



**ALIMENTATION COUCHE-TARD INC.**

**ANNUAL INFORMATION FORM**

**Fiscal year ended April 27, 2008**

*July 15, 2008*

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As used in this annual information form, unless the context indicates otherwise: (i) “we”, “our” and “us”, the “Company” or “Couche-Tard” refer collectively to Alimentation Couche-Tard Inc. and, unless the context otherwise requires or indicates, its subsidiaries and (ii) “\$” or “dollars” refer to American dollars and “Cdn\$” or “Cdn dollars” refer to Canadian dollars.

## **FORWARD-LOOKING STATEMENTS**

We make “forward-looking statements” throughout this annual information form. Whenever you read a statement that is not simply a statement of historical fact (such as when we describe what we “believe”, “expect”, or “anticipate” will occur, what we “intend”, “plan” or “seek” to do or accomplish and other similar statements), you must remember that our expectations may not be correct or that we may not take such actions or accomplish such goals. We do not guarantee that the transactions and events described in this annual information form will happen as described (or that they will happen at all). You should read this annual information form completely and with the understanding that actual future results may be materially different from what we expect. Unless otherwise required by applicable securities laws, we will not update these forward-looking statements, even though our situation changes in the future.

Whether actual results will conform to our expectations and predictions is subject to a number of risks and uncertainties, including:

- difficulties in implementing our business strategy and technology;
- difficulties that may be encountered in the integration of the operations of acquired companies as well as the effects of such acquisitions;
- changes in wholesale and retail motor fuel pricing;
- changes in the regulation or taxation of cigarettes or alcohol;
- difficulties in retaining key members of our management team;
- changes in the financial markets affecting our financial structure and our cost of capital and borrowed money;
- compliance with and changes in environmental regulations;
- our level of debt;
- general economic conditions;
- changes in operating expenses or the need for additional capital expenditures; and
- changes in pricing policies by our competitors or us.

Reference is made to “Risk Factors” herein below.

## THE COMPANY

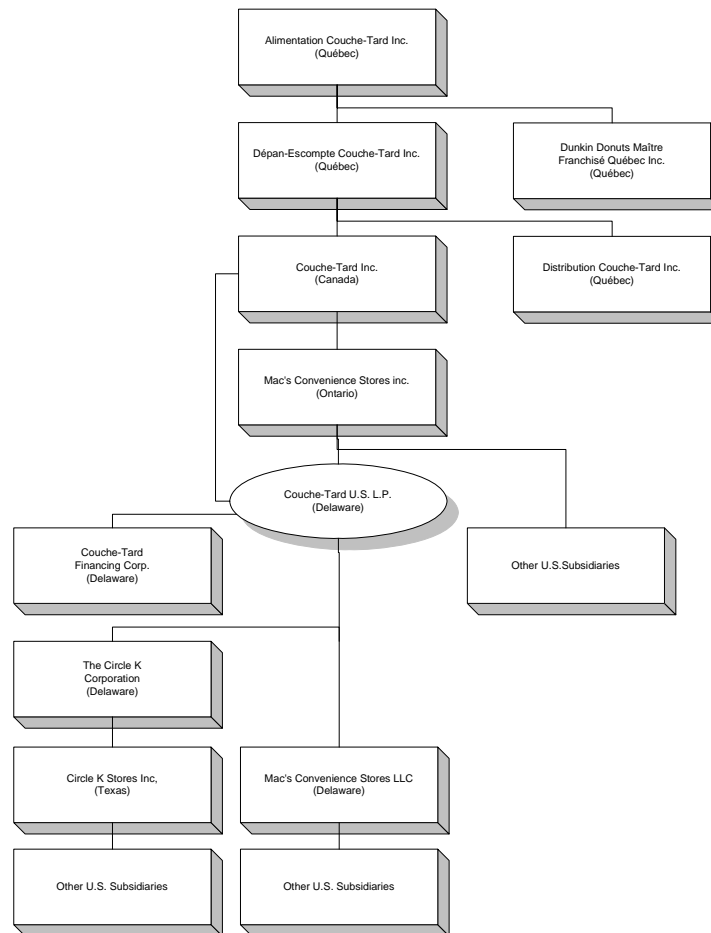
### *Name and Incorporation*

The Company was incorporated under Part IA of the *Companies Act* (Québec) by certificate of amalgamation dated May 1, 1988. On December 15, 1994, the Company changed its corporate name from “Actidev Inc.” to “Alimentation Couche-Tard Inc.” the Company’s share capital was also changed at that time so that it consists of an unlimited number of first preferred shares, an unlimited number of second preferred shares, an unlimited number of multiple voting shares and an unlimited number of subordinate voting shares. By certificate of amendment dated September 8, 1995, the Company re-designated the multiple voting shares as Class A multiple voting shares (the “Multiple Voting Shares”) and the subordinate voting shares as Class B subordinate voting shares (the “Subordinate Voting Shares”). The Company’s shares trade on the Toronto Stock Exchange and, as of April 27, 2008, the Company had a total market capitalization of approximately Cdn\$ 3 billion.

The head office of the Company is located at 1600 St-Martin Blvd. East, Tower B, Suite 200, Laval, Québec H7G 4S7.

### *Intercorporate Relationships*

The following chart illustrates the corporate organization of the Company and its principal subsidiaries, all of which are 100% owned.



## GENERAL DEVELOPMENT OF THE BUSINESS

### *Overview*

We are the leader in the Canadian convenience store industry. We are the second largest convenience store operator in North America (whether integrated or not with a petroleum company) in terms of number of stores. As at April 27, 2008, our network consisted of 5,119 convenience stores, 3,273 of which include motor fuel dispensing, located in 11 large geographic markets, including three in Canada and eight in the United States, which cover 29 American states.

We sell food and beverage items, motor fuel and other products and services targeted to meet our customers' demand for convenience and quality in a clean and welcoming environment. We believe that our business model has differentiated Couche-Tard from its competition through its decentralized management structure, commitment to operational expertise, focus on in-store merchandise, particularly the higher growth and higher margin foodservice category, and continued investment in store modernization and technology.

The convenience store industry is fragmented. Industry consolidation by highly leveraged operators in the 1990's, combined with competition and fluctuations in motor fuel margins, has led to numerous corporate restructurings and rationalizations in recent years. As a result, we believe the opportunity exists for established participants with good financial position to grow through mergers and acquisitions.

### *History*

Alain Bouchard, the Chairman, President and Chief Executive Officer of Alimentation Couche-Tard Inc., started the chain with just one store in 1980. In 1986, with a network of 34 stores, a predecessor of Couche-Tard completed an initial public offering and listed its shares on the Montréal Exchange. In 1994, the predecessor company was privatized by its majority shareholder, Actidev Inc., a publicly held company. Later that year, Actidev Inc. changed its corporate name to "Alimentation Couche-Tard Inc."

After establishing a leading position in Québec, Couche-Tard expanded through internal growth and acquisitions in Ontario and Western Canada in 1997. In May 1997, Couche-Tard acquired 245 *Provi-Soir* stores in Québec and 50 *Wink's* stores in Ontario and Western Canada from Provigo Inc. In April 1999, Couche-Tard acquired 980 stores in Ontario and Western Canada operating under the *Mac's*, *Mike's Mart* and *Becker's* banners through the acquisition of Silcorp Limited, a publicly-held company. Beginning in 2001, Couche-Tard began making acquisitions in the United States namely in June 2001, whereby it acquired 172 stores under the *Bigfoot* banner located in Indiana, Illinois and Kentucky. In August 2002, Couche-Tard acquired 287 stores under the *Dairy Mart* banner located in these states and other located in Pennsylvania and Michigan. In December 2003, Couche-Tard acquired from Circle K 1,663 stores located in 16 states in addition to the 627 franchised stores and under licence. During the last fiscal years, the Company closed numerous acquisitions allowing it to reinforce its presence in current markets and entering new ones.

### *Highlights of Last Three Fiscal Years*

#### **Fiscal 2008**

In March 2008 the Company acquired from Speedway Superamerica, LLC, 15 company-operated stores operating under the Speedway banner and located in central Illinois, United States. Pursuant to this transaction, the Company bought the land and buildings of 14 on 15 sites.

In December 2007 the Company concluded a sale and leaseback transaction with Cole Credit Property Trust II, Inc. relating to 83 properties in different states for a total amount of \$ 131.4 million.

## **Fiscal 2007**

In April 2007, the Company acquired from Star Fuel Marts, LLC, 53 company-operated stores operating under the All Star banner in Oklahoma City, Oklahoma, United States. Forty-two of the 53 stores are operated under operating leases.

In February 2007, the Company acquired from Richcor, Inc., 13 company-operated stores operating under the Groovin Noovin banner in the city of Pensacola, Florida, United States. Pursuant to this transaction, the Company bought the land and buildings of 13 sites.

In December 2006, the Company purchased a network of 236 stores from Shell Oil Products US and its affiliate, Motiva Enterprises LLC. The majority of the stores acquired are operated under the Shell banner in the regions of Baton Rouge, Denver, Memphis, Orlando, Tampa and in the Southwest Florida, United States. Of the 236 stores, 174 are company-operated, 50 are operated by independent store operators and 12 have a motor fuel supply agreement.

In October 2006, the Company purchased, from Sparky's Oil Company, 24 company-operated stores operating under the Sparky's banner in the West Central Florida, United States.

Also in October 2006, the Company acquired from Holland Oil Company 56 company-operated stores operating under the Holland Oil and Close to Home banners in Ohio, United States.

In August 2006, the Company purchased of a network of 24 stores operating under the Stop-n-Save banner in the Monroe area of Louisiana, United States from Moore Oil Company LLC. Of these 24 stores, 11 are operated by the Company and 13 are operated by independent store operators.

In June 2006, the Company acquired from Spectrum Stores, Inc. and Spectrum Holding, Inc., 90 company-operated stores, the majority of which are operated under the Spectrum banner in the States of Alabama and Georgia in the United States.

## **Fiscal 2006**

In April 2006, the Company announced that it had signed an agreement with Spectrum Holding, Inc. to purchase 90 stores with motor fuel facilities located in major markets throughout the States of Georgia and Alabama. As indicated, the transaction closed at the beginning of June 2006. Thirty-five locations have drive-through car washes and 13 quick-service restaurants. Pursuant to this agreement, the Company bought the land and buildings for 58 of these locations, five fee/lease properties, with the remaining sites under long term leases.

In April 2006, the Company acquired six stores in the Tallahassee region of Florida from Capcirc Properties, LLC. Pursuant to this transaction, the Company bought the land and buildings for five locations, and leases the other one.

In March 2006, the Company acquired from Shell Oil Products US 40 stores with motor fuel facilities and assumed an additional 13 fuel supply contracts in Indianapolis, Indiana, U.S. Pursuant to this agreement, the Company bought the land and buildings for 29 convenience stores, bought the land and leases the premises for one and leases the other ten.

In December 2005, the Company withheld from renewing the Taiwan license which is comprised of 800 franchised stores owned and operated by the Taiwanese licensee under the Circle K banner within the Taiwan territory.

In December 2005, the Company acquired from BP Products North America, Inc. 26 stores with motor fuel facilities located in the Memphis region of Tennessee, United States. Pursuant to this transaction, the Company bought the land and buildings for 22 locations, leases two and the other two are owned and operated by existing dealers.

In December 2005, the Company signed an agreement with ConocoPhillips Company which resulted in the conversion of an additional 75 convenience stores of ConocoPhillips' network, located in the Western half of the U.S., to the Circle K banner.

In December 2005, the Company acquired from Conway Oil Company and Conway Real Estate Company 16 stores with motor fuel. Most of them are located in and around Albuquerque, New Mexico, and ten offer car wash facilities. Pursuant to this transaction, the Company bought the land and buildings for ten locations, and leases the other six.

In November 2005, the Company acquired from Ports Petroleum Co. seven stores, all with motor fuel facilities located in Ohio, United States. Most of these stores are located around Cleveland, Ohio. Pursuant to this transaction, the Company bought the land and buildings for six locations, and leases the other one.

In August 2005, the Company granted a master franchise agreement for Mexico for the Circle K Brand to a subsidiary of Grupo Kaltex, S.A. de C.V. providing for the opening of 250 stores within the next five years.

## **BUSINESS**

### ***Business Strengths***

*Leading Market Position.* We have a network of 5,119 convenience stores which makes us the second largest convenience store operator in North America (whether integrated or not with a petroleum company) in terms of number of stores. We believe our well-recognized banners, including *Couche-Tard*, *Mac's* and *Circle K* have an established reputation for convenience and excellence in product selection and value that helps to differentiate our stores from those of our competitors. We believe that the geographic diversity of our network throughout the United States and Canada reduces our exposure to adverse local and/or regional market conditions, including fluctuations in motor fuel prices. With more than \$15 billion in revenues in fiscal 2008 and 28 years of convenience store operations, we believe our size and experience have enabled us to develop operating efficiencies that provide us with a competitive advantage, particularly with respect to merchandising and purchasing.

*Well-Located and Modernized Store Base.* We believe that we have high-quality stores in strategic locations. We believe that focusing on developing networks of stores in the geographic areas in which we operate enables us to study those markets and refine our location strategy. We selectively choose our store sites to maximize our store traffic and visibility and we effectively manage the closure of under-performing stores.

We have made substantial investments in our *Couche-Tard* stores through our IMPACT program (i.e. Innovation-Marketing-People-Alimentation-Couche-Tard). *Couche-Tard* has implemented the IMPACT program in over 2,500 of its company-operated stores, which represent approximately 61% of our company-operated stores. Currently, almost all of *Couche-Tard's* company-operated stores use scanning technology.

*Differentiated Business Model.* We believe that our business model has positively differentiated *Couche-Tard* from its competitors. The principal elements of this business model are as follows:

*Decentralized Management Structure.* We believe that our culture is entrepreneurial and that *Couche-Tard's* management structure is one of our most important business strengths. *Couche-Tard* manages its operations and workforce in a decentralized manner in order to expedite decision making, to address local demand for specific products and services, and to minimize corporate overhead costs. Each store is operated as a distinct business unit and store managers are responsible for meeting financial and operational targets. We support our store managers with a strong, experienced management team and capital resources, which we believe provide our managers with a significant competitive advantage compared to smaller operators. In addition, we implement a rigorous performance measurement or "benchmarking" process to ensure that best practices are deployed across our network and to allow us to provide timely and effective feedback to our managers at all levels.

*Commitment to Operational Expertise.* We have developed substantial operational expertise that enables us to efficiently match our product assortment with our customers' preferences. We employ this expertise throughout our product delivery chain, from the selection of store locations to the development of store designs, the supply and distribution of products, the merchandising and marketing, and ultimately to the sale of products to our customers. This delivery chain is supported by our experienced and well-trained store and management personnel who are focused on optimizing store performance and maximizing our customers' satisfaction. In addition, each stage of our operations is supported by the use of technology that enables us to perform an in-depth analysis of our inventory purchases and sales. We use this information to continue to refine our purchasing operations and to work with our suppliers to tailor our merchandising and customize our shelf space to increase sales volume. As a result, we believe we are able to secure more favourable purchasing terms from our suppliers.

*Focus on In-store Merchandise.* We have been able to focus on growing and developing our in-store merchandise sales, which generate higher margins than motor fuel sales because, unlike many of our competitors, we are not owned by a major oil company. In particular, Couche-Tard has focused on growing its higher margin fresh food business to further improve profit margins and differentiate its stores from those of its competitors.

*Experienced and Incentivized Management Team with a Proven Track Record.* Our senior executive management team has worked together for more than 20 years and has developed extensive expertise in operating convenience stores. As of April 27, 2008, our senior executive management team collectively owned approximately 20% of Alimentation Couche-Tard Inc.'s stock and controlled approximately 55% of the voting rights of all outstanding shares. Furthermore, our eleven operational vice-presidents have an average of approximately 18 years of industry experience. Many of our management personnel at all levels have progressed into management positions after working with us for many years at different levels of the organization, while others have joined us in connection with acquisitions and have brought us additional expertise. Since 1997, Couche-Tard has completed many acquisitions, and management's ability to integrate stores into our existing network has been an important factor in our success. In addition, our management has transitioned Couche-Tard from a local Québec company to a leading convenience store operator in Canada and the United States.

### ***Business Strategy***

We plan to continue growing our business and improving our financial performance by implementing our business strategy, the key elements of which include:

*Drive Internal Sales Growth and Profitability.* We use our branding strategy, innovative store concepts and foodservice offerings to enhance customer loyalty and return shopping, and to grow same-store sales by promoting the consumption of high-margin products and tailoring our product and service offerings to meet local tastes.

*In-Store Branding.* We use in-store branding strategies, including proprietary and national brands, to differentiate our fresh food offerings from other convenience stores, build customer loyalty and promote return shopping. At the core of this offering is a quality assortment of freshly brewed coffee, frozen/iced beverages, fresh sandwiches and other fresh food items that are marketed under our proprietary brands. Our *La Maisonnée* and *TakeAwayCafé* branded fresh sandwiches and breakfast selections, and *Sunshine Joe Coffee Co.*, *Ajava Cafe*, *Sloche*, *Froster* and *Thirst Buster* brands of beverages are examples of successful proprietary branded items that we have added to our growing selection of fresh products. In addition, we continue to build on existing partnerships with recognized coffee franchises and national brand names such as *Van Houtte* and *Seattle's Best*.

*IMPACT Program.* We plan to continue to use Couche-Tard's IMPACT program to grow same-store sales and drive purchases of higher margin products and services. We believe that the implementation of our IMPACT program has favourably impacted the revenues and profit margins of reconfigured stores.

*Quick Service Restaurants (“QSR”).* These QSRs, which may be known brands or Couche-Tard’s proprietary brands, are designed to increase customer traffic and profit margins by offering customers fresh products and encouraging them to spend more time in the store. Couche-Tard operates these QSRs within the Couche-Tard, Mac’s and Circle K stores as a franchisee and is responsible for the daily operations when operating third party franchises.

*Invest in Store Modernization and Information Systems.* We intend to continue investing in the modernization of our store base and the enhancement of our technology and information systems at all levels throughout our store network and in our distribution centres. We analyze our investment opportunities based on their potential growth, profitability and rate of return on capital. We believe that our access to both internal and external sources of capital allows us to make investments that provide us with a competitive advantage in a highly-fragmented industry.

We have made significant investments in technology because we believe that the information generated from such systems is critical to the operation of our business. By analyzing the data generated by our point-of-sale (“POS”) systems, we are better able to adjust our product and service mix to meet local demands, eliminate slow-moving inventory items, and optimize our purchasing activities.

*Leverage Supplier Relationships.* We seek to develop and maintain strong relationships with our merchandise and motor fuel suppliers. As the largest convenience store operator in Canada and second largest overall convenience store operator in North America, we represent an attractive distribution channel to suppliers due to our scale, broad geographic presence and our proven ability to grow merchandise and motor fuel sales. We use the inventory information from our POS systems to work with our suppliers to provide mutually agreeable merchandising and exclusivity arrangements, which we believe allows us to secure more favourable purchasing terms. Moreover, we believe the strength of Couche-Tard, Mac’s and Circle K’s network will lead to additional volume purchasing benefits.

*Selectively Expand Our Store Network.* We plan to continue to expand our store network through new store development and selective acquisitions. In particular, we intend to focus our resources on identifying “fill-in” opportunities comprised of individual stores or small chains within our existing markets that will complement our current operations. These “fill-in” acquisitions allow us to focus our management efforts on the regions in which we operate and to realize regional economies of scale. When we make an acquisition, we apply our business model to the acquired stores and typically integrate such stores into our operational and information systems.

## ***Industry***

The convenience store industry is undergoing significant structural changes, including increased competition from new market entrants such as drug stores, warehouse clubs, large supermarkets and other mass retailers (commonly known as hypermarkets) which have added convenience store staple products such as bread, milk and packaged beverages to their product mix. In addition, an increasing number of hypermarkets are selling motor fuel at low prices in an attempt to establish themselves as a one-stop shopping location and to increase customer trip frequency and traffic at their stores. See “Competition”.

In response to heightened competition in the industry, convenience stores are extending their range of traditional products and services to include calling cards, financial services, photo developing, QSRs and other products and services. In addition to being conveniently located and open for extended hours, convenience stores now cater to customers with busy schedules who expect to find a wide assortment of items in stock and to have many available payment options. Convenience stores are also catering to time-pressed consumers looking for “grab-and-go” items by offering fresh food and baked goods prepared on-site. As a result, those convenience store operators with superior merchandising, distribution expertise and capital can overcome the challenges resulting from rising operating costs and increased customer demands.

## Store Network

Couche-Tard is the largest Canadian convenience store operator with a network of 1,976 convenience stores in Canada and has a significant presence in the United States with an additional 3,143 stores. Of the 5,119 Couche-Tard stores, 4,068 are company-operated and 1,051 are operated under our affiliate program. Motor fuel is sold at 69% of Couche-Tard's company-operated stores. Couche-Tard's Canadian stores are located in Québec, Ontario, Alberta, British Columbia, Manitoba and Saskatchewan, and its U.S. stores are located in 29 U.S. states, including namely Ohio, Indiana, Kentucky, Illinois, Arizona, Florida, California, Louisiana, Georgia, Colorado, North Carolina and New Mexico. The Couche-Tard stores are primarily operated under the *Couche-Tard* and *Mac's* brand in Canada and the *Circle K* brand in the United States.

Couche-Tard's stores, which are located in a variety of high-traffic areas, include freestanding stores and stores located in strip shopping centres. Couche-Tard's stores in Canada and in the U.S. are designed to appeal to customers in their local markets, rather than conforming to a single standard format. The Circle K stores' simple and consistent design makes them easily recognizable. The majority of the stores are open seven days a week, 24 hours a day, with peak customer traffic in the early morning and late afternoon. The size of the typical Couche-Tard store is between 2,000 and 2,500 square feet, while newly-developed stores are typically approximately 3,000 square feet, to accommodate in-store seating and, in certain cases, QSRs.

The following table sets out the number of Couche-Tard's stores in operation by geographic location and type of store as of April 27, 2008.

Region	Provinces/States	Total Number of Stores	Total Company-Operated Stores	Total Affiliates	Percentage of Total Stores
Eastern Canada	Québec	886	556	330	17.31%
Central Canada	Ontario	800	590	210	15.63%
Western Canada	British Columbia, Alberta, Saskatchewan, Manitoba	290	290	-	5.66%
U.S. Midwest	Ohio, Indiana, Kentucky, Illinois, Michigan	395	340	55	7.72%
U.S. Great Lakes	Indiana, Kentucky, Michigan, Ohio, Pennsylvania	307	307	-	6.00%
U.S. West Coast	Arizona, New Mexico, Western Texas, Washington, Oregon, California, Hawaii, Kansas, Missouri	649	286	363	12.68%
U.S. Arizona Region	Nevada, Arizona, Colorado, Oklahoma, Utah, Ohio	764	679	85	14.92%
U.S. Southeast	Tennessee, Northern Mississippi, Georgia, North Carolina, South Carolina, Alabama	362	354	8	7.07%
U.S. Florida and Gulf Coast	Florida, Alabama, Arkansas, Louisiana, Southern Mississippi, Eastern Texas	666	666	-	13.01%
Total		5,119	4,068	1,051	100 %

Couche-Tard conducts its convenience store business through two main types of arrangements, as set out below.

*Company-Operated Stores.* Couche-Tard has 4,068 company-operated stores in its network, 3,399 of which are employee-operated and 669 of which are dealer-operated. All of the stores in Québec and the United States are employee-operated. For employee-operated stores, Couche-Tard is responsible for store operations, owns the equipment, systems and inventory and employs salaried and part-time staff. For dealer-operated stores, Couche-Tard owns the equipment, inventory and systems and the independent store operator employs the staff, agrees to operate according to Couche-Tard's standards and is paid a commission based primarily on store revenues to manage the store. The dealer-operator is also fully responsible for losses related to any inventory shrinkage.

*Affiliated Store Program.* Couche-Tard's affiliated store program includes franchise arrangements and license arrangements.

- a) Franchised Stores. Couche-Tard has 566 franchised stores in Canada and the United States. Franchised stores are operated by independent store operators who have entered into a franchise agreement, which typically provides for an upfront franchise fee and/or royalties based primarily on sales to be paid to Couche-Tard.

These stores operate under Couche-Tard’s banners. The franchisee is responsible for managing the store, hiring and managing the staff and maintaining inventory through supply agreements with authorized suppliers. In most cases, Couche-Tard either leases or subleases the real estate to the franchisee and, in many locations, Couche-Tard owns the in-store equipment and motor fuel equipment.

- b) Licensed Stores. Couche-Tard has 485 stores operated under license agreements in Canada and the United States that are owned and operated by independent store operators. The licensee typically owns or leases the real property from third parties and owns all other assets related to the business. The licensee enters into a license agreement with Couche-Tard to use one of Couche-Tard’s proprietary banners and agrees to buy merchandise from certain suppliers in order to benefit from certain vendor rebates based on Couche-Tard’s purchasing volume. Couche-Tard’s revenues from licensed stores includes license fees and a portion of the vendor rebates related to the licensee’s purchases that are paid to Couche-Tard.

Internationally, Couche-Tard through Circle K has license agreements for the operation and development of stores in Japan, Hong Kong, China, Vietnam, Indonesia, Guam, Macao and Mexico. The terms of these agreements vary, as do the royalty rates.

**Merchandise Operations**

Couche-Tard offers its customers more than 3,200 product stock keeping units (“SKUs”) that include traditional convenience store items such as frozen beverages, candy and snacks, coffee, dairy items, beer/wine and tobacco products, as well as products not traditionally offered by convenience stores such as fresh food and foodservice items. In addition, services such as automatic teller machines and lottery ticket sales are featured in many stores. Couche-Tard is continually looking for new product ideas, such as cell phones and prepaid phone cards, to offer to its customers to meet their convenience needs. Couche-Tard evaluates store product assortment on an ongoing basis to ensure that low turnover products are replaced by top selling items in order to maximize selling space and ensure that high demand items are available to the consumer.

Couche-Tard employs category management as a merchandising tool and assigns internal “category managers” for its top selling products in each region. These category managers are experts on the products within their responsibilities, and they use their in-depth knowledge of the product’s sales trends, regional preferences, popularity and producers in deciding which items to stock in a particular geographical region.

Based on merchandise purchase and sales information, Couche-Tard estimates category revenues as a percentage of total in-store merchandise sales for the last fiscal year as follows:

Category	Percentage of Total
Tobacco Products.....	40.57
Beer/Wine/Liquor.....	15.52
Grocery.....	11.54
Beverages.....	13.85
Food Service.....	9.08
Candy/Snacks.....	9.44
Total In-Store Merchandise Sales.....	100%

In order to grow its merchandise sales and increase profits, Couche-Tard focuses primarily on developing its banners and house-brands, growing and refining its IMPACT program and expanding its QSRs business.

*Branding.* Couche-Tard operates its stores under mainly the brands *Couche-Tard, Mac’s, Circle K, 7-jours, Dairy Mart, Daisy Mart* and *Winks*. Couche-Tard’s brand strategy employs both proprietary and national brands for brewed coffee, frozen/iced beverages, fresh sandwiches and other fresh food items. *La Maisonée* and *TakeAwayCafé* branded fresh sandwiches and breakfast selections, as well as *Sloche, Froster, Joker* drinks, *Sunshine Joe Coffee Co.* and *Ajava*

*Cafe* are examples of successful proprietary branded items that Couche-Tard has added to its growing selection of fresh products. Couche-Tard also continues to build on existing partnerships with recognized coffee franchises and brand names such as *Van Houtte* and *Seattle's Best Coffee* names.

**IMPACT Program.** In 1998, Couche-Tard launched its Store 2000 Concept, now identified as IMPACT. The program has been implemented in about 2,500, or approximately 61%, of its company-operated stores. Under the IMPACT program, the selection of products and services is designed to create an in-store perception of freshness to appeal to consumers and promote increased sales of higher-margin products. Each selected location is adapted to the needs of the socio-economic and cultural character of the community with the assistance of a multi-disciplinary team comprising marketing, merchandising, real estate service, interior design and operations specialists. A full-scale IMPACT program implementation typically includes an expanded foodservice operation, and may include a QSR. Couche-Tard uses a scaled-down version of the concept in markets that cannot support a full-scale conversion. These foodservice programs are a very important part of the IMPACT program. Management believes that there is an opportunity to increase gross margins through the expansion of this concept.

**Quick Service Restaurants.** In order to differentiate its company-operated stores and to increase customer traffic and profit margins, Couche-Tard is focusing on the expansion of its foodservice program and has entered into franchise agreements with quick service restaurants including *Subway*, *Dunkin' Donuts*, *M&M Meat Shops*, *Noble Roman's*, *Quiznos*, *Blimpie* and other local brands. Couche-Tard runs the branded foodservice operation as a franchisee and pays royalties, rather than renting out space to foodservice operators for a fixed dollar fee. While this approach prevents Couche-Tard from partnering with certain companies, it allows Couche-Tard to benefit from increased popularity of these products and Couche-Tard believes that this approach enables it to generate higher margin and returns, as well as to ensure quality of service.

### ***Fuel Operations***

Prior to Couche-Tard's entry into the U.S. market, approximately 70% of total revenues were generated from merchandise and service revenues and 30% from motor fuel sales. The mix has been altered since the acquisition of namely Bigfoot, Dairy Mart and Circle K, as these companies had a greater reliance on motor fuel sales than Couche-Tard. In fiscal 2008, Couche-Tard's motor fuel sales in Canada represented about 43% of its Canadian revenues compared to approximately 72% of revenues for its U.S. stores.

Generally, Couche-Tard's company-operated stores sell both branded and unbranded motor fuel by purchasing the motor fuel and reselling it at a profit. In addition, Couche-Tard earns a commission for supplying unbranded motor fuel on a consignment basis to company-operated stores in respect of which it does not own the pumps or storage tanks. Couche-Tard also acts as agent in the sale of motor fuel to some of its franchise stores and receives a commission. At select locations in the United States only, Couche-Tard sells motor fuel to independent store operators for cost plus a mark-up. Except for sales made on a commission basis for which only the commission is recorded as motor fuel revenues, Couche-Tard includes the full value of such sales in its motor fuel revenues.

The wholesale price in Couche-Tard's supply agreements with major oil companies is typically set by the oil company supplying the motor fuel. Generally, Couche-Tard obtains the fuel at a price referred to as the "rack to retail price" and sets the retail price.

Couche-Tard sells motor fuel either under its own brands, including *Couche-Tard* and *Mac's* in Canada and *Circle K* in the United States, or under the name of major oil companies such as *Shell*, *76*, *BP*, *Marathon*, *Conoco*, *Irving*, *Esso*, *Petro-Canada* and *Ultramar*.

## ***Distribution and Suppliers***

*Merchandise Distribution and Supply Arrangements.* Couche-Tard has established national and regional distribution and supply networks for its in-store merchandise in Canada and the United States. With the exception of Eastern Canada where Couche-Tard operates its own distribution centre and Arizona where its distribution centre is operated by a third party, in-store merchandise is supplied to Couche-Tard stores either through distribution specialists or directly by manufacturers. Couche-Tard has arrangements with major tobacco manufacturers and other major suppliers for direct distribution to its stores. Couche-Tard has also negotiated supply agreements with regional suppliers, to the extent required, to meet the needs of each market and to adapt its product mix to local consumer preferences.

Couche-Tard uses Core-Mark International Inc. as its exclusive supplier for the majority of its in-store merchandise to its Western and Central Canada stores. In Eastern Canada, Couche-Tard operates its own distribution centre in Laval, Québec through which most deliveries to Couche-Tard's Québec stores are channelled, with the remainder of supplies being delivered directly to the stores by the manufacturers. The distribution centre was established to allow Couche-Tard to provide integrated, high-quality services to the 556 Couche-Tard stores dispersed throughout the province. The distribution centre has enabled Couche-Tard to increase the frequency of its delivery of dairy products and fresh and frozen foods from once to at least twice a week.

Circle K has a distribution centre in Arizona which is managed by Core-Mark International Inc. pursuant to a contract for a fee. The distribution centre serves 576 Circle K stores. The distribution centre allows Circle K to utilize its buying power for warehouse-delivered items plus proprietary beverages, Liquor, limited beer products, certain dairy, bakery, sandwiches, ice cream and snack items through vendor consolidation with the Arizona distribution centre.

Two types of suppliers provide merchandise to Circle K stores. Direct store delivery suppliers generally supply items such as beer, soft drinks, snack items, newspapers, milk and bread, while warehouse suppliers provide cigarettes, fountain cups, groceries, health and beauty aids, and candy to the Circle K stores in all areas outside of Arizona. Circle K also uses Core-Mark as a warehouse supplier to distribute merchandise to the majority of its stores west of the Mississippi and to provide management services to the Circle K distribution centre located in Arizona. Circle K uses McLane Company, Inc. to distribute merchandise to the majority of its stores east of the Mississippi.

*Motor Fuel Supply Arrangements.* Couche-Tard purchases the motor fuel it sells under its brand name directly from oil refineries. It also purchases branded motor fuel from a number of major oil companies and sells such motor fuel under the oil company's name. Typically, the motor fuel sold in Canada under Couche-Tard's brand is supplied in accordance with motor fuel supply contracts. Generally, both of these types of contracts are entered into with major oil companies and are based on a scaling or commission per litre (or gallon) sold, both of which are directly correlated to the quantity of fuel sold.

## ***Properties***

Of the 4,068 company-operated stores, 2,980 are leased and 1,088 are owned by Couche-Tard, while the remaining 1,051 stores are either leased or owned by affiliates and franchisees. Most of the owned properties are located in Québec. Couche-Tard believes that none of the leases is individually material to it. Most of the leases are net leases requiring Couche-Tard to pay taxes, insurance and maintenance costs. Generally our real estate leases in Canada are for primary terms of five to ten years and in the United States, they are for 10 to 20 years, in both cases, with options to renew. Under certain of the store leases, we are subject to additional rentals based on store revenues as well as escalations in the minimum future lease amount.

Couche-Tard leases its corporate headquarters in Laval, Québec. Management believes that Couche-Tard's headquarters are adequate for its present and foreseeable needs. In addition, Couche-Tard has nine regional offices located in Toronto, Ontario, Calgary, Alberta, Columbus, Indiana, Charlotte, North Carolina, Tampa and Pensacola, Florida, Corona, California, Tempe, Arizona and Akron, Ohio, all of which are leased. The distribution centre in Laval, Québec and the one in Tolleson, Arizona are also leased.

### ***Information Systems***

Couche-Tard uses the information obtained from its point of sales (“POS”) systems to manage its product mix at the store level. The periodic reports generated from the data collected using POS scanners allows the store operators to identify slow-moving inventory, track customer preferences, optimize product assortment and effectively adapt the store to the needs of community. Couche-Tard uses POS technology, including scanning, in all of its Company-operated stores. During fiscal 2007, Couche-Tard completed the implementation of new POS systems including the selective installation of touch screens in its Mac’s stores and continues to implement pay-at-the-pump systems for motor fuel distribution at certain company-owned stores in all of its regions. This technology maximizes convenience for customers while allowing Couche-Tard to collect information on consumer habits to better implement its merchandising strategy. In fiscal 2003, Couche-Tard established a data warehouse for all of its Canadian divisions and is developing a wide area network, or WAN, which will allow it to implement a perpetual inventory and in-store assisted ordering system. The system, which is in use primarily in Québec, is designed to optimize the store supply process.

### ***Employees and Training***

As at April 27, 2008, Couche-Tard had more than 45,000 employees throughout its company-operated stores, administrative offices, distribution centre and affiliated stores.

Couche-Tard is organized in nine divisions based on geography: Eastern Canada (Québec), Central Canada (Ontario), Western Canada, the U.S. Midwest, the U.S. West Coast, Arizona, the U.S. Southeast, the U.S. Southwest, Florida, Gulf Coast and the U.S. Great Lakes, each managed by a Vice-President of Operations. Each Vice-President is typically responsible for up to 600 stores. Each store is operated as a separate business unit and store managers are required to meet specific performance objectives. Store manager’s report to market managers who are typically responsible for eight to ten stores. Market managers report to regional directors who typically oversee 60 to 70 stores. Finally, regional directors are accountable to the division vice-presidents. Couche-Tard’s decentralized structure allows most store-specific decisions to be made locally, rather than centrally, which expedites the decision-making process.

Couche-Tard typically spends between 2 % and 4 % of total annual compensation in the network on the training of its employees.

### ***Trade Names, Service Marks and Trademarks***

Couche-Tard has registered or applied for registration of a variety of trade names, service marks and trademarks for use in its business, which Couche-Tard regards as having significant value and as being important factors in the marketing of the Company and its convenience stores. Couche-Tard operates its corporate stores under mainly the brands *Couche-Tard*, *Mac’s*, *Circle K*, *7-jours*, *Dairy Mart*, *Daisy Mart* and *Winks*. Couche-Tard sells its proprietary branded food items such as *La Maisonnée* and *TakeAwayCafé* fresh sandwiches and breakfast selections, as well as *Sloche* and *Froster* brands of iced beverages. Circle K store brands include *Circle K*, *K Express*, *Thirst Buster*, *Polar Pop* and *Freshest Coffee Going!*. Service brands include: *Circlek.com*. Tag lines include “*What else do you need*” and “*I love this place*”. Couche-Tard also sells motor fuel under its private labels, including *Couche-Tard*, *Mac’s*, *Circle K*. Couche-Tard is not dependent upon any single trademark or trade name, however, it considers its banners and brands to be important assets. Accordingly, Couche-Tard’s policy is to register or otherwise protect these intangible assets in all jurisdictions in which Couche-Tard operates. Couche-Tard has exclusive rights to use its trademarks.

## **COMPETITION**

Our stores compete with a number of national, regional, local and independent retailers, including hypermarkets, grocery and supermarket chains, grocery wholesalers and buying clubs, other convenience store chains, oil company motor fuel/mini-convenience stores, food stores and fast food chains as well as variety, drug and candy stores. In terms of motor fuel sales, our stores compete with other food stores, service stations and, increasingly, supermarket chains and discount retailers. Each store’s ability to compete depends on its location, accessibility and customer service. The rapid growth in the numbers of convenience-type stores opened by oil companies and the entry of a large number of

hypermarkets into the industry over the past several years has intensified competition. An increasing number of hypermarkets and other retail format such as supermarkets and drugstores have been expanding their product mix to include core convenience items and fill-in grocery. This channel blending is eroding the convenience stores' traditional base of business, as exemplified by major drug store chains extending business hours to 24 hours a day, seven days a week and selling a product assortment similar to that of convenience stores.

## **ENVIRONMENTAL MATTERS**

The Company is subject to various federal, state, provincial and local environmental laws and regulations, including, in the United States, *the Resource Conservation and Recovery Act of 1976*, *the Comprehensive Environmental Response, Compensation and Liability Act of 1980*, *the Superfund Amendments and Reauthorization Act of 1986* and *the Clean Air Act*, in each case as amended. The enforcement of these laws by regulatory agencies such as the U.S. Environmental Protection Agency (the "EPA") and its state and provincial equivalents will continue to affect our operations by imposing increased operating and maintenance costs and capital expenditures required for compliance. In addition, certain procedures required by these laws can result in increased lead time and costs for new facilities. Violation of environmental statutes, regulations or orders could result in civil or criminal enforcement actions. The Company makes financial expenditures in order to comply with regulations governing underground storage tanks adopted by federal, provincial, state and local regulatory agencies.

In particular, at the U.S. federal level, *the Resource Conservation and Recovery Act of 1976*, as amended, requires the EPA to establish a comprehensive regulatory program for the detection, prevention and cleanup of releases from leaking underground storage tanks. Regulations enacted by the EPA in 1988 established requirements for installing and upgrading underground storage tank systems, taking corrective action in response to releases, closing underground storage tank systems, keeping appropriate records, and maintaining evidence of financial responsibility for taking corrective action and compensating third parties for bodily injury and property damage resulting from releases. These regulations permit states to develop, administer and enforce their own regulatory programs, incorporating requirements which are at least as stringent as the federal standards.

Our Canadian operations are also subject to environmental legislation and regulation imposed by provincial, federal and municipal governments. This primarily relates to the motor fuel operations conducted at approximately 500 locations throughout Canada, including the remediation of such products which have spilled or leaked on or migrated from such locations and other locations used in our earlier operations and those of our predecessors. We believe that we are in material compliance with environmental laws in Canada, including such regulation, and do not anticipate that any increase in the future costs of maintaining compliance in Canada or of remediation of spills or leaks, including any capital expenditure required, will be material to us.

The Company is currently dealing with a small number of claims by third parties or governmental agencies for remediation or damages caused by contamination alleged to be on or migrating from our current or historic operations. We do not anticipate any material expense from such claims. However, changes in applicable requirements and their enforcement or newly discovered conditions could cause us to incur material costs that could adversely affect our business and results of operations.

## **REGULATORY MATTERS**

Many aspects of our operations are subject to regulation under federal, provincial, state and local laws. We describe below the most significant of the regulations that impact all aspects of our operations.

*Safety.* We are subject to comprehensive federal, provincial, state and local safety laws and regulations. These regulations address issues ranging from facility design, equipment specific requirements, training, hazardous materials, record retention, self-inspection, equipment maintenance and other worker safety issues including workplace violence. These regulatory requirements are fulfilled through a comprehensive Health, Environmental and Safety program. There are no known safety risks or liabilities that are material to our operations or financial position.

*Sale of Alcoholic Beverages and Tobacco Products.* In certain areas where our stores are located, provincial, state or local laws limit the sale of and/or the hours of operation for the sale of alcoholic beverages and tobacco products to persons younger than a specified age. State and local regulatory agencies have the authority to approve, revoke, suspend or deny applications for and renewals of permits and licenses relating to the sale of alcoholic beverages, as well as issue fines to stores for the improper sale of alcoholic beverages or tobacco products. These agencies may also impose various restrictions and sanctions. In many states, retailers of alcoholic beverages have been held responsible for damages caused by intoxicated individuals who purchased alcoholic beverages from them. Retailers of alcoholic beverages may also be fined or have a store's permit revoked for selling alcohol to a minor. While the potential exposure for damage claims, as a seller of alcoholic beverages is substantial, we have adopted procedures intended to minimize such exposure. In addition, we maintain general liability insurance which may mitigate the effect of any liability.

*Store Operations.* The Company stores are subject to regulation by federal agencies and to licensing and regulations by provincial, state and local health, sanitation, safety, fire and other departments relating to the development and operation of convenience stores, including regulations relating to zoning and building requirements and the preparation and sale of food. Difficulties in obtaining or failures to obtain the required licenses or approvals could delay or prevent the development of a new store in a particular area.

Our operations are also subject to federal, provincial and state laws governing such matters as wage rates, overtime, working conditions and citizenship requirements. At the federal level, there are proposals under consideration from time to time to increase minimum wage rates and to introduce a system of mandated health insurance, which could affect our results of operations.

## **RISK FACTORS**

The "Business Risks" and "Other Risks" sections of our annual "Management's Discussion and Analysis of Operating Results and Financial Position" on pages 20 to 24, is incorporated herein by reference, as supplemented from time to time in the "Business Risks" sections of our quarterly reports to shareholders.

## **DIVIDENDS**

Since 1989, the Company had not declared any dividends but effective since the second quarter of fiscal 2006, the Board of Directors has implemented a quarterly dividend policy of 2.5 cents Cdn per Class A multiple voting shares and Class B subordinate voting shares. During fiscal 2007 and effective since the second quarter, the Company modified its quarterly dividend policy by raising it at 3.0 cents and then increasing it to 3.5 cents in the second quarter of fiscal 2008.

## **CAPITAL STRUCTURE**

The voting shares of the Company are its Class A Multiple Voting Shares (the "Multiple Voting Shares") and its Class B Subordinate Voting Shares (the "Subordinate Voting Shares"). As at June 30, 2008, 53,881,212 Multiple Voting Shares and 142,845,776 Subordinate Voting Shares of the Company were issued and outstanding. Each Multiple Voting Share carries 10 votes and each Subordinate Voting Share carries one vote with respect to all matters coming before the Meeting.

### *Conversion Rights*

Each Multiple Voting Share is convertible at any time at the holder's option into one fully paid and non-assessable Subordinate Voting Share. Upon the earliest to occur of: (i) the day upon which all of the Majority Holders (defined in the Articles of the Company as being Messrs. Alain Bouchard, Richard Fortin, Réal Plourde and Jacques D'Amours) will have reached the age of 65, or (ii) the day when the Majority Holders hold, directly or indirectly, collectively less than 50% of the voting rights attaching to all outstanding voting shares of the Company, each Subordinate Voting Share shall be automatically converted into one fully paid and non-assessable Multiple Voting Share.

### *Take-Over Bid Protection*

In the event that an offer as defined in the Articles of the Company (an "Offer") is made to holders of Multiple Voting Shares, each Subordinate Voting Share shall become convertible at the holder's option into one Multiple Voting Share, for the sole purpose of allowing the holder to accept the Offer. The term "Offer" is defined in the Articles of the Company as an offer in respect of the Multiple Voting Shares which, if addressed to holders resident in Québec, would constitute a take-over bid, a securities exchange bid or an issuer bid under the *Securities Act* (Québec) (as presently in force or as it may be subsequently amended or readopted), except that an Offer shall not include: (a) an offer which is made at the same time for the same price and on the same terms to all holders of Subordinate Voting Shares; and (b) an offer which, by reason of an exemption or exemptions obtained under the *Securities Act* (Québec), does not have to be made to all holders of Multiple Voting Shares; provided that, if the offer is made by a person other than a Majority Holder or by a Majority Holder to a person other than a Majority Holder, in reliance on the block purchase exemption set forth in section 123 of the *Securities Act* (Québec), the offer price does not exceed 115% of the lower of the average market price of the Multiple Voting Shares and the average market price of the Subordinate Voting Shares as established with the formula provided by the *Regulation Respecting Securities* (Québec). The conversion right attached to the Subordinate Voting Shares is subject to the condition that if, on the expiry date of an Offer, any of the Subordinate Voting Shares converted into Multiple Voting Shares are not taken up and paid for, such Subordinate Voting Shares shall be deemed never to have been so converted and to have always remained Subordinate Voting Shares. The Articles of the Company contain provisions concerning the conversion procedure to be followed in the event of an Offer.

### **RATINGS**

In April 2006, Moody's Investors Service announced that it rated the Company's Senior Subordinated Notes at Ba2 pursuant to the operating and financial progress that the Company has made since the December 2003 Circle K acquisition. Obligations rated Ba are in the fifth highest category and are judged to have speculative elements and are subject to substantial credit risk.

In December 2005, Standard and Poor's Ratings Services Limited announced that it had assigned the Company's Senior Subordinated Notes to "B+" to reflect the significant reduction in debt undertaken by the company since the Circle K acquisition in December 2003, coupled with operational improvement from its U.S. operations and ample liquidity. Couche-Tard has exceeded its initial cost savings targets related to the Circle K stores, where the company has begun to successfully implement its Impact concepts store renovation program. An obligation rated "B" is more vulnerable to non-payment than obligations rated "BB", but the obligor currently has the capacity to meet its financial commitment on the obligation.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating organization.

### **MARKET FOR SECURITIES**

The Multiple Voting Shares and Subordinate Voting Shares are listed on the Toronto Stock Exchange since December 6, 1999 under the symbols ATD.A and ATD.B, respectively.

### **Price Ranges and Volume Traded**

<u>Monthly Period</u>	<u>Symbol</u>	<u>High Price</u> <sup>1</sup>	<u>Low Price</u> <sup>1</sup>	<u>Traded Volume</u>
May 2007	ATD.A	\$ 24.50	\$ 23.25	21,912
June 2007	ATD.A	\$ 23.76	\$ 21.77	762,092
July 2007	ATD.A	\$ 22.98	\$ 20.31	53,225
August 2007	ATD.A	\$ 22.25	\$ 19.85	46,086
September 2007	ATD.A	\$ 22.54	\$ 20.26	39,122
October 2007	ATD.A	\$ 20.61	\$ 19.76	51,338
November 2007	ATD.A	\$ 20.51	\$ 17.00	65,571

<u>Monthly Period</u>	<u>Symbol</u>	<u>High Price</u> <sup>1</sup>	<u>Low Price</u> <sup>1</sup>	<u>Traded Volume</u>
December 2007	ATD.A	\$ 18.79	\$ 17.01	255,299
January 2008	ATD.A	\$ 18.29	\$ 15.19	102,100
February 2008	ATD.A	\$ 18.30	\$ 16.59	93,285
March 2008	ATD.A	\$ 16.79	\$ 14.30	1,670,397
April 2008 <sup>2</sup>	ATD.A	\$ 16.00	\$ 13.50	564,426

<u>Monthly Period</u>	<u>Symbol</u>	<u>High Price</u> <sup>1</sup>	<u>Low Price</u> <sup>1</sup>	<u>Traded Volume</u>
May 2007	ATD.B	\$ 24.00	\$ 22.90	9,222,594
June 2007	ATD.B	\$ 23.44	\$ 21.69	12,718,554
July 2007	ATD.B	\$ 22.83	\$ 20.32	13,844,867
August 2007	ATD.B	\$ 22.10	\$ 19.57	11,251,311
September 2007	ATD.B	\$ 22.48	\$ 20.07	5,835,034
October 2007	ATD.B	\$ 20.61	\$ 19.81	10,500,227
November 2007	ATD.B	\$ 20.35	\$ 16.80	10,581,492
December 2007	ATD.B	\$ 18.72	\$ 17.01	8,070,421
January 2008	ATD.B	\$ 18.29	\$ 15.15	8,017,554
February 2008	ATD.B	\$ 18.37	\$ 16.40	5,354,027
March 2008	ATD.B	\$ 16.80	\$ 13.69	9,229,945
April 2008 <sup>2</sup>	ATD.B	\$ 16.50	\$ 13.18	6,266,218

**Note:**

- (1) All prices are in CAD\$ and on a per share basis.  
(2) From April 1 to April 25, 2008 inclusively.

## DIRECTORS AND SENIOR OFFICERS

### Directors

The following tables list the Company's directors. All information is accurate as at June 30, 2008.

<u>Name and municipality of residence</u>	<u>Principal occupation</u>
ALAIN BOUCHARD <sup>1</sup> Lorraine, Québec	Chairman of the Board, President and Chief Executive Officer of the Company
JACQUES D'AMOURS <sup>1</sup> Lorraine, Québec	Vice-President, Administration of the Company
ROGER DESROSIERS, FCA <sup>3</sup> Montréal, Québec Chairman of the Audit Committee	Corporate Director
JEAN ÉLIE <sup>3</sup> Montréal, Québec	Corporate Director
RICHARD FORTIN <sup>1</sup> Longueuil, Québec	Executive Vice-President and Chief Financial Officer of the Company
MÉLANIE KAU <sup>2</sup> Montréal, Québec	President, Mobilia Interiors Inc.
ROGER LONGPRÉ <sup>2,3</sup> Brossard, Québec Chairman of the Human Resources and Corporate Governance Committee	President, Mergerac Inc. (consulting firm in mergers and acquisitions)
RÉAL PLOURDE <sup>1</sup> Montréal, Québec	Executive Vice-President and Chief Operating Officer of the Company

Name and municipality of residence	Principal occupation
JEAN-PIERRE SAURIOL <sup>2</sup> Laval, Québec	President and Chief Executive Officer, Dessau inc. (engineering-construction company)
JEAN TURMEL <sup>4</sup> Montréal, Québec	President, Perseus Capital Inc. (fund management company)

**Notes:**

- 1) Member of the Executive Committee.
- 2) Member of the Human Resources and Corporate Governance Committee.
- 3) Member of the Audit Committee.
- 4) Lead Director.

Each director remains in office until the following annual shareholders' meeting or until the election or appointment of his successor, unless he resigns or his office becomes vacant as a result of his death, removal or any other cause.

The Directors of the Company held the following principal occupations during the five preceding years:

*Alain Bouchard.* As founder of the companies from which originated Alimentation Couche-Tard Inc., Mr. Alain Bouchard started his convenience store operations in 1980 with the opening of his first convenience store in Québec. Mr. Bouchard has more than 38 years of experience in the retail industry. Over the years he took part, along with his closest collaborators and all staff members, in the Alimentation Couche-Tard's growth. Mr. Bouchard is also a director of Quebecor Inc., a communications holding company, Atrium Innovations Inc. (development and marketing of cosmetic and nutritional ingredients) and the Hautes Études Commerciales of Montréal.

*Richard Fortin.* Before joining Couche-Tard in 1984, he had more than 13 years of experience at a number of major financial institutions, and was Vice-President of Québec for a Canadian bank wholly-owned by Societe Generale (France). Mr. Fortin holds a bachelor's degree in Management with a major in Finance from Laval University in Québec City. Mr. Fortin is a director of Transcontinental Inc., a commercial printer and is chairman of the audit committee of the latter and also sits on the board of the Insurance Life of National Bank of Canada.

*Réal Plourde.* Mr. Plourde joined us in 1984 and has held various positions, ranging from Manager of Technical Services to Vice-President of Development, Sales and Operations of the Company. In 1988 and 1989, Mr. Plourde also acted as President of Pro Optic Inc., then a wholly-owned subsidiary of Couche-Tard and Québec's first optical lens manufacturer. Mr. Plourde began his career in various engineering projects in Canada and Africa. Mr. Plourde holds an Engineering Degree (Applied Sciences) from Laval University in Québec City and an MBA from the Ecole des Hautes Etudes Commerciales in Montréal. Mr. Plourde is a member of the Québec Engineers Association. Mr. Plourde is also a director of Bouclair Inc., a fabric retailer.

*Jacques D'Amours.* Since joining the Company in 1980, he has worked in a variety of roles, including Manager of Technical Services, Vice-President of Sales and Vice-President of Administration and Operations of the Company.

*Roger Desrosiers.* Mr. Desrosiers has been a chartered accountant since 1963. In 1973, he founded an accounting firm that subsequently merged with Arthur Andersen in 1994. From 1994 to 2000, he was the Managing Partner, Eastern Canada of Arthur Andersen. From 1968 to 1973, he was assistant-treasurer, director of accounting and budget for Québec-Telephone (now TELUS Inc.). Prior to 1968, he practised accounting with Coopers & Lybrand. He is a Fellow of the Québec Order of Chartered Accountants. Mr. Desrosiers sits on the following board of directors: Desjardins Assurances Générales, Fonds d'assurances du Barreau du Québec, La Personnelle compagnie d'assurance Inc., The Personal Inc., Certas Inc. and Fortsum Business Solutions Inc., as well as on the consulting committee of Telus Québec. He holds a Masters Degree in Commercial Sciences and a License in Accounting Sciences both from Laval University in Québec City. He is also Fellow of the Ordre des comptables agréés du Québec and gives training at l'École des administrateurs de société de l'Université Laval.

*Jean A. Élie.* From 1998 to 2002, Mr. Élie was managing director of a Canadian bank wholly-owned by Societe Generale (France). From 1987 to 1997, Mr. Élie was a director and member of the Executive Committee and Chairman of the Finance and Audit Committee of Hydro-Québec, for which he also acted as Interim Chairman in 1996. From 1981 to 1995, he was a Vice-President and Manager, Corporate Services and Government Services of Burns Fry

Limited (today BMO Nesbitt Burns Inc.), a Canadian investment banking and brokerage firm. Mr. Élie was also a director and member of the Executive Committee of the Investment Dealers Association of Canada. Mr. Élie holds a B.C.L. (law) from McGill University and an MBA from the University of Western Ontario and is a member of the Québec Bar Association.

*Mélanie Kau.* Mrs. Kau started her career with Mobilia in 1987 when she joined the family business at a crucial time. After occupying several different positions, she assumed the role of President in 1995. In addition to quadrupling the revenues of the company during her presidency Mrs. Kau has earned the respect of her peers. In 2001 she was awarded the Entrepreneur of the Year by the Young Chamber of Commerce of Montréal, in 2002 she was recognized as Canada's Top 40 under 40. Mrs. Kau holds a Bachelor's of Arts from McGill, a Master of Journalism from Northwestern University, as well as an Executive Master's of Business Administration from Concordia. She serves on the board of Investissement Québec since 2005 in addition to being a member of its audit committee and of the governance and ethic committee.

*Roger Longpré.* Mr. Longpré is President and founder of Mergerac Inc., a consulting firm in the areas of mergers and acquisitions and corporate finance. From 1986 to 1994, Mr. Longpré was a partner of Raymond Chabot Grant Thornton where he began consulting in the areas of corporate finance and mergers and acquisitions and subsequently became responsible for all of the firm's financial consulting services. From 1980 to 1986, Mr. Longpré was Vice-President of Credit Suisse, Montréal Branch. Prior to 1980, Mr. Longpré was employed in the banking industry. Mr. Longpré has a bachelor's degree in business administration with a major in finance from the University of Québec in Montréal. He also holds an MBA degree, also with a major in finance from the University of Concordia in Montréal.

*Jean-Pierre Sauriol.* Mr. Sauriol is President and Chief Executive Officer of Dessau Inc., one of Canada's largest engineering-construction companies. Mr. Sauriol was Chairman of the Association of Consulting Engineers of Canada in 1993 and of the Association of Consulting Engineers of Québec in 1988 and 2000. Mr. Sauriol is a Fellow of the Canadian Academy of Engineering. Mr. Sauriol graduated from the École Polytechnique of Montréal in 1979 and completed Harvard Business School's Owner President Management Program in 1993.

*Jean Turmel.* Mr. Turmel is the founder and president of Perseus Capital inc., a portfolio firm. Until December 2004, Mr. Turmel was President, Financial Markets, Treasury and Investment Bank of a Canadian chartered bank. Mr. Turmel was a director of a Canadian chartered bank and a director and chairman of National Bank Financial Inc. as well as a member of the board of directors of subsidiaries of such group. Prior to 1981, Mr. Turmel held various positions at McMillan Bloedel Inc., Dominion Securities Inc. and Merrill Lynch Royal Securities. Mr. Turmel holds a baccalaureate in commerce and an MBA both from Laval University in Québec City.

### **Senior Officers**

The following table lists the Company's senior officers who are not also directors. All information is accurate as of June 30, 2008.

<b>Name and municipality of residence</b>	<b>Office held with the Company</b>
MICHEL BERNARD Montréal, Québec	Vice-President, Operations Eastern Canada
JASON BROUSSARD Tampa, Florida	Vice-President, Operations Gulf
ROBERT G. CAMPAU Charlotte, North Carolina	Vice-President, U.S. Administration
DARRELL DAVIS Columbus, Indiana	Vice-President, Operations U.S. Midwest

<b>Name and municipality of residence</b>	<b>Office held with the Company</b>
MICHAEL GUINARD Laval, Québec	Vice-President, Special Projects
BRIAN HANNASCH Columbus, Indiana	Senior Vice-President, U.S. Operations
GEOFFREY C. HAXEL Scottsdale, Arizona	Vice-President, Operations Arizona
MATT MCCURE Charlotte, North Carolina	Vice-President, Operations U.S. Southeast
JEAN-LUC MEUNIER Markham, Ontario	Vice-President, Operations Central Canada
RAYMOND PARÉ Rosemère, Québec	Vice-President, Corporate Finance and Treasurer
PAUL RODRIGUEZ Macedonia, Ohio	Vice-President, Operations U.S. Great Lakes
BUTCH SEBER Lithia, Florida	Vice-President, Real Estate Development
MIKE STRUBLE Tampa, Florida	Vice-President, Operations Florida
TIM TOUREK Lake Ellsinore, California	Vice-President, Operations U.S. Westcoast
KIM TROWBRIDGE Calgary, Alberta	Vice-President, Operations Western Canada
LOU VALDES Chandler, Arizona	Vice-President, Operations U.S. Southwest

*Michel Bernard* has been Vice-President, Operations Eastern Canada since December 2005 and previously held the position of Vice-President, Operations U.S. Midwest since 2003. Mr. Bernard has served in a variety of operations and marketing-related positions during his 25-year supermarket and convenience store career. Mr. Bernard joined Couche-Tard in 1987 and subsequently departed in 1994 to pursue other opportunities including as Responsible of Convenience Retailing for Petro-Canada. Mr. Bernard returned to Couche-Tard in 1999 as Senior Director of Marketing and Merchandising. Mr. Bernard holds a bachelor's degree in Management, with a major in Marketing, from the Université du Québec à Montréal.

*Jason Broussard* was appointed Vice-President, Operations, Gulf in January 2008. Prior to assuming his current position, Mr. Jason Broussard held various positions within Circle K since 1990, ranging from District Manager to Director of Marketing and Fuel. In 1983, Mr. Broussard began his career in the convenience store industry for the Southland Corporation. Mr. Broussard has been the recipient of many regional and national awards throughout his career including District Manager of the Year. Mr. Broussard holds a solid experience of 24 years in Operations and Marketing.

*Robert G. Campau* has been Vice-President, Administration since May 2008 and was formerly Vice-President, Operations U.S. Southeast since December 2003. Mr. Campau began his nearly 30-year convenience industry career with the Southland Corporation (7-Eleven) in 1974. Since joining Circle K in 1979, Mr. Campau held a variety of positions including zone manager, division manager, director of operations, franchise support services, director of organizational development, director of operations and representative of the Office of the President. Prior to December 2003, he served as Manager of Retail Support for ConocoPhillips. Mr. Campau earned his bachelor's degree in business administration from the University of Wisconsin at Madison.

*Darrell Davis* has been Vice-President, Operations Midwest since December 2005. He has served Couche-Tard as Director of Operations, and later as Director of Marketing within the Midwest division. Mr. Davis joined

Couche-Tard in 2002 when Couche-Tard acquired Dairy Mart, where he held the position of Vice-President, Operations of such company. Mr. Davis began his career in the convenience store industry over 30 years ago. He holds a bachelor's degree in Management from the University of Louisville.

*Michael Guinard* joined Alimentation Couche-Tard in 2000 as National Director, Real Estate and was appointed as Vice President, Real Estate Development from 2002 to January 2008, when he was appointed Vice-President, Special Projects. Mr. Guinard previously worked ten years as Director, Real Estate-Québec for Tim Hortons following a 21 year career in the Canadian petroleum industry with Petrofina and Petro-Canada in operations, strategic planning, marketing and real estate functions. Mr. Guinard holds a bachelor's degree in Economics from Concordia University (Loyola College).

*Brian P. Hannasch* holds the Senior Vice-President, U.S. Operations position since in May 2008 and previously was Senior Vice-President, Western North America since December 2004. Prior to, he was Vice-President, Integration since 2003. In 2001, he was appointed Vice-President, Operations U.S. Midwest where he was responsible for all aspects of our U.S. operations. From 2000 to 2001, Mr. Hannasch was Vice-President of Operations for Bigfoot Food Stores LLC, a 225 unit convenience store chain in the U.S. Midwest acquired by Couche-Tard. From 1989 to 2000, Mr. Hannasch was employed by BP Amoco in various positions of increasing responsibility. His last position with BP Amoco was Vice-President of Marketing for the Midwest Business Unit. Mr. Hannasch holds a B.A. in Finance from Iowa State University and an MBA in Marketing and Finance from the University of Chicago.

*Geoffrey C. Haxel* has been Vice-President, Operations, U.S. Arizona Region since December 2003. Mr. Haxel served in a variety of operations and marketing positions since joining Circle K in 1988. Mr. Haxel began his career as a district manager trainee and also held the positions of sales manager, category manager and division manager. Prior to December 2003, Mr. Haxel served as Circle K's Arizona Region Manager with responsibility for more than 600 sites in a four-state territory. Mr. Haxel has completed coursework toward a bachelor's degree in chemical engineering from the University of Oklahoma.

*Matt McCure* has been Vice-President, Operations U.S. Southeast since May 2008. Prior to assuming his current position he was Director of Marketing & Fuel. Mr. McCure held various positions within the company ranging from Director of Facilities and Regional Director of Operations. In 2001, he was appointed as Director of Facilities. In this role, he was instrumental in supporting the growth of the Division from 200 locations to over 700. Prior to joining the company, Mr. McCure spent 6 years working in the Southeast for Swifty Serve/Camp Oil Company. There he held the Director of Facilities position after starting his career as a Project Manager. He also gained experience in the Marketing, Fuel Operations and Real Estate Departments. Mr. McCure graduated from the University of Illinois with a Bachelors Degree in Civil Engineering.

*Jean-Luc Meunier* is a member of Couche-Tard's team since 1999 and has been Vice-President, Operations Central Canada since December 2005. He previously held the position of Vice-President, Operations Eastern Canada from 2004 until such appointment after holding various positions such as Operations Manager, Real Estate Manager and Technical Services Manager. Mr. Meunier also acquired some eight years of experience in project engineering, consulting, analysis and management at Shell Canada. He is a member of the Ordre des ingénieurs du Québec and holds an MBA from the Université du Québec à Montréal.

*Raymond Paré* has been Vice President, Corporate Finance and Treasurer since November 2007. Prior to assuming his current position, Mr. Paré held the position of Senior Director, Finance, within the Company since 2003. In 1992, Mr. Paré began his professional career at Ernst & Young as a Chartered Accountant and thereafter held several positions in financial and operational management, amongst other companies; at JAC Canada / USA Inc. and at Bombardier Inc., in the Aerospace Division. Mr. Paré graduated in 2007 with a MBA for management in Financing from the Université du Québec à Montréal, holds a B.A. in Accounting from such university since 1992 and he officially became a Chartered Accountant in 1994.

*Paul Rodriguez* was appointed Vice-President Operations, Great Lakes in December 2006 upon the creation of this new division. Mr. Rodriguez joined Couche-Tard in 2003 when the company acquired Circle K. He served in a variety of operations and marketing positions since joining Circle K in 1988. Mr. Rodriguez has over 20 years of experience in the retail industry. He holds a bachelor's degree in Business Administration from the Texas Tech University.

*Butch Seber* was appointed Vice-President Real Estate Development, North America in January 2008. Upon joining Circle K in October of 1992, Mr. Seber has held a variety of positions in real estate covering all areas of development and asset management. He served as Real Estate Director for the previous ten years and was responsible for new acquisition markets, direct management and accountability for the Florida Gulf Coast Division. Prior to joining Circle K, Mr. Seber started his career in 1982 in the real estate brokerage business. Mr. Seber graduated with a Bachelor of Arts degree from the University of South Florida majoring in both Communications and Psychology.

*Mike Struble* was appointed Vice-President, Operations of the U.S. Florida/Gulf Division in May 2007 and now holds the position of Vice-President, Operations Florida since January 2008. Previously he served as Director of Marketing & Fuel since December, 2003. Prior to the acquisition by Couche-Tard, Mr. Struble served as a Director on the corporate marketing staff of Circle K for eight years. Mr. Struble has over 30 years of convenience retailing experience which began in 1976. He has served various regional U.S. companies in a variety of marketing and operations positions, including Director of Operations for Shore Stop and Jr. Food Stores, and Vice-President, Marketing for Strasberger Enterprises. He also served as Managing Partner of Struble Management Group for 6 years, providing turn around and interim management to companies at risk.

*Tim Tourek* has been Vice-President, Operations U.S. West Coast since January 2008 but has held such position by interim since March 2007. His convenience store career began in 1992 with the Southland Corp. (7-Eleven). Mr. Tourek joined Circle K in 1992 as a District Manager. In his tenure at Circle K has held the positions of District Manager, Director of Operations, Regional Operations Director, and Director of Facilities. He is a Veteran of the United States Air Force, holds a B.S. degree in Management from Golden Gate University and a MBA. from the University of Phoenix.

*Kim J. Trowbridge* has been Vice-President, Operations Western Canada since 1999. Prior to 1999, Mr. Trowbridge was Vice-President, Operations, Western division for Mac's Convenience Stores Inc. Mr. Trowbridge is Chairman of the Alberta Food Processors Association and the President and a director of the Western Convenience Store Association. Mr. Trowbridge has more than 20 years of experience in the convenience store industry.

*Lou Valdes* was appointed Vice-President, Operations, U.S. Southwest in January 2008. Prior to assuming his current position, Mr. Valdes held various positions within Circle K since 1998, ranging from District Manager, Project Manager to Director of Operations and Facilities. As Director of Operations and Facilities, Mr. Valdes was responsible for the new acquisition markets, Procurement, Facilities Department and the Arizona Distribution Center. In 1985, Mr. Valdes began his career in the retail industry as a Store Manager for Drug Emporium Drug Store, and rose to Director of Purchasing and Marketing. Mr. Valdes attended the University of Arizona in 1986 where he studied Business and Accounting.

As at June 30, 2008, the executive officers and directors, as a group, beneficially owned, directly or indirectly, or exercised control or direction over, 37,959,292 multiple voting shares and 2,008,808 subordinate voting shares of the Company representing respectively 70.45% and 1.41% of the issued and outstanding shares of the Company.

## **LEGAL PROCEEDINGS**

In the ordinary course of business, Couche-Tard is a defendant in a number of legal proceedings, suits, and claims common to companies engaged in retail businesses. The majority of these cases are brought by individual plaintiffs. Couche-Tard believes that it is not currently involved in any litigation, claims or proceedings in which an adverse outcome would have a material adverse effect on Couche-Tard's operating results and financial condition. On June 13, 2008, summons that were served on Couche-Tard regarding accusations made against it and two of its employees by the Competition Bureau stating that acts under section 45(1) of the *Competition Act* were committed, in four municipalities in Quebec. While Couche-Tard takes these accusations very seriously, the company intends to defend itself vigorously. It should be noted that these accusations have not been proven.

## **TRANSFER AGENT AND REGISTRAR**

The transfer agent and registrar for the shares of the Company is Computershare Trust Company of Canada, 100 University Avenue, 9<sup>th</sup> Floor, North Tower, Toronto, Ontario M5J 2Y1. Registrar offices are located in Montréal, Calgary and Vancouver.

## **AUDIT COMMITTEE DISCLOSURE**

### *Charter*

The Audit Committee assists the Board of Directors to supervise: (1) the integrity of the Company's financial statements and related information; (2) the Company's compliance with the applicable requirements established by law and regulation; (3) the independence, the competence and the appointment of the external auditors; (4) the performance of the head of the corporate finance team of the Company with respect to the internal controls and external auditors; and (5) Management's responsibility with regards to internal controls.

The Audit Committee has the following responsibilities with respect to the reporting of financial information and the Chairman of the Committee reports thereon to the Board of Directors:

1. Review, together with management and the external auditors, the annual financial statements and the related notes, the external auditors' report thereon and the accompanying press release and obtain explanations from management on any significant discrepancies with the corresponding periods before recommending their approval by the board and publication.
2. Review, together with management, the quarterly financial statements and accompanying press releases before recommending their approval by the board and publication.
3. Review the financial information contained in the annual information form, the financial information contained in the annual report, management's analysis of the financial position and the operating results, and other documents containing similar financial information before their disclosure to the public or filing with Canadian and American regulatory authorities or other applicable jurisdictions.
4. Review annually and supervise the Company's evaluation and risk management policies. To that effect, the Committee ensures to receive a detailed report of the assessed risks that could have a significant impact on the Company's financial situation and actions taken thereon in order to eliminate or tone down such risks.
5. Review on an annual basis, together with management and the external auditors, the quality and not just acceptability of the Company's new accounting policies and review the disclosure and impact of contingencies and the reasonableness of provisions, reserves and estimations which may have a material impact on the reporting of financial information.
6. Review, together with the external auditors, the problems and difficulties in connection with the audit and measures adopted in this regard by management and find a solution to disagreements between management and the external auditors on the reporting of financial information.

The Audit Committee has the following responsibilities with respect to risk management and external controls:

1. Monitor the quality and integrity of the corporation's internal control and management information systems through discussions with management, the external auditors and the head of the finance corporate team of the Company, where applicable.
2. Approve the internal audit plan put in place by the head of the finance corporate team of the Company.
3. Oversee the reporting of information by management on internal control. Thus, ensure that head of the finance corporate team of the Company reports biannually to the Audit Committee the results of the work performed with respect to the internal control systems.
4. Review on a regular basis an internal report describing the internal control procedures, the material issues raised in the course of the latest reviews of the internal control and management information systems, or

pursuant to an inquiry by government or professional authorities, as well as the recommendations made and measures adopted with respect thereto.

5. Assist the board in discharging its responsibility for ensuring that the Company complies with the applicable legal and regulatory requirements.
6. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters as well as procedures for the confidential, anonymous submission by employees of the issuer of concerns regarding questionable accounting or auditing matters.

The Audit Committee has the following responsibilities with respect to the external auditors:

1. Review the written annual declaration of the external auditors concerning all their connections with the Company and discuss the connections or services, which may have an impact on their objectivity or ability to function independently.
2. Recommend to the Board of Directors the appointment and, if necessary, the non-renewal of the mandate (in both cases, subject to shareholders' approval) of the external auditors and review their competence, performance and ability to function independently.
3. Approve all audit services for the Company and determine which services other than audit services the auditors are not authorized to perform for the Company or its subsidiaries. To that effect, the Committee may put in place policies and procedures for prior detailed approvals concerning such services.
4. May delegate, if required to one or more independent members the authority to pre-approve non-audit services subject that all such approvals be submitted at the next Audit Committee meeting.
5. Ensure that the fees charged by the external auditors both for audit services and other authorized services are reasonable and thereafter recommend to the Company's Board of Directors the necessary approvals.
6. Review the audit plan with the external auditors and management and approve its schedule.
7. Ensure that the Company complies with regulatory requirements with respect to hiring partners, employees and former partners and employees of the present and former external auditors of the Company. To that effect, the Committee must pre-approve any hiring of current or former partners and employees of the current or former external auditors.
8. Ensure that the external auditors always report to the Audit Committee and the board as representatives of the shareholders.
9. The Audit Committee always has direct lines of communication with the external auditors and the responsible person of the internal auditing.
10. The Audit Committee holds separate meetings with management and the external auditors at least once a year or more often as appropriate.

### ***Composition of the Audit Committee***

The Audit Committee is currently composed of three independent directors, namely Messrs. Roger Desrosiers (Chairman), Roger Longpré and Jean Élie.

### ***Financial Literacy***

*Roger Desrosiers.* Mr. Desrosiers has been a chartered accountant since 1963. In 1973, Mr. Desrosiers founded an accounting firm that subsequently merged with Arthur Andersen in 1994. From 1994 to 2000, Mr. Desrosiers was the Managing Partner, Eastern Canada of Arthur Andersen. From 1968 to 1973, Mr. Desrosiers was assistant-treasurer, director of accounting and budget for Québec-Telephone (now TELUS Inc.). Prior to 1968, Mr. Desrosiers practised accounting with Coopers & Lybrand. Mr. Desrosiers is a Fellow of the Québec Order of Chartered Accountants. Mr. Desrosiers sits on the Board of Directors of various insurance companies and is a member of the Consulting Committee of Telus Québec Inc. Mr. Desrosiers holds a Masters Degree in Commercial Sciences and a License in

Accounting Sciences both from Laval University in Québec City. He is also Fellow of the Ordre des comptables agréés du Québec and gives training at l'École des administrateurs de société de l'Université Laval. During his career, Mr. Desrosiers developed an expertise in auditing large public companies and therefore, as an accountant engaged in auditing or reviewing an issuer's financial statements, he has an understanding of generally accepted accounting principles and financial statements. Mr. Desrosiers has also acted as lead partner and as audit partner of an audit engagement team and has actively supervised the audit, review, analysis or evaluation of financial statements for various clients. These financial statements presented accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements. Mr. Desrosiers has also, through his experience, the ability to assess the general application of generally accepted accounting principles in connection with the accounting for estimate, accruals and reserves. In addition, Mr. Desrosiers has acquired an understanding of internal controls and procedures for financial reporting through his experience as director of accounting and in performing audit engagements. Finally, Mr. Desrosiers is the Chairman of the Audit Committee of several companies and therefore has an understanding of audit committee functions.

*Roger Longpré.* Mr. Longpré has a bachelor's degree in business administration with a major in finance. He also holds an MBA degree, also with a major in finance. He spent the first thirteen years of his career in the field of corporate lending with gradually increasing responsibilities in various managerial positions for a Canadian bank, for a subsidiary of Citigroup and for Credit Suisse. His primary role as a lender was to analyse, structure and conclude financings for private and publicly traded corporations of all sizes. In doing so, he closely scrutinized financial statements on a regular basis and questioned management thereon. He has developed an understanding of accounting principles through his experience in performing extensive financial statement analysis or evaluation. He has also evaluated a company's internal controls and procedures for financial reporting. For the past eighteen years, Mr. Longpré has been acting as a consultant in the areas of mergers and acquisitions and of corporate finance. He was employed from 1986 to 1994 as a partner in charge of the financial consulting practice by the audit firm Raymond, Chabot, Grant, Thornton where he directly supervised a team of some 25 professionals operating in the fields of business valuation, financial engineering, litigation, financial modeling, corporate finance, mergers and acquisitions, grants and subsidies, etc. During this time, he analyzed and evaluated financial statements that presented accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements. During the last twelve years, he has been active as founder and president of Mergerac Inc., a private investment bank specializing in mergers and acquisitions and in corporate finance. During his career, Mr. Longpré has been instrumental in concluding numerous business transactions including several with very sophisticated financial structures. He has an in-depth knowledge of financial instruments and practices and he keeps abreast of all new financial market developments.

*Jean Élie.* Mr. Élie holds a law degree from McGill University and an MBA from the University of Western Ontario. He has over 35 years experience as senior executive in the pulp and paper and energy industries as well as with securities and accounting firms. Mr. Élie has acquired through his education and experience, an understanding of the accounting principles used by the Company to prepare its financial statements and the implications of said accounting principles on the Company's results, as well as an understanding of internal controls and procedures for financial reporting. Mr. Élie has obtained significant experience in analyzing and evaluating financial statements as well as exposure to accounting and financial matters as a managing director of a Canadian bank wholly-owned by Société Générale (France), as Vice President, Corporate Finance of a large Canadian investment bank, as Chairman of the audit committee of Hydro Québec and as director and audit committee member of public and private companies. Since his retirement in 2002, he serves on the boards and audit committees of public and private companies, as well as non for-profit organizations. Mr. Élie is a member of the Institute of Internal Auditors and a member of the Institute of Corporate Directors.

The Board of Directors of the Company has determined that Messrs. Desrosiers, Longpré and Élie are "financially literate" in accordance with *Multilateral Instrument 52-110 Audit Committees* applicable in Canada. In addition, it has determined that Mr. Desrosiers is "audit committee financial expert" in accordance with the U.S. *Sarbanes-Oxley Act* and the rules of the U.S. Securities and Exchange Commission enacted there under.

### ***Internal Controls***

We maintain a system of internal controls over financial reporting designed to safeguard assets and ensure that financial information is reliable. We undertake ongoing evaluations of the effectiveness of internal controls over

financial reporting and implement control enhancements, when appropriate. As at April 27, 2008, our management and our external auditors reported that these internal controls were effective.

We also maintain a system of disclosure controls and procedures designed to ensure the reliability, completeness and timeliness of the information we disclose in this MD&A and other public disclosure documents, by taking into account materiality. Disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in reports filed with securities regulatory agencies is recorded and/or disclosed on a timely basis, as required by law, and is accumulated and communicated to the Company's management, including its Chief Executive Officer and its Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

#### ***Policy on the Approval of Non-audit Services***

At its meeting held on March 16, 2004, the Audit Committee adopted a policy and procedures on the pre-approval of non-audit services by the Company's auditors. This policy prohibits the Company from engaging the auditors to provide certain non-audit services to the Company and its subsidiaries, including book-keeping or other services related to the accounting records or financial statements, financial information systems design and implementation, appraisal or valuation services, actuarial services, internal audit services, investment banking services, management functions or human resources functions, legal services and expert services unrelated to the audit. The policy allows the Company to engage the auditors to provide non-audit services, other than the prohibited services, only if the services have specifically been pre-approved by the Audit Committee.

A copy of the policy and procedures on the pre-approval of non-audit services by the Company's auditors may be obtained without charge by contacting the Corporate Secretary at the head office of the Company, 1600 St-Martin Blvd. East, Tower B, Suite 200, Laval, Québec H7G 4S7.

#### ***Code of Ethics for CEO, CFO and Senior Financial Officers***

At its meeting held on March 15, 2004, the Audit Committee approved a Code of ethics for the CEO, CFO and senior financial officers in accordance with the U.S. *Sarbanes-Oxley Act* ("SOX") and the applicable rules of the U.S. Securities and Exchange Commission.

A copy of the Code of ethics for the CEO, CFO and senior financial officers may be obtained without charge by contacting the Corporate Secretary at the head office of the Company, 1600 St-Martin Blvd. East, Tower B, Suite 200, Laval, Québec H7G 4S7.

#### ***Whistle-Blowing Policy***

During fiscal 2005, the Audit Committee approved in accordance with the Canadian securities laws and with the U.S. *Sarbanes-Oxley Act* and the applicable rules of the U.S. Securities and Exchange Commission a whistle-blowing policy with respect to complaints on accounting and auditing matters of the Company with the objective to:

- Establish procedures for the receipt, retention and treatment of complaints and/or concerns received regarding accounting, internal accounting controls or auditing matters;
- Establish procedures for the confidential, anonymous submission by employee of concerns regarding questionable accounting or auditing matters; and
- Establish mechanisms in order to ensure that no retaliations or punitive measures taken against an employee if the complaint was taken based on facts, in good faith and was not intended to cause prejudice to a person or in view of gaining any personal advantages.

## ***Auditors Fees***

Raymond Chabot Grant Thornton LLP, chartered accountants, Montréal, have served as the Company's auditors since 1990. For the fiscal years ended on April 27, 2008 and April 29, 2007, billed fees for audit, audit-related, tax and all other services provided to the Company by Raymond Chabot Grant Thornton LLP were as follows:

	<u>2008</u>	<u>2007</u>
<b><i>Audit Fees</i></b> <sup>1</sup>	Cdn\$ 888,721	Cdn\$ 984,269
<b><i>Audit-Related Fees</i></b> <sup>2</sup>	Cdn\$ 11,100	Cdn\$ 22,700
<b><i>Tax Fees</i></b> <sup>3</sup>	Nil	Nil
<b><i>All Other Fees</i></b>	Cdn\$ 127,755	Cdn\$ 116,009
<b><i>TOTAL</i></b>	Cdn\$ 1,027,576	Cdn\$ 1,122,978

### **Notes:**

- (1) Audit services are professional services rendered for the audit of an issuer's annual financial statements and, if applicable, for the reviews of an issuer's financial statements included in the issuer's quarterly reports and services that are normally provided by the accountant in connection with an engagement to audit the financial statements of an issuer - for example:
  - attendance at audit committee meetings at which matters related to the audits or reviews are discussed;
  - consultations on specific audit or accounting matters that arise during or as a result of an audit or review;
  - preparation of a management letter;
  - time incurred in connection with the audit of the income tax accrual; and
  - services in connection with the issuer's annual and quarterly reports, prospectuses and other filings with Canadian, U.S. or other securities commissions.
- (2) Audit-related services (the Canadian term) are assurance and related services traditionally performed by an independent auditor - for example:
  - employee benefit plan audits;
  - accounting work related to mergers and acquisitions, including special audits, due diligence and accounting consultations;
  - internal control reviews;
  - assurance engagements that are not required by statute or regulation; and
  - general advice on accounting standards.
- (3) This category includes tax services other than time incurred in connection with the audit of the income tax accrual.

## **ADDITIONAL INFORMATION**

The Company shall provide to any person, upon request to the Secretary of the Company:

- a) when the securities of the Company are in the course of a distribution pursuant to a short form prospectus or a preliminary short form prospectus has been filed in respect of a distribution of its securities:
  - i) one copy of the Company's annual information form, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in the annual information form,
  - ii) one copy of the comparative financial statements of the Company for its most recently completed financial year together with the accompanying report of the auditor and one copy of any interim financial statements of the Company subsequent to the financial statements for its most recently completed financial year,
  - iii) one copy of the management proxy circular of the Company in respect of its most recent annual meeting of shareholders that involved the election of directors, and
  - iv) one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not required to be provided under i) to iii) above; or
- b) at any other time, one copy of any of the documents referred to in i), ii) and iii) above, provided that the Company may require the payment of a reasonable fee if the request is not made by a title holder of the Company.

Additional information, including officers' and directors' remuneration and loans granted to them, if any, principal shareholders of the Company, stock options and the interest of insiders in material transactions, if any, is contained in the management proxy circular dated July 15, 2008 which was prepared for the 2008 annual meeting of

shareholders. Other financial information is included in the audited consolidated financial statements and the notes thereto for the fiscal year ended April 27, 2008 as well as Management's Discussion and Analysis thereon. All such additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com). The foregoing documents may be obtained by contacting the Corporate Secretary at the head office of the Company, 1600 St-Martin Blvd. East, Tower B, Suite 200, Laval, Québec H7G 4S7.

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