA**" means the *Canada Business Corporations Act* R.S.C. 1985, c. C-44;

(j) "**Certificate**" means the certificate to be issued by the Director pursuant to subsection 192(7) of the CBCA giving effect to the Arrangement;

(k) "**Court**" means the Superior Court of Quebec;

(l) "**Depositary**" means CIBC Mellon Trust Company, or such other person as may be designated by the Fund and its officers and set out in the Letter of Transmittal;

(m) "**Director**" means the director appointed under Section 260 of the CBCA;

(n) "**Dissenting Unitholders**" means registered holders of Units who validly exercise the rights of dissent with respect to the Arrangement provided to them under the Plan of Arrangement and the Interim Order and whose dissent rights remain valid immediately before the Effective Time;

(o) "**Effective Date**" means the date the Arrangement is effective under the CBCA;

(p) "**Effective Time**" means 12:01 a.m. (Montreal time) on the Effective Date;

(q) "**Final Order**" means the final order of the Court approving this Arrangement as such order may be amended or varied at any time prior to the Effective Time or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or as amended on appeal;

(r) "**Fund**" means Aeroplan Income Fund;

(s) "**Fund Declaration of Trust**" means the declaration of trust dated May 12, 2005 and amended by an amended and restated declaration of trust dated June 21, 2005;

(t) "**GP Shares**" means the common shares in the share capital of Aeroplan GP;

(u) "**Groupe Aeroplan**" means Groupe Aeroplan Inc., a corporation incorporated under the CBCA and a wholly-owned Subsidiary of the Fund prior to the Effective Time;

(v) "**Groupe Aeroplan Shares**" means the common shares in the share capital of Groupe Aeroplan, which common shares will be issued to Unitholders in consideration for the transfer of their Units held as of the Effective Date to Groupe Aeroplan pursuant to the Arrangement;

(w) "**Holdco**" means a corporation to be incorporated under the CBCA as a wholly-owned Subsidiary of the Trust for the purposes of the Arrangement;

(x) "**Information Circular**" means the information circular of the Fund to be dated on or about May 16, 2008, together with all appendices thereto, forwarded as part of the proxy solicitation materials to Unitholders in respect of the Meeting;

(y) "**Interim Order**" means the interim order of the Court concerning the Arrangement containing declarations and directions with respect to the Arrangement and the holding of the Meeting, as such order may be amended by the Court;

(z) "**Letter of Transmittal**" means the letter of transmittal accompanying the Information Circular sent to the Unitholders pursuant to which Unitholders are required to deliver certificates representing Units to receive certificates representing Groupe Aeroplan Shares issuable to them pursuant to the Arrangement;

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

(bb) "**Meeting**" means the annual and special meeting of Unitholders to be held, among other things, to consider the Arrangement and related matters, and any adjournment thereof;

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

(dd) "**Plan of Arrangement**" means this plan of arrangement involving Groupe Aeroplan, the Fund, the Trust, Aeroplan GP, Aeroplan LP, Canco, Holdco and the Unitholders and any amendment or variation made in accordance with Section 6.1;

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

(ff) "**Trust**" means Aeroplan Trust;

(gg) "**Trust Indenture**" means the Note Indenture entered into by and between the Trust and CIBC Mellon Trust Company on June 29, 2005 as amended by a first supplemental indenture dated as of July 27, 2005;

(hh) "**Trust Notes**" means the notes bearing interest at the rate of 1% per annum issued pursuant to the Trust Indenture, all of which notes are currently held by the Fund;

(ii) "**Units**" means a unit of the Fund; and

(jj) "**Unitholders**" means holders from time to time of Units.

1.2 The division of this Plan of Arrangement into articles and sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Plan of Arrangement.

1.3 Unless reference is specifically made to some other document or instrument, all references herein to articles and sections are to articles and sections of this Plan of Arrangement.

1.4 Unless the context otherwise requires, words importing the singular number shall include the plural and vice versa; words importing any gender shall include all genders; and words importing persons shall include individuals, partnerships, associations, corporations, funds, unincorporated organizations, governments, regulatory authorities, and other entities.

1.5 In the event that the date on which any action is required to be taken hereunder by any of the parties is not a Business Day in the place where the action is required to be taken, such action shall be required to be taken on the next succeeding day which is a Business Day in such place.

1.6 References in this Plan of Arrangement to any statute or sections thereof shall include such statute as amended or substituted and any regulations promulgated thereunder from time to time in effect.

ARTICLE 2
ARRANGEMENT AGREEMENT

2.1 This Plan of Arrangement is made pursuant to, is subject to the provisions of, and forms part of, the Arrangement Agreement.

2.2 This Plan of Arrangement, upon the filing of the Articles of Arrangement and the issue of the Certificate, shall become effective on, and be binding on and after, the Effective Time on: (i) the Unitholders; (ii) Groupe Aeroplan (iii) the Fund; (iv) the Trust; (v) Aeroplan GP; (vi) Aeroplan LP; (vii) Canco and (viii) Holdco.

2.3 The Articles of Arrangement and the Certificate shall be filed and issued, respectively, with respect to this Arrangement in its entirety. The Certificate shall be conclusive evidence that the Arrangement has become effective and that each of the provisions of Article 3 has become effective in the sequence and at the times set out therein.

2.4 Other than as expressly provided for herein, no portion of this Plan of Arrangement shall take effect with respect to any party or Person until the Effective Time. Furthermore, each of the events listed in Article 3 shall be, without affecting the timing set out in Article 3, mutually conditional, such that no event described in said Article 3 may occur without all steps occurring, and those events shall effect the integrated transaction which constitutes the Arrangement.

ARTICLE 3
ARRANGEMENT

3.1 Commencing at the Effective Time, each of the events set out below shall occur and shall be deemed to occur in the following order, each occuring one minute apart, without any further act or formality except as otherwise provided herein:

Amendment to Fund Declaration of Trust

(a) the Fund Declaration of Trust shall be amended to the extent necessary to facilitate the Arrangement as provided herein;

Dissenting Unitholders

(b) the Units held by the Dissenting Unitholders shall be deemed to have been transferred to the Fund (free of any claims) and cancelled. Such Dissenting Unitholders shall cease to have any rights as Unitholders other than the right to be paid the fair value of their Units in accordance with Article 4;

Amendment to the Trust Indenture

(c) the Trust Indenture shall be amended in accordance with its terms in order to make the Trust Notes held by the Fund non-interest bearing;

Amendment to Share Capital of Canco

(d) the articles of Canco shall be amended to create a new class of shares, the Canco Multiple Voting Shares, of which an unlimited number may be issued by Canco;

Issuance of Canco Multiple Voting Shares to Aeroplan GP

(e) Canco shall issue 2,000,000 Canco Multiple Voting Shares to Aeroplan GP for an aggregate consideration of $1;

Transfer of GP Shares and LP Units

(f) the Trust shall transfer to Holdco all of its GP Shares and LP Units in consideration for the issuance of 1,000,000 common shares of Holdco;

Transfer of LP Units

(g) Holdco shall transfer to Aeroplan GP all but one of its LP Units in consideration for the issuance of 1,000,000 GP Shares;

Exchange of Units for Groupe Aeroplan Shares

(h) the Units held by the Unitholders (other than the Dissenting Unitholders) shall be transferred to Groupe Aeroplan in consideration for Groupe Aeroplan Shares on the basis of one Groupe Aeroplan Share for each Unit so transferred;

Cancellation of Common Shares of Groupe Aeroplan

(i) the 100 common shares of Groupe Aeroplan issued to the Fund in connection with the incorporation and organization of Groupe Aeroplan shall be purchased for cancellation by Groupe Aeroplan for a consideration of one dollar ($1) per common share, and shall be cancelled; and

Reduction of Stated Capital of Groupe Aeroplan

(j) the stated capital maintained in respect of the Groupe Aeroplan Shares shall be reduced by an amount of $1.5 billion.

3.2 Upon the exchange at the Effective Time of Units for Groupe Aeroplan Shares pursuant to Section 3.1(h)

(i) each former holder of Units (other than Dissenting Unitholders) shall cease to be the holder of the Units so exchanged and the name of each such holder shall be removed from the register of holders of Units;

(ii) each such holder of Units (other than Dissenting Unitholders) shall become the holder of the Groupe Aeroplan Shares exchanged for the Units held by such holder and shall be added to the register of holders of Groupe Aeroplan Shares in respect thereof; and

(iii) Groupe Aeroplan shall become the holder of the Units so exchanged and shall be added to the register of holders of Units in respect thereof.

ARTICLE 4
DISSENTING UNITHOLDERS

4.1 Each registered Unitholder shall have the right to dissent with respect to the Arrangement, as provided in Section 190 of the CBCA as though its Units were shares of a corporation governed by the CBCA, but as modified by the terms of this Plan of Arrangement and the Interim Order. A Dissenting Unitholder shall, at the Effective Time, cease to have any rights as a Unitholder and shall only be entitled to be paid the fair value of the Units by the Fund. A Dissenting Unitholder who is paid the fair value for its Units shall be deemed to have transferred its Units to the Fund at the Effective Time for cancellation, notwithstanding the provisions of Section 190 of the CBCA. A dissenting Unitholder who for any reason is not entitled to be paid the fair value for its Units shall be treated as if the holder had participated in the Arrangement on the same basis as a non-dissenting holder of Units notwithstanding the provisions of Section 190 of the CBCA. The fair value of the Units shall be determined as of the close of business on the last Business Day before the day on which the Arrangement is approved by the holders of Units at the Meeting; but in no event shall the Fund be required to recognize such Dissenting Unitholder as a Unitholder of the Fund after the Effective Time and the name of such holder shall be removed from the applicable register as at the Effective Time. For greater certainty, in addition to any other restrictions in Section 190 of the CBCA no person who has voted in favour of the Arrangement shall be entitled to dissent with respect to the Arrangement.

ARTICLE 5
OUTSTANDING CERTIFICATES

5.1 From and after the Effective Time, certificates formerly representing Units that were exchanged under Section 3.1 shall represent only the right to receive the consideration to which the holders are entitled under the Arrangement, or as to those held by Dissenting Unitholders, other than those Dissenting Unitholders deemed to have participated in the Arrangement pursuant to Section 4.1, to receive the fair value of the Units represented by such certificates.

5.2 Subject to the provisions of the Letter of Transmittal, Groupe Aeroplan shall, as soon as practicable following the later of the Effective Date and the date of deposit by a former holder of Units of a duly completed Letter of Transmittal and the certificates representing such Units, either:

(a) forward or cause to be forwarded by first class mail (postage prepaid) to such former holder at the address specified in the Letter of Transmittal; or

(b) if requested by such holder in the Letter of Transmittal, make available or cause to be made available at the Depositary for pickup by such holder,

certificates representing the number of Groupe Aeroplan Shares, issued to such holder under the Arrangement.

5.3 If any certificate which immediately prior to the Effective Time represented an interest in outstanding Units that were exchanged for Groupe Aeroplan Shares pursuant to Section 3.1 has been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such certificate to have been lost, stolen or destroyed, the Depositary will issue and deliver in exchange for such lost, stolen or destroyed certificate the consideration to which the holder is entitled pursuant to the Arrangement (and any dividends or distributions with respect thereto) as determined in accordance with the Arrangement. The person who is entitled to receive such consideration shall, as a condition precedent to the receipt thereof, give a bond to each of Groupe Aeroplan and the Fund and their respective transfer agents, which bond is in form and substance satisfactory to each of Groupe Aeroplan and the Fund and their respective transfer agents, or shall otherwise indemnify Groupe Aeroplan, and the Fund and their respective transfer agents against any claim that may be made against any of them with respect to the certificate alleged to have been lost, stolen or destroyed.

5.4 All dividends or other distributions if any made with respect to any Groupe Aeroplan Shares allotted and issued pursuant to this Arrangement but for which a certificate has not been issued shall be paid or delivered to the Depositary to be held by the Depositary in trust for the registered holder thereof. Subject to Section 5.5, the Depositary shall pay and deliver to any such registered holder, as soon as reasonably practicable after application therefor is made by the registered holder to the Depositary in such form as the Depositary may reasonably require, such dividends and distributions to which such holder, is entitled, net of applicable withholding and other taxes.

5.5 Any certificate formerly representing Units that is not deposited with all other documents as required by this Plan of Arrangement on or before the sixth anniversary of the Effective Date shall cease to represent a right or claim of any kind or nature including the right of the holder of such Units to receive Groupe Aeroplan Shares (and any dividend and distributions thereon). In such case, such Groupe Aeroplan Shares shall be returned to Groupe Aeroplan for cancellation.

ARTICLE 6
AMENDMENTS

6.1 Groupe Aeroplan, the Fund, the Trust, Aeroplan GP, Aeroplan LP and Canco may amend this Plan of Arrangement at any time, provided that each such amendment must be: (i) set out in writing; (ii) approved by the other parties; and (iii) filed with the Court.

6.2 Any amendment, modification or supplement to this Plan of Arrangement may be made prior to the Effective Time by Groupe Aeroplan, the Fund, the Trust, Aeroplan GP, Aeroplan LP and Canco (or, if following the Effective Time, Groupe Aeroplan) without the approval of the Court or the Unitholders, provided that it concerns a matter which, in the reasonable opinion of Groupe Aeroplan, the Fund, the Trust, Aeroplan GP, Aeroplan LP and Canco (or, if following the Effective Time, Groupe Aeroplan), is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement or is not adverse to the financial or economic interests of any former holder of Units.

6.3 Subject to Section 6.2, any amendment to this Plan of Arrangement may be proposed by Groupe Aeroplan, the Fund, the Trust, Aeroplan GP, Aeroplan LP and Canco at any time prior to or at the Meeting (provided that the other parties shall have consented thereto) with or without any other prior notice or communication to Unitholders, and if so proposed and accepted by the persons voting at the Meeting (other than as may be required under the Interim Order), shall become part of this Plan of Arrangement for all purposes.

6.4 Subject to Section 6.2, Groupe Aeroplan, the Fund, the Trust, Aeroplan GP, Aeroplan LP and Canco may amend, modify and/or supplement this Plan of Arrangement at any time and from time to time after the

Meeting and prior to the Effective Time with the approval of the Court and, if and as required by the Court, after communication to Unitholders.

ARTICLE 7
GENERAL

7.1 Further Assurances

Notwithstanding that the transactions and events set out herein shall occur and be deemed to occur in the order set out in this Plan of Arrangement without any further act or formality, each of the parties to the Arrangement Agreement shall make, do and execute, or cause to be made, done and executed, all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by any of them in order to further document or evidence any of the transactions or events set out herein.

7.2 Severability of Plan of Arrangement Provisions

If, prior to the Effective Date, any term or provision of this Plan of Arrangement is held by the Court to be invalid, void or unenforceable, the Court, at the request of any parties, shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of this Plan of Arrangement shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such holding, alteration or interpretation.

7.3 Governing Laws

This Plan of Arrangement shall be governed by and construed in accordance with the laws of the Province of Québec and the federal laws of Canada applicable therein. Any questions as to the interpretation or application of this Plan of Arrangement and all proceedings taken in connection with this Plan of Arrangement and its provisions shall be subject to the exclusive jurisdiction of the Court.