This Management Proxy Circular is furnished in connection
with the solicitation by the management of Transat A.T. Inc.

(the "Corporation") of proxies for use at the annual and
special meeting (the "Meeting") of shareholders of the

Corporation to be held on March 24, 1999 at the place
and for the purposes set forth in the notice of Meeting as
well as any adjournment thereof. The information provided
herein is given as of February 3, 1999, unless otherwise
indicated.



SOLICITATION OF PROXIES

The proxies contained in the enclosed form are solicited on behalf of the Corporation's management and the Corporation will assume the cost of printing, postage and sending. The solicitation will be conducted primarily by mail or by any other means deemed necessary by the Corporation's management.

If a shareholder wishes to appoint a proxy other than the person mentioned in the proxy form, the shareholder need only enter the person's name in the space provided for in the enclosed proxy form. The nominee need not be a shareholder of the Corporation. To be valid, the duly completed proxy form must be received by Montréal Trust Company, P.O. Box 1900, Station B, Montréal, Québec, H3B 9Z9 or be delivered to 1800 McGill College Avenue, 6th Floor, Montréal, Québec, to the attention of the Corporation, no later than 5:00 p.m. on March 22, 1999.

REVOCATION OF PROXIES

A shareholder who has given a proxy may revoke it by a written instrument, signed by him or his mandatary authorized in writing to such effect. The revocation may be delivered to the Secretary of the Corporation, at 300 Léo-Pariseau Street, Suite 600, Montréal, Québec, H2W 2P6, until the last business day preceding the Meeting or any reconvening of the Meeting in case of adjournment, or deposited with the chairman of the Meeting on the date of the Meeting or any reconvening thereof in case of adjournment, or in any other manner permitted by law.

EXERCISE OF POWERS CONFERRED BY PROXY

The voting rights attached to the shares represented by the enclosed proxy form will be exercised in accordance with the instructions of the shareholder. The persons designated in the proxy form enclosed herewith are executive officers of the Corporation.

In the absence of contrary instructions by the shareholder, the representative will exercise the right to vote in favour of each of the matters indicated on the proxy form, in the notice of Meeting or in the Management Proxy Circular.

Management knows of no other matters which may be brought before the Meeting. If, however, other matters are properly submitted to the Meeting, the persons named in the enclosed proxy form will vote on such matters as they see fit, in accordance with the discretionary power conferred on them in the proxy form regarding such matters. The shareholder or his representative duly authorized in writing must sign the proxy form.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The shares of the Corporation conferring voting rights at the Meeting are the common shares. As at February 3, 1999, the Corporation had a total of 34,420,617 common shares outstanding, and each such share entitles its holder to one vote.

As indicated in the notice of Meeting, the record date to determine the shareholders entitled to receive notice of the Meeting is the close of business on February 17, 1999. Each person who is registered as a holder of common shares at the close of business on February 17, 1999 will be entitled to vote at the Meeting or any reconvening of such Meeting if such person is present or represented by proxy. The transferee of common shares, as the case may be, acquired after the record date is entitled to exercise the voting rights pertaining to such shares at the Meeting or any reconvening of the Meeting if he produces duly endorsed share certificates representing such shares or if he otherwise proves his title to such shares and if he requires, not less than ten days prior to the Meeting, that his name be registered on the list of shareholders entitled to receive notice of the Meeting, which list has been prepared as of the record date.

As of the date hereof, the only person or entity known by the directors and officers of the Corporation to hold ten per cent or more of the voting shares of the Corporation's share capital is Fonds de solidarité des travailleurs du Québec (FTQ), which holds 3,868,001 common shares, namely 11.2% of the issued and outstanding common shares.

MANAGEMENT REPORT AND FINANCIAL STATEMENTS

The management report, the consolidated financial statements and the auditors' report thereon, for the fiscal year ended October 31, 1998, included in the Corporation's 1998 Annual Report, will be presented to the shareholders at the Meeting, but no vote is required or anticipated in respect thereof.

ELECTION OF DIRECTORS

Pursuant to the articles of the Corporation, the Board of Directors must be composed of a minimum of nine and a maximum of 15 directors. In accordance with a resolution of the Board of Directors, the number of directors of the Corporation to be elected at the Meeting has been established at 13.

Thirteen directors will be presented at the Meeting as nominees for election to the Board of Directors of the Corporation. Each director will remain in office until the next annual meeting of shareholders or until his successor is elected or appointed.

Pursuant to an agreement entered into on August 24, 1988 (which was amended on August 31, 1988, April 28, 1993 and August 19, 1998), the Corporation undertook to ensure that two representatives of Consultour/Club Voyages Inc., namely the Chief Executive Officer and any other person agreed to by the parties, would be elected to the Corporation's Board of Directors and kept thereon. This agreement is in effect until March 31, 1999.

The persons named in the enclosed proxy form intend to vote for the election of the nominees whose names are set out hereinbelow.

Unless a shareholder indicates his abstention to vote for the nominees, the voting rights attached to the shares represented by the proxy form enclosed herewith will be exercised in favour of the election of the 13 persons listed below.

The table opposite
provides certain
information concerning
the nominees
for directorship.
The information
provided in the table
regarding each
nominee is based on
statements made
by the person
concerned.

NAME OF THE DIRECTOR	PRINCIPAL OCCUPATION	DIRECTOR SINCE	COMMONS SHARES OWNED OR CONTROLLED OR DIRECTED
Jean-Marc Eustache ¹	Chairman of the Board, President and Chief Executive Officer of the Corporation and President, Look Voyages S.A. (tour operator)	February 1987	795,597
Jean-Paul Bellon ¹	Chairman of the Board and Chief Executive Officer, Consultour/Club Voyages Inc. (travel agency franchisor) and President, Euro Charter S.A. (chain of travel agencies)	January 1989	5,000
André Bisson, O.C. ^{2,4}	Director of Corporations	April 1995	12,000
Lina De Cesare ¹	President and Chief Executive Officer, Vacances Air Transat A.T. Inc. (tour operator) and President, Tourbec (1979) Inc. (travel agency franchisor)	May 1989	187,494
Benoît Deschamps ^{1,4}	Vice-president, Financial Planning and Treasurer, Le Groupe Vidéotron Ltée (telecommunications)	April 1997	1,700
Marcel Gagnon	Portfolio Manager-Capital d'Amérique CDPQ Inc. (institutional investor)	New candidate	_
Yves Graton ^{1,3}	Director of Corporations	April 1991	1,000
Jean Guertin ^{1,3}	Chief Executive Officer, Société Gasbeau (holding company), Chairman of the Board, Télémédia Inc. (communications), and Professor, École des Hautes Études Commerciales (university	April 1995	3,000
Sylvie Jacques ^{1,2}	Director, Investments, Recreation-Tourism Fund, Fonds de solidarité des travailleurs du Québec (FTQ) (institutional investor)	June 1998	_
Michel Lessard ⁴	President, Club Voyages Air-Mer Inc. (travel agencies)	April 1998	4,000
Philippe Lortie	Captain, Air Transat A.T. Inc. (airline company)	April 1997	51,975
Philippe Sureau ¹	Executive Vice-president of the Corporation, President and Chief Executive Officer, Air Transat A.T. Inc. (airline company) and President, DMC Transat Inc. (tour operator)	February 1987	612,026
John D. Thompson ^{2,}	³ Deputy Chairman of the Board, Montréal Trust Company (<i>trust company</i>)	April 1995	5,000

¹ Member of the Executive Committee

Before joining Fond de solidarité des travailleurs du Québec (FTQ), Mrs. Sylvie Jacques was principal portfolio manager at Investissement Québec. In November 1995, Mrs. Jacques joined Fonds de solidarité des travailleurs du Québec (FTQ) as senior advisor, investments, and was promoted to director, investments, recreation-tourism fund, in April 1997.

Mr. Marcel Gagnon was a portfolio manager with Fonds de solidarité des travailleurs du Québec (FTQ) from 1994 to September 1997. Mr. Gagnon has been a portfolio manager with Capital d'Amérique CDPQ inc., a subsidiary of the Caisse de Dépôt et Placement du Québec, since October 1997.

The Corporation's management does not anticipate that any of the nominees will be unable or no longer willing to act as a director, but if such should be the case prior to the election, the persons named in the enclosed proxy form will vote in favour of electing as directors any other person(s) that the Corporation's management may recommend in place of such nominee(s) hereinabove, unless a shareholder indicates his abstention to vote for the election of directors.

² Member of the Audit Committee

³ Member of the Human Resources and Remuneration Committee

 $^{^4}$ Member of the Corporate Governance Committee

At the Meeting, shareholders will be called upon to appoint auditors, to hold office until the next annual meeting of shareholders and to authorize the Board of Directors to fix their remuneration. Ernst & Young LLP have been the auditors of the Corporation since its incorporation.

Unless a shareholder indicates his abstention to vote, the voting rights attached to the shares represented by the proxy form enclosed herewith will be voted in favour of the appointment of Ernst & Young LLP as auditors of the Corporation and to authorize the Board of Directors to fix their remuneration.

To be approved, the resolution appointing Ernst & Young LLP as auditors of the Corporation and authorizing the Board of Directors to fix their remuneration must be adopted by a majority of the votes cast by all the shareholders present or represented by proxy at the Meeting.

REPORT OF THE HUMAN RESOURCES AND REMUNERATION COMMITTEE

COMPOSITION OF THE COMMITTEE

The Human Resources and Remuneration Committee of the Board of Directors (referred hereinafter in this report as the "Committee") is responsible for establishing the policy regarding the remuneration of the executive officers and organizational development, and for continuously supervising its implementation. The Committee makes recommendations regarding the remuneration of the executive officers, which recommendations are subject to approval by the Board of Directors.

The Committee is composed of Mssrs. Jean Guertin (Chairman of the Committee), Yves Graton and John D. Thompson. In general, the President and Chief Executive Officer attends meetings of the Committee except when matters concerning him are being discussed. None of the members of the Committee is currently employed by the Corporation or any of its subsidiaries or is a former executive officer or employee of the Corporation or any of its subsidiaries. None of the executive officers of the Corporation is a member of the Board of Directors of the corporations that employ Mssrs. Jean Guertin, Yves Graton and John D. Thompson.

EXECUTIVE REMUNERATION POLICY

The Corporation's executive remuneration policy is intended to align the executives' aggregate remuneration with the Corporation's values, objectives and business strategy, and to determine the amount of such remuneration in accordance with the Corporation's financial performance and the creation of added-value for the shareholders. The specific goals of the policy are as follows:

- to attract and keep at its service competent executive officers in order to ensure the long term success of the Corporation and its subsidiaries;
- to motivate executive officers to meet and surpass the targeted performance objectives set by the Corporation; and
- to offer executive officers an aggregate remuneration set at the 1st quartile of the reference market when the performance objectives and the objectives with respect to the creation of added-value for the shareholders are attained.

The policy consists in offering an aggregate remuneration to executive officers which is established through a comparison with a reference market of Canadian public corporations chosen on the basis of criteria such as the nature and complexity of the operations, the operating sectors and the scope of operating activities (Canada-wide and international). The Committee reviews the composition of the reference market as well as the Corporation's positioning within this market from time to time to ensure that such positioning remains appropriate.

The aggregate remuneration of executive officers is composed of the following items:

- remuneration consisting of a base salary;
- a short-term incentive program in the form of an annual bonus;
- a long-term incentive program in the form of a stock option plan; and
- a benefits and perquisites package.

The key elements of the aggregate remuneration of executive officers have been developed in accordance with the following principles:

- Base salary: Executive officers' positions in the Corporation and its subsidiaries are compared to other similar executive officers' positions in corporations forming the reference market, and the salary data so gathered are then analysed to establish the median* salaries in the market. The salary paid for each executive officer's position aims to attain the median of the reference market.
- Short-term incentive program: The annual bonus of executive officers is based on the Corporation's performance in relation to a quantifiable financial performance measurement as well as sectorial objectives reflecting specific indicators (strategic or financial) applicable to the Corporation or a subsidiary of the Corporation, with the exception of the President and Chief Executive Officer whose annual bonus depends entirely on the Corporation's performance in relation to a quantifiable consolidated financial performance measurement. The annual bonus for each executive officer's position is established to slightly exceed the median of the reference market, with the potential to materially exceed the median of the reference market.

The objective sought by the application of the remuneration principles described hereinabove is to provide a cash remuneration (base salary and annual bonus) set at the 1st quartile of the reference market when the targeted performance objective is attained, with a potential to materially exceed the reference market when the stretch performance objective is attained.

Long-term incentive program: Executive officers of the Corporation participate in a longterm incentive program in the form of a stock option plan. The objective of the plan is to tie in part of the executive's remuneration with the creation of added-value for the shareholders. Subject to the approval of the Corporation's Board of Directors, the President and Chief Executive Officer recommends to the Committee the executive officers to whom stock options may be granted as well as the aggregate number of options that may be granted.*

The Committee reviews the executive remuneration policy from time to time, with the assistance of independent advisors, if necessary, in order to ensure that the Corporation meets the aforementioned objectives efficiently and that the policy remains competitive in relation to the reference market.

REMUNERATION OF THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

The aggregate remuneration of the President and Chief Executive Officer is determined according to the same principles as those applicable to other executive officers. Each component of the aggregate remuneration of the President and Chief Executive Officer is reviewed each year by the Committee in accordance with the objectives and principles described in "Executive Remuneration Policy".

Submitted on behalf of the Human Resources and Remuneration Committee by:

Jean Guertin, Chairman Yves Graton John D. Thompson

[&]quot;Median salary" means a salary set at the 50th percentile of the reference market.

^{**} See "Stock Option Plan" for a summary of the terms and conditions of the plan.

EXECUTIVE REMUNERATION

The aggregate cash remuneration paid to executive officers assuming policy making functions within the Corporation and its subsidiaries, in consideration of services rendered during the fiscal year ended October 31, 1998, was \$1,820,477.

SUMMARY REMUNERATION TABLE

The following table sets forth the aggregate remuneration paid by the Corporation during each of the last three fiscal years to the President and Chief Executive Officer of the Corporation as well as to the four most highly compensated executive officers.

	ANNUAL REMUNERATION				LONG-TERM REMUNERATION			
NAME AND PRINCIPAL OCCUPATION	YEAR	SALARY	BONUS (2)	OTHER ANNUAL REMUNER- ATION	SECURITIES UNDER OPTIONS GRANTED	RESTRICTED SHARES OR RESTRICTED SHARE UNITS	LTIP (4) PAYOUTS	ALL OTHER REMUNER- ATION
		(\$)	(\$)	(8)	(#)	(\$)	(\$)	(8)
Jean-Marc Eustache Chairman of the Board, President and Chief Executive Officer of the Corporation and President, Look Voyages S.A.	1998 1997 1996	335,000 275,000 275,000	160,000 288,750 288,750	(3) (3) (3)	90,000	N/A N/A N/A	N/A N/A N/A	_ _ _
Philippe Sureau Executive Vice-President of the Corporation, President and Chief Executive Officer, Air Transat A.T. inc. and President, DMC Transat Inc.	1998 1997 1996	225,000 195,000 195,000	80,000 146,250 146,250	(3) (3) (3)	60,000	N/A N/A N/A	N/A N/A N/A	_ _ _
Lina De Cesare President and Chief Executive Officer, Vacances Air Transat A.T. Inc and President, Tourbec (1979) Inc.	1998 1997 1996	200,000 175,000 160,000	70,000 130,000 120,000	(3) (3) (3)	60,000	N/A N/A N/A	N/A N/A N/A	_ _ _
Sam Ghorayeb President, Les Voyages Nolitour Inc.	1998 1997 1996	165,000 154,648 154,648	50,000 50,000 25,000	(3) (3) (3)	20,000	N/A N/A N/A	N/A N/A N/A	_ _ _
Lorraine Maheu ⁽¹⁾ Vice-President, Finance and Administration and Chief Financial Officer of the Corporation	1998 1997 1996	155,000 120,208 N/A	50,000 82,563 N/A	(3) (3) N/A	20,000 60,000 (N/A	N/A N/A N/A	N/A N/A N/A	 N/A

N/A: Not applicable.

- (1) Mrs Maheu joined the Corporation on January 15, 1997 and was granted stock options upon her hiring.
- (2) Performance bonuses earned in one year are paid out the following year. Therefore, bonuses earned in 1998 will be paid out in 1999.

The performance bonus for 1998 was granted by the Board at its Meeting of December 16, 1998 for the fiscal year ended October 31, 1998.

The performance bonus for 1997 was granted by the Board at its Meeting of February 11, 1998 for the fiscal year ended October 31, 1997.

The performance bonus for 1996 was granted by the Board at its Meeting of February 27, 1997 for the fiscal year ended October 31, 1996.

- (3) Ancillary benefits and other personal benefits are not required to be disclosed if the aggregate amount does not exceed, for all executive officers, 10% of cash remuneration, up to an amount of \$25,000 per person.
- (4) The Corporation has no Long-Term Incentive Plan ("LTIP").

STOCK OPTION PLAN

The Corporation has adopted a stock option plan for directors, officers and employees of the Corporation and its subsidiaries (the "Option Plan"). The objective of the Option Plan is to retain and motivate the directors, officers and employees of the Corporation or any of its subsidiaries by tying part of their remuneration with the creation of added-value for the shareholders.

The Option Plan enables the Corporation to grant stock options (the "Options") to eligible persons up to a maximum of 7,715,847 common shares, at a price per share corresponding to the average weighted market price of the Corporation's common shares on The Montréal Exchange for the five trading days preceding the granting of Options. A total of 983,000 options are currently issued and outstanding. The Corporation's Board of Directors or, as the case may be, its executive committee may determine, from time to time, in its entire discretion, the directors, officers and employees to whom Options will be granted, the grant date or dates, the date on which the Options may vest, as well as the frequency at which each of the holders may subscribe to shares. The Options granted under the Option Plan expire five years after the grant date or earlier if the option holder ceases to hold a position with the Corporation or any of its subsidiaries or if he dies.

No Options were granted during the last fiscal year to the President and Chief Executive Officer and the four most highly compensated executive officers of the Corporation, save for 20,000 Options granted to Mrs. Lorraine Maheu at an exercice price of \$12.83 on December 22, 1997. The Options granted to Mrs. Maheu represent 19% of the total number of Options granted during the last fiscal year and will expire on December 22, 2002.

During the fiscal year ended October 31, 1998, 60,000 Options were granted at \$9.93 and 25,000 Options were granted at \$12.32 to holders other than the named executive officers identified under "Summary Remuneration Table". Furthermore, Options representing 193,500 common shares at an exercise price of \$1.76 per share and 43,700 common shares at an exercise price of \$1.83 per share were exercised during the last fiscal year.

OPTIONS EXERCISED DURING THE FISCAL YEAR ENDED OCTOBER 31, 1998

The following table sets forth the Options exercised by the President and Chief Executive Officer of the Corporation as well as the four most highly compensated executive officers during the last fiscal year.

NAME	SECURITIES ACQUIRED ON EXERCICE	AGGREGATE VALUE REALIZED	UNEXERCISED OPTIONS AT FISCAL YEAR-END	VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT FISCAL YEAR-END (1)
	(#)	(\$)	(#)	(\$)
Jean-Marc Eustache	_	_	90,000	
Philippe Sureau	_	_	60,000	_
Lina De Cesare	_	_	60,000	_
Sam Ghorayeb	_	_	20,000	_
Lorraine Maheu	_	_	80,000	_
·				

⁽¹⁾ The value of unexercised in-the-money Options was calculated using the average of the closing price of the Corporation's common shares on The Montréal Exchange and the Toronto Stock Exchange on October 31, 1998, less the exercise price of the in-the-money Options.

REMUNERATION AGREEMENTS

In December 1998, the Corporation entered into a standard agreement with each of the President and Chief Executive Officer and certain named executive officers constituting its core management team, defining the terms and conditions of termination of employment of said individuals in the event of an "unsolicited or hostile" take-over of the Corporation, as defined in such agreement. These standard agreements were entered into in order to ensure such executive officers continued to adequately see to the best long-term interests of the Corporation. Hence, for a period of two years following a take-over of the Corporation, the standard agreement provides that if the purchaser terminates the employment of the executive officer (other than for cause) or if the executive officer terminates his employment for a "sufficient reason" (as defined in the agreement), the executive officer will be entitled to the payment of an indemnity following termination of his employment. The indemnity is primarily composed of the following elements, depending on the position held by the executive officer: (i) a lump-sum amount equal to the base salary of the executive officer for a period of 18 or 24 months, plus one or two months for each full year of service, up to a maximum period of 24, 30 or 36 months, and; (ii) a lump-sum amount equal to the target bonus applicable to his position for the period set out in (i) hereinabove. The executive officer cannot draw any benefit from the agreement unless there is a take-over of the Corporation and termination of his employment occurs, as described in the standard agreement, prior to its expiry.

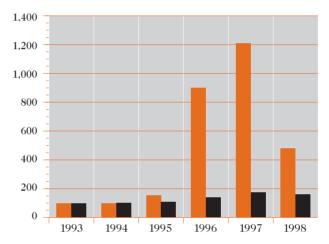
REMUNERATION OF DIRECTORS

The directors of the Corporation receive annual fees of $\$7,\!500$ each for their services, and the chairmen of committees of the Board of Directors receive annual fees of $\$2,\!500$ each for their services. In addition, the Corporation pays attendance fees of \$850 to each director who is not employed by the Corporation and its subsidiaries for Board or committee meetings at which each such director is present.

RETURN ON THE SHARES

The following graph compares the cumulative total return obtained on an investment of \$100 in the common shares of the Corporation made on October 31, 1993 to the cumulative total return of the TSE 300 Index of the Toronto Stock Exchange over the last five fiscal years.*

_	1993	1994	1995	1996	1997	1998
Transat A.T. Inc.	100	100	153	900	1210	480
TSE 300 Index	100	103	110	141	175	162



All prices of the Corporation's common shares are taken from the files of the Montréal Stock Exchange and the Toronto Stock Exchange, and the results represent those of the last transaction effected on the Corporation's securities on The Montréal Exchange or the Toronto Stock Exchange, as the case may be, on October 31 of the year concerned.

The Corporation is part of the TSE 300 Composite Index (Transportation and Environmental Sub-Group) and the TSE 200 Index.

INDEBTEDNESS OF SENIOR EXECUTIVES

No director, executive officer or senior officer of the Corporation, or nominee for the position of director of the Corporation, is indebted to the Corporation or its subsidiaries or has contracted any loan that is contemplated by security, a support agreement, a letter of credit or another similar arrangement on the part of the Corporation or any of its subsidiaries.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Corporation has purchased insurance at its own expense covering the liability of its directors and officers, in their capacities as directors and officers. This insurance was obtained pursuant to a policy which also covers the directors and officers of the Corporation's subsidiaries, with the exception of Look Voyages S.A., which has purchased its own insurance.

For the fiscal year ended October 31, 1998, the Corporation's insurance policy provided a maximum coverage of \$10,000,000 per event, subject to a deductible of \$35,000 payable by the Corporation. The premium paid under the policy for 12 months' coverage was \$61,534. The insurance policy of Look Voyages S.A. provided a maximum coverage of 40,000,000 FF per event, subject to a deductible of 250,000 FF. The premium paid under the policy for 12 months' coverage was 51,000 FF. Neither the insurance premium nor the premiums paid distinguish between insurance covering the liability of the directors of the Corporation and the liability of its officers, the coverage being the same for both groups.

CORPORATE GOVERNANCE

The Board of Directors of the Corporation is of the opinion that sound corporate governance practices are essential to the performance of the Corporation as a whole and benefit all shareholders. In reference to the corporate governance rules adopted by the Montréal and Toronto stock exchanges, the following statement constitutes a summary of the Corporation's corporate governance practices.

MANDATE OF THE BOARD OF DIRECTORS

The mandate of the Board of Directors is to supervise the management of the business activities of the Corporation as well as the officers who are responsible for administering the day-to-day affairs of the Corporation. Furthermore, the Board of Directors contributes to the elaboration of all the material policies regarding the Corporation's activities.

The Board of Directors meets periodically (at least five times per year) in order to exercise the responsibilities described hereinbelow effectively, perform certain duties prescribed by law (for example, the adoption of the quarterly and annual financial statements) and examine all material issues confronting the Corporation. In addition, the committees of the Board of Directors generally review the information provided to the Board by management, hence ensuring the accuracy and relevance of the information provided to the directors. To carry out its mandate, the Board of Directors assumes the following principal responsibilities:

- supervises and contributes to the strategic-planning process and adopts guidelines for the strategic orientation of the Corporation. In connection with this process, the Board of Directors expects management of the Corporation to be responsible for preparing and implementing the strategic orientation adopted by the Board. This strategic-planning process includes, inter alia, financial and business, investment, technology and human resources planning;
- identifies and evaluates the principal risk factors related to the Corporation's business to ensure the long-term viability of the Corporation and create added-value for the shareholders. Within this context, the decisions of the Board are taken to strike a balance between the principal risk factors related to the Corporation's business and the yield potential for the shareholders;
- supports and supervises managements' performance, including planning of management succession, and adopts and ensures implementation of objectives pertaining to the executive remuneration policy;
- ensures that management implements an effective communication policy with the share-holders and the financial community. In this regard, information requests are initially directed to the Vice-President, Finance and Administration and Chief Financial Officer who deals with such requests and, when follow-up is necessary, coordinates the appropriate solution and supervises its communication in order to ensure a cohesive message is disseminated regarding the Corporation; and
- ensures that management implements and maintains effective internal-control and management systems in order that the Board may have access to adequate information in exercising its responsibilities.

These responsibilities are in compliance with the rules of the Montréal and Toronto stock exchanges.

COMPOSITION AND INDEPENDENCE OF THE BOARD

The Board of Directors is currently composed of 12 directors, five of whom are "inside" and "related" directors, and seven of whom are "outside" and "unrelated" directors within the meaning of the rules of the Montréal and Toronto stock exchanges. The inside and related directors are either executive officers or employees of the Corporation, its subsidiaries or associated companies. The composition of the Board affords the Corporation a wide range of knowledge to guide its strategic planning and operations.

Given that Mr. Jean-Marc Eustache is the founder of the Corporation and is involved in the management of its day-to-day operations, he holds the positions of Chairman of the Board and President and Chief Executive Officer of the Corporation. The Board does not currently intend to separate the positions of Chairman of the Board and President and Chief Executive Officer. The Board is of the opinion that it can operate independently without separating the said positions for the following reasons: the committees of the Board, in particular the Audit Committee, the Human Resources and Remuneration Committee and the Corporate Governance Committee play an active role in ensuring that the Board assumes its responsibilities, and Mr. Eustache is not a member of any of these committees. Moreover, the outside directors have direct, unlimited access to all executive officers as well as the external auditors of the Corporation and meet without the presence of Mr. Eustache or the inside directors in certain circumstances.

The Board of Directors has created four committees, to which it has given specific mandates and the necessary powers to assist it in effectively fulfilling its duties. The activities of each committee is coordinated by a senior officer of the Corporation.

The Executive Committee

The Executive Committee is currently composed of eight members, four of whom are inside and related directors and four of whom are outside and unrelated directors, and its activities are coordinated by the President and Chief Executive Officer of the Corporation.

Although the rules adopted by the Montréal and Toronto stock exchanges stipulate that the Executive Committee should generally be composed of outside directors a majority of whom are unrelated, the said rules acknowledge that the committee may include inside directors. The Corporation believes that the four inside and related directors who are members of the Executive Committee are able to act, and do in fact act, in the bests interests of the Corporation and its shareholders. The specific nature of the Corporation's business is such that it is appropriate for the Executive Committee to be composed of members who are involved in the various sectors of the travel industry (travel agents, tour operators and airline carriers), thus explaining why certain of the Corporation's subsidiaries and associated companies are represented on the Executive Committee.

The Executive Committee meets at least three times a year, or more often if necessary. Its role is to act in the place and stead of the Board of Directors between meetings of the Board, with all the powers of the Board, subject to the provisions of the *Canada Business Corporations Act*, R.S.C. (1985) c. C-44 (the "*Canada Business Corporations Act*"). In particular, the Executive Committee members ensure that the strategic goals set by the Corporation are respected, review the monthly financial statements and discuss any discrepancies with the budget.

The Audit Committee

The Audit Committee is currently composed of three outside and unrelated directors and its activities are coordinated by the Vice-President, Finance and Administration and Chief Financial Officer of the Corporation.

The Audit Committee meets at least four times per year, or more often if necessary, and is responsible for relations with the external auditors of the Corporation. The committee reviews the quarterly and annual financial statements of the Corporation, the annual report and any other financial document required to be disclosed publicly, and is responsible for establishing and maintaining accounting systems which enable, inter alia, the said financial statements to be prepared in accordance with generally accepted accounting principles. The committee is also responsible for adopting and maintaining effective internal-control and risk-management systems for the Corporation.

The Human Resources and Remuneration Committee

The Human Resources and Remuneration Committee is currently composed of three outside and unrelated directors and its activities are coordinated by the President and Chief Executive Officer of the Corporation.

The Human Resources and Remuneration Committee meets at least twice per year, or more often if necessary, and is responsible for preparing and implementing the executive remuneration policy, including evaluation of the performance of the President and Chief Executive Officer and other executive officers of the Corporation. The committee also reviews and provides input into the succession plan submitted by the President and Chief Executive Officer. In addition, the committee reviews the directors' remuneration to ensure that it realistically reflects the duties and responsibilities inherent in the director's position and makes recommendations to the Board of Directors in this respect. It also ensures that the Corporation complies with the executive remuneration disclosure rules established by the regulatory authorities of securities commissions in Canada.

The Corporate Governance Committee

The Corporate Governance Committee is currently composed of three outside and unrelated directors and its activities are coordinated by the General Counsel and Corporate Secretary.

The committee meets at least twice per year, or more often if necessary, and is responsible for establishing measures to improve the internal governance of the Corporation. The committee reviews, inter alia, the mandates of the Board of Directors and its committees and recommends the approval of corporate governance policies (for example, regarding insider trading). The Committee also makes recommendations to the Board of Directors concerning the evaluation of the performance of directors and the nomination for election of new candidates to the Board. It also ensures that the Corporation complies with the corporate governance disclosure rules established by the various stock exchanges and regulatory authorities of securities commissions in Canada.

PROPOSALS TO AMEND THE ARTICLES OF THE CORPORATION

At the Meeting, the shareholders will examine and, if deemed advisable, adopt a special resolution authorizing the Corporation to amend its articles in accordance with the *Canada Business Corporations Act* in order to introduce constraints on issues and transfers of voting shares of the Corporation's share capital that would cause the Corporation to cease to be a "Canadian" within the meaning of the *Canada Transportation Act*, S.C. (1996) c. 10 (the "Canada Transportation Act") (the "Special Resolution regarding Constraints on the Issue and Transfert of Voting Shares"). The shareholders will also examine and, if deemed advisable, adopt a special resolution authorizing the Corporation to amend its articles in order to enable the Board of Directors of the Corporation to appoint directors during a given year in accordance with subsection 106(8) of the *Canada Business Corporations Act* (the "Special Resolution regarding the Power of the Board to appoint Directors").

The text of each special resolution authorizing the Corporation to amend its articles in accordance with the terms set out hereinbelow is provided in Schedule "A" and "B", respectively, of this Management Proxy Circular.

CONSTRAINTS ON ISSUES AND TRANSFERS OF VOTING SHARES OF THE CORPORATION'S SHARE CAPITAL

The Corporation holds the aggregate of the issued and outstanding shares of Air Transat A.T. Inc. As an air carrier, Air Transat A.T. Inc. is, in particular, governed by the *Canada Transportation Act*. Air Transat A.T. Inc. currently holds a licence to operate a domestic service, a licence to operate an non-scheduled international service and three licences to operate a scheduled international service, between points in Canada and points in the United States of America, on the routes set out in the bilateral air-transport agreement entered into between the Government of Canada and the Government of the French Republic on June 15, 1976, and on the routes set out in the bilateral air-transport agreement between the Government of Canada and the Government of the Republic of Cuba signed ad referendum on January 16, 1997 (hereinafter collectively referred to as the "Licences"), all issued pursuant to the *Canada Transportation Act*.

The Canada Transportation Act provides that the operation of an air service is subject to the holding of the prescribed licence, a Canadian aviation document and the prescribed liability insurance coverage. The Canada Transportation Act also provides that the Canadian Transportation Agency may, on application to the Agency and payment of the specified fee, issue a licence to operate a domestic service, an non-scheduled international service or a scheduled international service to an applicant that established that it is, inter alia, Canadian within the meaning of such Act or, in the case of a licence to operate a scheduled international service, that the applicant is designated by the Minister as eligible to operate such service as a Canadian. The definition of the term "Canadian" in the Canada Transportation Act may be summarized as follows:

- a Canadian citizen or permanent resident within the meaning of the *Immigration Act*, R.S.C. (1985), c. I-2;
- any public administration located in Canada or and agent of such administration; or
- a corporation or entity incorporated in Canada or formed under federal or provincial laws which is controlled in fact by Canadians and of which at least 75 per cent, or such lesser percentage as the Governor in Council may by regulation specify, of the voting interests are owned and controlled by Canadians.

Any holder of a licence to operate a domestic service, a licence to operate an non-scheduled international service or a licence to operate a schedule international service which ceases to be Canadian within the meaning of the *Canada Transportation Act* may have its licence suspended or cancelled.

Since Air Transat A.T. Inc. is wholly owned by the Corporation, the Corporation must itself qualify as a Canadian within the meaning of the *Canada Transportation Act* in order that Air Transat A.T. Inc. remains Canadian within the meaning of such act. It must hence ensure that at least 75 per cent of the issued and outstanding voting shares of the Corporation are owned and controlled by Canadians. To the best of the Corporation's knowledge, approximately six per cent of the voting shares of the Corporation's share capital was owned by non-Canadians within the meaning of the *Canada Transportation Act* as at December 31, 1998.

The articles of the Corporation do not currently include any constraint on the issue and transfer of the voting shares of the Corporation's share capital. In this context, management has recommended to the Board of Directors that it proceed with amendments to the articles of the Corporation in order to add such restrictions on the issue and transfer of the voting shares of its share capital that would cause the Corporation to cease to be a Canadian within the meaning of the *Canada Transportation Act*.

Recommendation of the Board of Directors

In a context where all the activities of the Corporation's Canadian subsidiaries are integrated and benefit from the activities of Air Transat A.T. Inc., the Board of Directors is of the opinion that it is important that the Corporation immediately establish appropriate mechanisms by which to control the issue and transfer of its voting shares in order to ensure its Canadian status within the meaning of the *Canada Transportation Act*. To establish such mechanisms, the Board of Directors intends to use the provisions of the *Canada Business Corporations Act* and the regulations made thereunder to amend its articles to include constraints on issues and transfers of the voting shares of its share capital. These provisions will enable the Corporation's directors to refuse to issue or register the transfer of a voting share of the Corporation where such an issue or transfer would cause the Corporation to lose its Canadian status within the meaning of the *Canada Transportation Act*.

Hence, to enable the Corporation to exercise a certain amount of control over the issue and transfer of voting shares of its share capital in order to ensure Air Transat A.T. Inc. complies at all times with the conditions and provisions of the *Canada Transportation Act* required to maintain its licences, the Board of Directors recommends that the shareholders vote in favour of the adoption of the Special Resolution regarding Constraints on the Issue and Transfer of Voting Shares.

POWER OF THE BOARD OF DIRECTORS TO APPOINT DIRECTORS

Following amendments to the *Canada Business Corporations Act*, the board of directors of a corporation is now authorized, if it's articles so provide, to appoint one or more than one director during a given year, for a term expiring not later than the close of the next annual meeting of shareholders. However, the total number of directors so appointed by a board of directors during a given year may not exceed one third of the number of directors elected at the previous annual meeting of shareholders.

The purpose of subsection 106(8) of the *Canada Business Corporations Act* is to enable a board of directors to add one or more than one director during a given year, provided that the number of directors so added does not exceed one third of the number of directors elected by the shareholders, without having to hold a special meeting of shareholders and incur the expenses therefor. Under the rules that applied before this provision came into force, the Board of Directors could only appoint a director during the year in order to fill a vacancy.

Recommendation of the Board of Directors

Hence, in order to give the Corporation the flexibility required to appoint one or more than one director during a given year, provided that the number of directors so added does not exceed one third of the number of directors elected by the shareholders, and without having to incur the expenses of a special meeting of shareholders, the Board of Directors recommends that the shareholders vote in favour of the adoption of the Special Resolution regarding the Power of the Board to appoint Directors.

APPROVAL OF THE SHAREHOLDERS AND COMING INTO FORCE OF THE SPECIAL RESOLUTIONS

Pursuant to a resolution adopted on February 3, 1999, the Board of Directors authorized the submission to the shareholders of the Special Resolution regarding Constraints on the Issue and Transfer of Voting Shares and the Special Resolution regarding the Power of the Board to appoint Directors.

In order to come into force, each special resolution must be adopted by no less than two thirds of the votes cast at the Meeting by all the shareholders of the Corporation present or represented by proxy at the Meeting. The amendment of the articles, if each special resolution is approved by the shareholders, will come into force only when articles of amendment have been filed with the Director pursuant to the *Canada Business Corporations Act* and when a certificate of amendment has been issued in accordance with the said Act, for the amendment related to each special resolution. The directors of the Corporation will have the authority, pursuant to each special resolution, to revoke, at their option, each special resolution before effect is given thereto through the filing of articles of amendment with the Director pursuant to the *Canada Business Corporations Act* and may exercise such authority relating to the Special Resolution regarding Constraints on the Issue and Transfer of Voting Shares in the event that too large a number of shareholders exercise their right to dissent visa-vis such special resolution.

Unless a shareholder indicates otherwise, the voting rights attached to the shares represented by the enclosed proxy form will be exercised in favour of each special resolution approving each of the proposals to amend the articles of the Corporation.

RIGHT TO DISSENT

Pursuant to the *Canada Business Corporations Act*, a shareholder of the Corporation has the right to send to the Corporation his written objection to the Special Resolution regarding Constraints on the Issue and Transfer of Voting Shares. In addition to the other rights which may be available to holders of common shares, when the proposal to amend the articles of the Corporation related to this special resolution takes effect, a shareholder of the Corporation who complies with the dissent procedure set out in the *Canada Business Corporations Act* (a "Dissenting Shareholder") will be entitled to be paid by the Corporation the fair value of the shares held by him in respect of which he dissents, determined as of the close of business on the day before the Special Resolution regarding Constraints on the Issue and Transfer of Voting Shares was adopted.

The dissent procedure set out in the *Canada Business Corporations Act* is summarized in Schedule "C" hereto. Holders of common shares wishing to dissent from the Special Resolution regarding Constraints on the Issue and Transfer of Voting Shares are urged to refer to such schedule. A Dissenting Shareholder who does not fully comply with the requirements of the *Canada Business Corporations Act* with regard to the exercise of the right to dissent may lose the rights conferred thereon by such Act in respect of the exercise of the right to dissent. In such respect, the signature or exercise of a proxy does not constitute a written objection for the purposes of the *Canada Business Corporations Act*.

The Board of Directors of the Corporation reserves the right, in its entire discretion, not to submit to the shareholders the Special Resolution regarding Constraints on the Issue and Transfer of Voting Shares, in view of the number of Dissenting Shareholders that may have notified the Corporation or if, for any other reason, the Board of Directors deems that it is not in the best interests of the Corporation to give effect to the proposal to amend the articles of the Corporation provided for in this special resolution.

SHARE CERTIFICATES

Concurrently with the implementation of the proposals to amend the articles of the Corporation, the current certificates in respect of the common shares of the Corporation will be modified to note thereon the constraints on the transfer of such shares to non-Canadian within the meaning of the *Canada Transportation Act*. However, the difference in form which currently exists between the certificates held by residents of Canada and those held by non-residents will be kept but will be modified slightly. Following the amendment of the Corporation's articles, all share certificates issued by the Corporation shall note thereon the constraints as described herein.

Notwithstanding the notation regarding constraints to appear on share certificates of the Corporation, all common shares of the Corporation's share capital will be subject to constraints on their transfer following the amendment of the articles of the Corporation.

EVENTS SUBSEQUENT TO APPROVAL

If the shareholders approve the special resolutions (or one of the special resolutions) in the manner described hereinabove, the Corporation will immediately file the articles of amendment required to give effect to the proposals to amend its articles (or to one of the proposals to amend its articles), unless the directors revoke either special resolution before effect is given thereto by filing such articles of amendment.

CONSIDERATIONS PERTAINING TO CANADIAN SECURITIES LEGISLATION

Following the amendment of the Corporation's articles, the issued and outstanding common shares of the Corporation will constitute publicly traded securities pursuant to Canadian securities legislation, subject to the issue and transfer constraints then set out in the articles of the Corporation.

PROPOSAL CONCERNING BY-LAW 1999-1

The Board of Directors is authorized to adopt administrative by-laws to apply the provisions constraining issues and transfers of the voting shares of the Corporation's share capital. Accordingly, if the Special Resolution regarding Constraints on the Issue and Transfer of Voting Shares is adopted, the shareholders will be asked to examine and, if deemed appropriate, to confirm By-law 1999-1, being the by-law conferring on the Board of Directors the powers to implement and apply the constraints on issues and transfers of the voting shares of the Corporation, attached as Schedule "D" hereto, which was adopted by the Board of Directors of the Corporation on February 3, 1999.

The Board of Directors recommends the confirmation of By-law 1999-1, which will enable the Corporation to establish mechanisms and procedures pertaining to the issue and transfer of the voting shares of its share capital in order that it may keep its Canadian status within the meaning of the *Canada Transportation Act*.

14)

Unless a shareholder indicates otherwise, the voting rights attached to the shares represented by the enclosed form of proxy will be exercised in favour of the resolution confirming By-law 1999-1, being the by-law conferring powers on the Board of Directors to implement and apply the constraints on the issue and transfer of voting shares of the Corporation.

To be adopted, the resolution must be approved by the majority of the votes cast at the Meeting by all the shareholders of the Corporation present or represented by proxy at the Meeting.

PROPOSAL CONCERNING THE SHAREHOLDERS' SUBSCRIPTION-RIGHTS PLAN

At the Meeting, the shareholders will examine and, if deemed advisable, approve a resolution the text of which is set forth in Schedule "E" hereto (the "Rights Plan Resolution"), to ratify the adoption of the shareholders' Subscription-Rights Plan (the "Rights Plan").

The Board of Directors adopted the Rights Plan on February 3, 1999 and issued subscription rights pursuant thereto (the "Rights"). Although the Rights Plan became effective on such date, it will not continue to be in effect after the date of the Meeting unless it is ratified by the majority of the votes cast by "Independent Shareholders" (as defined below), in person or by proxy, at the Meeting.

Unless a shareholder indicates otherwise, the voting rights attached to the shares represented by the enclosed form of proxy will be exercised in favour of the Rights Plan Resolution.

Before deciding to adopt the Rights Plan, the Board of Directors considered the current legislative framework in Canada governing take-over bids. Under provincial securities legislation, a take-over bid generally means an offer to acquire voting or equity voting shares of a corporation that, together with shares already owned by the bidder and certain parties related thereto, amount to 20% or more of the outstanding shares of that class.

The existing legislative framework for take-over bids in Canada presents the following concerns for shareholders:

A. Time

Current legislation permits a take-over bid to expire 21 days after it is initiated. The Board of Directors is of the view that this is not sufficient time to permit shareholders to adequately consider a take-over bid and make a reasoned and unhurried decision.

B. Pressure to Tender

A shareholder may feel compelled to tender his shares pursuant to a take-over bid which he considers to be inadequate, out of a concern that in failing to do so, the shareholder may be left with illiquid or minority discounted shares. The Rights Plan provides shareholders with a mechanism which is intended to ensure that they can separate the decision to tender, based on the merits of a bid, from the approval or disapproval of a particular take-over bid.

C. Unequal Treatment

Shareholders may not be treated equally if, as current securities legislation provides, an important number of shares is acquired pursuant to a private agreement in which a small group of shareholders or a shareholder disposes of it's shares at a premium to market price, which premium is not shared with the other shareholders of the Corporation. In addition, a person may gradually accumulate shares through stock exchange acquisitions which results in an acquisition of control of the Corporation, without payment of fair value for control or a fair sharing of a control premium amongst all shareholders. The Rights Plan addresses these concerns by applying to all acquisitions of 20% or more of the common shares of the Corporation, ensuring that shareholders receive equal treatment.

Recommendation of the Board of Directors

The Board of Directors has determined that the Rights Plan is in the interests of the Corporation and its shareholders and recommends that the holders of common shares vote in favour of the Rights Plan Resolution.

The purpose of the Rights Plan is to ensure equal treatment of shareholders and to give adequate time for shareholders to properly assess the merits of a bid without undue pressure, and to allow competing bids to emerge. The Rights Plan is designed to give the Board of Directors time to consider alternatives, allowing shareholders to receive full and fair value for their shares. The Rights Plan was not adopted by the Board of Directors in response to any acquisition proposal and is not designed to secure the continuance in office of the current management or the directors of the Corporation. The adoption of the Rights Plan does not in any way lessen the duties of the directors to fully and fairly examine all bids which may be made to acquire the shares of the Corporation and to exercice such duties with a view to the best interest of the shareholders and the Corporation.

The "Issue of Rights" (as defined below) will not in any way adversely alter the financial condition of the Corporation. The issue is not of itself dilutive, will not affect reported earnings per share and will not change the way in which shareholders would otherwise trade their common shares. By permitting holders of Rights other than an "Acquiring Person" (as defined below) to acquire additional securities of the Corporation at a discount to market value, the Rights may cause substantial dilution to a person or group that acquires 20% or more of the outstanding common shares other than by way of a "Permitted Bid" (as defined below). A potential bidder can avoid the dilutive features of the Rights Plan by making a bid that conforms to the requirements of a Permitted Bid.

To qualify as a Permitted Bid, a take-over bid must be made by means of a take-over bid circular to all holders of common shares and must be open for at least 60 days after the bid is made. If more than 50% in aggregate of the outstanding common shares held by "Independent Shareholders" (as defined below) are deposited or tendered pursuant to the bid and not withdrawn, the bidder may take up and pay for such shares. The bid must then remain open for a further period of at least ten business days.

The requirements of a Permitted Bid enable each shareholder to make two separate decisions. First, a shareholder will decide whether the bid or any competing bid is adequate on its own merits. Thereafter, a shareholder will decide to tender or not his shares. In making this decision, the shareholder should not be influenced by the likelihood that the bid will succeed. If there is sufficient support, for example if more than 50% in aggregate of the outstanding common shares held by Independent Shareholders have been tendered, a shareholder who has not already tendered to that bid or to a competing bid will have a further ten business days to decide whether to tender or not his shares.

In reaching the decision to implement the Rights Plan, the Board of Directors considered its duties and responsibilities to the Corporation and received the advice of its financial and legal advisors. In addition, the Board of Directors reviewed the recent experiences of other Canadian public companies in adopting shareholders' rights plans and addressed important institutional investors and regulatory concerns with shareholders' rights plans.

SUMMARY

The terms of the Rights Plan are set out in a shareholder-rights-plan agreement (the "Rights Agreement") dated as of February 3, 1999 between the Corporation and Montréal Trust Company, as rights agent (the "Rights Agent"). The following is a summary of the principal terms of the Rights Plan, which is qualified in its entirety by reference to the text of the Rights Agreement, a copy of which is available upon request, free of charge, from the Corporate Secretary or from Montréal Trust Company at the following addresses:

TRANSAT A.T. INC. 300 Léo-Pariseau Street Suite 600 Montréal, Québec H2W 2P6 MONTRÉAL TRUST COMPANY Place Montréal Trust 1800 McGill College Avenue, 6th Floor Montréal, Québec H3B 9Z9

Term

The Rights Plan and the Rights will terminate at the close of the annual general meeting of shareholders of the Corporation to be held in 2002, unless it is terminated prior to such meeting.

Issue of Rights

In order to implement the Rights Plan, the Board of Directors authorized the Corporation to issue one right in respect of each common share outstanding as of 5 p.m. (Montréal time) on February 3, 1999 (the "Effective Date"). One Right will also be issued and attached to each subsequently issued common share.

Rights-Exercise Privilege

The Rights will separate from the shares to which they are attached and will become exercisable at the time (the "Separation Time") that is ten business days after the earlier of: (i) the first date of public announcement that an "Acquiring Person" (as defined below) has become such; (ii) the date of commencement of, or first public announcement in respect of, a take-over bid which will permit an offeror to hold 20% or more of the common shares of the Corporation, other than by an acquisition pursuant to a take-over bid permitted by the Rights Plan (a "Permitted Bid" or a "Competing Permitted Bid", as defined below); (iii) the date upon which a Permitted Bid ceases to be a Permitted Bid; or (iv) such other date as may be determined in good faith by the Board of Directors.

The acquisition permitting a person (an "Acquiring Person"), including others acting jointly or in concert with such person, to hold 20% or more of the outstanding common shares, other than by way of a Permitted Bid or a Competing Permitted Bid, is referred to as a "Flip-in Event". Any Rights held by an Acquiring Person on or after the earlier of the Separation Time or the first date of public announcement (the "Stock Acquisition Date") by the Corporation or an Acquiring Person that an Acquiring Person has become such, will become null and void upon the occurrence of a Flip-in Event. Ten trading days after the occurrence of the Stock Acquisition Date, each Right (other than those held by the Acquiring Person) will permit the holder to purchase, for the exercice price, that number of common shares determined as follows: a value of twice the exercice price divided by the average weighted market price for the last 20 trading days preceding the Stock Acquisition Date. The exercise price is currently \$100 per Right, subject to adjustment in accordance with the Rights Plan.

To the knowledge of the senior executives of the Corporation, as of the date hereof, no natural or legal person owns or owned 20% or more of the common shares of the Corporation.

The Issue of Rights is not initially dilutive. Upon the occurrence of a Flip-in Event and the separation of the Rights from the attached shares, reported earnings per share on a fully diluted or non-diluted basis may be affected. Holders of Rights who do not exercise their Rights upon the occurrence of a Flip-in Event may suffer substantial dilution.

Certificates and Transferability

Prior to the Separation Time, the Rights will be evidenced by a legend imprinted on certificates for common shares issued after the Effective Date. Rights are also attached to shares outstanding on the Effective Date, although share certificates will not bear such a legend. Prior to the Separation Time, Rights will not be transferable separately from the attached shares. From and after the Separation Time, the Rights will be evidenced by Rights certificates, which will be transferable and traded separately from the shares.

Permitted-Bid Requirements

A "Permitted Bid" is a take-over bid that does not trigger the exercise of Rights. A "Permitted Bid" is a bid that aims to acquire common shares which, together with the other securities beneficially owned by the bidder, represent not less than 20% of the outstanding common shares, which bid is made by means of a take-over-bid circular and satisfies the following requirements:

- (i) The bid must be made to all holders of common shares;
- (ii) The bid must include a condition without reservation providing that no common share tendered pursuant to the bid will be taken up prior to the expiry of a period of not less than 60 days and only if at such date more than 50% in aggregate of the outstanding common shares held by the shareholders other that the bidder, its associates and affiliates, and persons acting jointly or in concert with such persons (the "Independent Shareholders") have been tendered pursuant to the bid and not withdrawn;
- (iii) The bid must include a condition to the effect that the common shares may be tendered pursuant to the bid, unless the bid is withdrawn, at all times during the bid period and that all the common shares tendered may be withdrawn until they are taken up and paid for; and
- (iv) If more than 50% in aggregate of the common shares held by Independent Shareholders are tendered to the bid within the 60-day period, the bidder must make a public announcement of that fact and the bid must remain open for deposits of common shares for an additional ten business days from the date of such public announcement.

The Rights Plan allows a competing Permitted Bid (a "Competing Permitted Bid") to be made while a Permitted Bid is in existence. A Competing Permitted Bid is a take-over bid that is initiated while a Permitted Bid is outstanding and that satisfies all the requirements of a Permitted Bid except that it may expire on the latest of the following date; (i) on the same date as the Permitted Bid, or; (ii) 21 days after the launch of such Competing Permitted Bid. The reduction of the time allotted for the acceptance of a Competing Permitted Bid is intended to permit, to the extent that is afforded by such reduction, that all take-over bids on which the shareholders of the Corporation must decide may be considered during the same prescribed time.

Waiver and Redemptions

The Board of Directors acting in good faith may, prior to a Flip-in Event, waive the dilutive effects of the Rights Plan in respect of a particular Flip-in Event, in which event such waiver would be deemed also to be a waiver in respect of any other Flip-in Event. The Board of Directors may also waive the Rights Plan in respect of a particular Flip-in Event that has occurred through inadvertence, provided that the Acquiring Person that inadvertently triggered such Flip-in Event reduces its beneficial holdings to less than 20% of the outstanding common shares within 14 days or any other period that may be specified by the Board of Director. At any time prior to the occurrence of a Flip-in Event, the Board of Directors may, subject to the prior approval of the holders of common shares, elect to redeem all, but not less than all, of the outstanding Rights at a price of \$0.0001 per Right.

Exemption for Investment Managers

Investment managers (for client accounts), trust companies and pension funds (acting in their capacity as trustees and administrators) acquiring shares permitting them to hold 20% or more of the common shares are exempt from triggering a Flip-in Event, provided that they are not making, or are not part of a group making, a take-over bid.

Supplements and Amendments

The Corporation is authorized to make amendments to the Rights Plan to correct any clerical or typographical error or to maintain the validity of the Rights Plan as a result of changes in laws or regulations. Prior to the Meeting, the Corporation is authorized to amend or supplement the Rights Plan as the Board of Directors may in good faith deem necessary or advisable. The Corporation will issue a press release relating to any material amendment made to the Rights Plan prior to the Meeting and will advise the shareholders of any such amendment at the Meeting. Material amendments or supplements to the Rights Plan will require, subject to the regulatory authorities, the prior approval of the shareholders or, after the Separation Time, holders of Rights.

CANADIAN INCOME-TAX CONSEQUENCES OF THE RIGHTS PLAN

Under the *Income Tax Act (Canada)* R.S.C. (1985), (5th supp.), c.1. (the "*Tax Act*"), while the matter may be debated, the issue of the Rights under the Rights Plan may be a taxable benefit which must be included in the income of a recipient. However, no amount need be included in income if the Rights do not have a monetary value at the date of issue. The Corporation considers that the Rights, when issued, will have negligible monetary value, there being only a remote possibility that the Rights will ever be exercised. The Rights will be considered to have been acquired at no cost. The holder of Rights may have income or be subject to withholding tax under the *Tax Act* if the Rights become exercisable, are exercised or are otherwise disposed of.

The information provided above is of a general nature and is not intended to constitute, nor should it be construed as, legal or tax advice to any particular holder of common shares. Such holders are advised to consult their own tax advisors regarding the consequences of acquiring, holding, exercising or otherwise disposing of their Rights, taking into account their own particular circumstances and applicable federal, provincial, territorial or foreign legislation.

ELIGIBILITY FOR INVESTMENT IN CANADA

Provided that the Corporation remains a "public corporation" for purposes of the *Tax Act* at all material times, the Rights will constitute investments under the *Tax Act* for Registered Retirement Savings Plans, Registered Retirement Income Funds and Deferred Profit Sharing Plans. The Issue of Rights will not affect the status under the *Tax Act* of the common shares for such purposes, nor will it affect the eligibility of such securities as investments for investors subject to certain Canadian and provincial legislation governing insurance companies, trust companies, loan companies and pension plans.

NORMAL-COURSE ISSUER BID

On October 26, 1998, the Corporation announced that it had obtained the approval of The Montréal Exchange and the Toronto Stock Exchange to redeem, from time to time, a maximum number of 2,888,372 common shares, representing approximately 10% of it's public float as at October 19, 1998. The common shares will be redeemed for cancellation by the Corporation. The common shares may be redeemed by the Corporation until October 28, 1999, notwithstanding that the Corporation may terminate the issuer bid at any time. The price which the Corporation will pay for the common shares acquired will correspond to the market price in effect at the time of the acquisition.

Management of the Corporation considers that the share redemptions it may effect from time to time in connection with this bid is in the interests of its shareholders. The amount of such redemptions of common shares will depend, inter alia, on the market price and the impact of the redemptions on the Corporation's working capital. The shareholders of the Corporation may obtain a free copy of the notice of the issuer bid filed with the regulatory authorities by forwarding a written request for same to the attention of the Corporate Secretary.

ADDITIONAL DOCUMENTS

The Corporation is a reporting issuer in the various provinces of Canada and is required to file its financial statements and Management Proxy Circular with each of the securities commissions of these provinces. The Corporation also files an annual information form yearly with the same commissions. Copies of the annual information form, the proxy circular and the financial statements may be obtained upon request made to the Corporate Secretary. The Corporation may charge a reasonable fee if the request is made by a person who is not a shareholder of the Corporation, unless the Corporation is in the course of a distribution of its securities pursuant to a short form prospectus, in which case these documents will be provided free of charge.

APPROVAL OF THE MANAGEMENT PROXY CIRCULAR

The content and the sending of this Management Proxy Circular have been approved by the directors of the Corporation.

Montréal, February 3, 1999

BY ORDER OF THE BOARD OF DIRECTORS S/Jean-Francois Legault

Jean-François Legault General Counsel and Corporate Secretary

SPECIAL RESOLUTION REGARDING THE CONSTRAINTS ON

THE ISSUE AND TRANSFERT OF THE VOTING SHARES OF

THE CORPORATION'S SHARE CAPITAL

"BE IT RESOLVED, PURSUANT TO A SPECIAL RESOLUTION:

- 1. THAT the articles of Transat A.T. Inc. (the "Corporation") be amended in accordance with the articles of amendment set out in Schedule A-1 hereinbelow to insert constraints on issues and transfers of voting shares of the Corporation's share capital that would cause the Corporation to cease to be a "Canadian" within the meaning of the *Canada Transportation Act*, S.C. (1996) c. 10 and any regulation made pursuant to such Act, as amended from time to time;
- 2. THAT the Corporation be and is hereby authorized to request the issuance of a certificate of amendment pursuant to the *Canada Business Corporations Act*, R.S.C. (1985) c. C-44, in order to give effect to this resolution;
- 3. THAT any director or officer of the Corporation be and is hereby authorized to sign articles of amendment which are substantially in the same form and tenor as those approved pursuant to this resolution, as well as to take any measure and do anything necessary or useful, in his entire discretion, to give effect to this resolution; and
- 4. THAT the directors be authorized, in their entire discretion, to revoke this resolution before effect is given hereto, without further approval from the shareholders."

SCHEDULE A-1

Section 4 of the articles of the Corporation is hereby amended in order, inter alia, to include constraints therein on issues and transfers of the voting shares of the Corporation's share capital, the whole as more fully provided in these articles of amendment:

"1. DEFINITIONS

- 1.1 For the purposes of this schedule, the following definitions shall apply:
 - "Canada Transportation Act" means the Canada Transportation Act, S.C. (1996) c. 10 and the regulations made pursuant to such Act, as amended from time to time;
 - "Voting Share" means a share conferring one right to vote in all circumstances or by reason of an event which occurred or is occurring, and includes a security convertible into such a share, as well as an option or a right which may be exercised to acquire such a share or security and in particular the common shares of the Corporation;
- 1.2 The terms of this schedule which are not defined herein but defined in the *Canada Business Corporations Act*, R.S.C. (1985) c. C-44 shall have the meanings ascribed to them in such Act. Any provision of this schedule which could be interpreted in a manner that is inconsistent with such Act will be interpreted so as to be consistent therewith.

2. CONSTRAINTS ON ISSUES AND TRANSFERS

- 2.1 The Corporation:
 - 2.1.1 will not accept any subscription of its voting shares;
 - 2.1.2 will not issue any of its voting shares; or
 - 2.1.3 will not register or acknowledge the transfer of any of its voting shares;

if such subscription, issue or transfer causes the Corporation to cease to be a "Canadian" within the meaning of section 55 of the Canada Transportation Act."

SPECIAL RESOLUTION REGARDING THE POWER OF THE

BOARD OF DIRECTORS TO APPOINT DIRECTORS DURING

A GIVEN YEAR

"BE IT RESOLVED, PURSUANT TO A SPECIAL RESOLUTION:

- 1. THAT the articles of Transat A.T. Inc. (the "Corporation") be amended in accordance with the articles of amendment set out in Schedule B-1 hereinbelow to enable the Board of Directors of the Corporation to appoint directors during a given year as set out in subsection 106(8) of the Canada Business Corporations Act, R.S.C. (1985) c. C-44 and any regulation made pursuant to such Act, as amended from time to time;
- 2. THAT the Corporation be and is hereby authorized to request the issuance of a certificate of amendment pursuant to the *Canada Business Corporations Act*, R.S.C. (1985) c. C-44, in order to give effect to this resolution;
- 3. THAT any director or officer of the Corporation be and is hereby authorized to sign articles of amendment which are substantially in the same form and tenor as those approved pursuant to this resolution, as well as to take any measure and do anything necessary or useful, in his entire discretion, to give effect to this resolution; and
- 4. THAT the directors be authorized, in their entire discretion, to revoke this resolution before effect is given hereto, without further approval from the shareholders."

SCHEDULE B-1

Section 7 of the articles of the Corporation is hereby amended in order, inter alia, to include provisions enabling the Board of Directors to appoint directors during a given year, the whole as more fully set out in these articles of amendment:

"1. DEFINITIONS

- 1.1 For the purposes of this schedule, the following definitions shall apply: "Canada Business Corporations Act" means the Canada Business Corporations Act, R.S.C.
 - "Canada Business Corporations Act" means the Canada Business Corporations Act, R.S.C. (1985) c. C-44 and the regulations made pursuant to such Act, as amended from time to time;
- 1.2 The terms of this schedule which are not defined herein but defined in the *Canada Business Corporations Act* shall have the meanings ascribed to them in such Act. Any provision of this schedule which could be interpreted in a manner that is inconsistent with such Act will be interpreted so as to be consistent therewith.

2. POWER OF THE BOARD OF DIRECTORS TO APPOINT DIRECTORS

2.1 The Board of Directors of the Corporation may, in accordance with subsection 106(8) of the *Canada Business Corporations Act*, appoint one or more than one director during a given year who shall hold office for a term expiring not later than the close of the next annual meeting of shareholders, but the total number of directors so appointed may not exceed one third of the number of directors elected at the previous annual meeting of shareholders."

SCHEDULE C

SUMMARY OF DISSENT PROCEDURE TO BE FOLLOWED

The procedure to be followed by holders of common shares who wish to dissent from the special resolution approving the amendment of the articles to add constraints in respect of issues and transfers of the voting shares of the Corporation's share capital (the "Special Resolution"), described in the Management Proxy Circular attached hereto, and who wish to demand that Transat A.T. Inc. (the "Corporation") acquire its shares and pay the fair value thereof, fixed as of the close of business on the day preceding the adoption of the Special Resolution, is indicated in section 190 of the *Canada Business Corporations Act*, R.S.C. (1985), c. C-44 (the "*Canada Business Corporations Act*"), which sets out that a shareholder may only make this claim with respect to all the shares of a class held by him on behalf of any one beneficial owner and registered in respect of such owner.

Shareholders wishing to claim under the provisions of section 190 of the *Canada Business Corporations Act* shall send a written objection to the Special Resolution (a "Notice of Dissent") to the Corporation, at or before any meeting of shareholders at which the Special Resolution is to be voted on. The filing of a Notice of Dissent does not deprive the shareholder of his right to vote on the Special Resolution. However, a vote in person or by proxy against the Special Resolution does not constitute a Notice of Dissent. A vote for the Special Resolution will deprive the shareholder of the other rights conferred on him by section 190 of the *Canada Business Corporations Act*.

Within ten days following the adoption of the Special Resolution by the shareholders, the Corporation is required to send notice to each shareholder who has filed a Notice of Dissent and who has not voted for the Special Resolution or withdrawn his objection (the "Dissenting Shareholder") that the Special Resolution has been adopted (the "Notice of Adoption"). A Dissenting Shareholder shall, within 20 days after he receives the Notice of Adoption of the Special Resolution or, if he does not receive such notice, within 20 days after he learns that the Special Resolution has been adopted, send written notice to the Corporation (the "Demand for Payment") indicating; (i) his name and address; (ii) the number and class of shares in respect of which he dissents, and; (iii) a Demand for Payment of the fair value of such shares.

Within 30 days after sending a Demand for Payment, the Dissenting Shareholder shall send the certificates representing the shares in respect of which he dissents to the Corporation or its transfer agent. The Corporation or the transfer agent will endorse on the share certificates concerned a notice that the holder is a Dissenting Shareholder under section 190 of the *Canada Business Corporations Act* and will forthwith return the share certificates to the Dissenting Shareholder. A Dissenting Shareholder who does not so send his share certificates has no right to make a claim under section 190 of the *Canada Business Corporations Act*.

After sending a Demand for Payment, the Dissenting Shareholder ceases to have any rights in respect of the shares concerned other than the right to be paid the fair value of such shares, determined in accordance with section 190 of the *Canada Business Corporations Act*. Notwithstanding the foregoing, the rights of a shareholder will be reinstated as of the date he sent the Demand of Payment where; (i) the Dissenting Shareholder withdraws his Demand for Payment before the Corporation makes a written offer to pay (an "Offer to Pay"); (ii) the Corporation fails to make an Offer to Pay to the Dissenting Shareholder within the required time and the Dissenting Shareholder withdraws his Demand for Payment, or; (iii) the directors of the Corporation revoke the Special Resolution with respect to the Proposal to Amend the Articles.

No later than seven days after the later of the effective date of the Special Resolution or the day the Corporation received the Demand for Payment, the Corporation will send to each Dissenting Shareholder who has sent a Demand for Payment a written Offer to Pay for the shares in respect of which he dissents, accompanied by a statement showing how the fair value of such shares was determined. The amount set forth in an Offer to Pay accepted by a Dissenting Shareholder will be paid by the Corporation within ten days after such offer has been accepted, but any Offer to Pay lapses if the Corporation does not receive an acceptance thereof within 30 days after the offer has been made.

Where the Corporation fails to make an Offer to Pay, or if a Dissenting Shareholder fails to accept an Offer to Pay, the Corporation may, within 50 days after the effective date of the Special Resolution or within such further period as a court may allow, apply to a court to fix a fair value for the shares of the Dissenting Shareholder. If the Corporation fails to apply to a court, a Dissenting Shareholder may apply to a court within a further period of 20 days or within such further period as a court may allow to fix a fair value for the shares of the Dissenting Shareholder. A Dissenting shareholder is not required to give security for costs in an application made to a court.

Where an application is made to a court by the Corporation or the shareholders, the Corporation shall notify each Dissenting Shareholder who has sent a Demand for Payment to the Corporation and has not accepted any Offer to Pay, of the date, place and consequences of the application and of his right to appear and be heard in person or by counsel. All Dissenting Shareholders whose shares have not been purchased by the Corporation shall be joined as parties in connection with any application of such a nature made to a court to fix a fair value and will be bound by the decision of the court. On an application by the Corporation or a shareholder, the court may determine whether any other person is a Dissenting Shareholder who should be joined as a party in connection with such application, and the court shall fix a fair value for the shares concerned.

The court will fix a fair value for the shares of all the Dissenting Shareholders and may in its discretion allow a reasonable rate of interest on the amount payable to each Dissenting Shareholder from the effective date of the Special Resolution until the day of payment of the amount fixed by the court. The final judgement of a court will bind the Corporation and each Dissenting Shareholder. The costs inherent in an application made to a court by the Corporation or a Dissenting Shareholder will be fixed by the court in its discretion.

The above is a summary only of the dissenting shareholder provisions of the *Canada Business Corporations Act*, which are complex. It is suggested that any holder of shares of the Corporation wishing to avail himself of his right to dissent seek his own legal advice, as failure to comply strictly with the provisions of such statute may prejudice his right to dissent.

SCHEDULE D

RESOLUTION REGARDING BY- LAW NO. 1999-1

"BE IT RESOLVED:

- 1. THAT By-law No. 1999-1 of the Corporation, being the by-law conferring powers on the Board of Directors to implement and apply constraints on the issue and transfer of voting shares of the Corporation's share capital, as provided in Schedule D-1 hereinbelow, be and is hereby confirmed;
- 2. THAT By-law No. 1999-1, being the by-law conferring powers on the Board of Directors to implement and apply constraints on the issue and transfer of voting shares of the Corporation, come into force on the date of issue of the certificate of amendment of the articles of the Corporation; and
- 3. THAT any director or officer of the Corporation be and is hereby authorized to take any measure and do anything necessary or useful, in his entire discretion, in order to give effect to this resolution".

SCHEDULE D-1

1.1

BY-LAW NO. 1999-1, BEING THE BY-LAW CONFERRING POWERS ON THE BOARD OF DIRECTORS TO IMPLEMENT AND APPLY CONSTRAINTS ON THE ISSUE AND TRANSFER OF VOTING SHARES OF THE CORPORATION

1. DEFINITIONS AND INTERPRETATION

DEFINITIONS

"Canadian" means a Canadian within the meaning of the Canada Transportation Act;
"Corporation" means Transat A.T. Inc.;
 "Declaration" means a declaration within the meaning of subsection 2.3 of this by-law;
"Depository" means Caisse canadienne de dépôt de valeurs Limitée / The Canadian Depository for Securities Limited or any other Person acting as an intermediary for the payment or delivery of securities in respect of securities transactions and providing centralized services for the compensation of securities transactions or providing centralized services as a depositary in respect of the compensation of securities transactions;
 _ "Non-Canadian" means a Person who is not a Canadian within the meaning of the Canada Transportation Act;
_ "Participant" means a holder of Voting Shares or the Agent of such holder registered with the Depository;
_ "Person" means an individual, partnership, association, body corporate, trustee, executor, administrator or legal representative;
_ "Registration System" means the services offered by the Depository;
_ "Transfer Agent" means Montreal Trust Company or any other corporation designated by the Board of Directors to act as Transfer Agent of the Corporation;
"Voting Share" means a share that carries voting rights under all circumstances or by reason of an event that has occurred and is continuing and includes a security convertible into such a share and an exercisable option or right to acquire such a share or convertible security and, in particular, the common shares of the Corporation.

1.2 INTERPRETATION

Terms in this by-law not defined herein but defined in the Act have the meanings ascribed to them in the Act. Any definition in this by-law that could be interpreted in a manner that is inconsistent with the Act will be interpreted so as to be consistent therewith.

2. DECLARATIONS

HOLDER 2.1

The Board of Directors may require, at all times, of any holder of Voting Shares of its share capital, the Agent of such holder, a Participant in whose name the Voting Shares of the Corporation are registered or the Depository, any relevant information required to enable it to apply the restrictions to the issue and transfer of Voting Shares of the Corporation set out in the Act and the articles of the Corporation.

2.2 TRANSFER OR ISSUE OF SHARES

The Board of Directors shall require, prior to accepting any transfer of or subscription for Voting Shares of the Corporation's share capital, of the prospective holder, the Agent of such holder, the Participant in whose name such Voting Shares are registered or the Depository, any relevant information required to enable it to apply the restrictions to the issue and transfer of Voting Shares of the Corporation set out in the Act and the articles of the Corporation.

2.3 DECLARATION AND OTHER INFORMATION

In order to apply the provisions concerning the restrictions to the issue and transfer of Voting Shares of the Corporation set out in the Act and the articles of the Corporation, the Board of Directors may, in its entire discretion:

- 2.3.1 require a Person in whose name Voting Shares of the Corporation are registered, the Agent of such Person, the Participant in whose name such shares are registered or the Depository to furnish a statutory Declaration under the Canada Evidence Act declaring whether:
 - the shareholder is the beneficial owner of Voting Shares of the Corporation or holds them for a beneficial owner,
 - (ii) the shareholder is an associate of another shareholder, and
 - (iii) the shareholder or beneficial owner is a Canadian, and declaring all other facts that the directors consider relevant;
- 2.3.2 require any Person seeking to have a transfer of a Voting Share registered in his name or to have a Voting Share issued to him to furnish a Declaration similar to the Declaration a Person may be required to furnish under paragraph 2.3.1;
- determine the circumstances in which any Declarations are required, their form 2.3.3 and the times when they are to be furnished.

FAILURE TO FURNISH A DECLARATION OR ANY OTHER INFORMATION 2.4

When a Person, the Agent of such Person, the Participant in whose name the Voting Shares of the Corporation are registered or the Depository are required to furnish a Declaration or any other information required pursuant to this by-law and fail to comply with such obligation, the directors may take the following measures until such Person, the Agent of such Person, the Participant or the Depository has furnished the Declaration or the information concerned:

- refuse to register a transfer of a Voting Share in his name or, as the case may be, in the name of the Person for whom the Participant or the Agent is acting or to issue a Voting Share to such Person or the Person for whom the Agent or the Participant is acting;
- 2.4.2 where the Voting Shares concerned are registered with the Depositary, regardless of whether the failure is attributable to the Depositary or the Participant, order the Depository to exclude the Voting Shares of the Participant from the Registration System and to refuse any new request by the Participant for registration in the Registration System;
- 2.4.3 take any other measure deemed necessary in order to give effect to the provisions concerning the restrictions to the issue and transfer of Voting Shares of the Corporation set out in the Act and the articles of the Corporation.

26)

3. ADDITIONAL POWERS

- 3.1 The Board of Directors may, when it deems it appropriate in order to apply the provisions concerning the restrictions to the issue and transfer of the Voting Shares of the Corporation set out in the Act, the articles of the Corporation and this by-law:
 - 3.1.1 name and sign any contract with third Persons, and particularly with the Transfer Agent and Depository, namely in order to assist in the obtainment and follow-up of the Declarations and various information it requires as well as in the application of the sanctions related to a Person's failure to comply with the Act, the articles of the Corporation or this by-law, as the case may be;
 - 3.1.2 implement all control mechanisms and adopt all the procedures it may require from time to time, and in particular; (i) implement and adopt certificates of control of the Canadian or Non-Canadian status of the holders of Voting Shares of the Corporation's capital; (ii) implement any specific compensation procedure in respect of the Voting Shares held by Canadians or Non-Canadians and subject to the Registration System, and; (iii) institute a quota of transfers of Voting Shares to Non-Canadians during fixed periods varying in accordance with the number of Voting Shares of the Corporation's share capital held by Non-Canadians, from time to time;

4. SHARE CERTIFICATES

4.1 The Board of Directors is authorized to adopt and make, from time to time, all the amendments to the Corporation's share certificate forms required to give effect to the provisions concerning the restrictions to the issue and transfer of the Voting Shares of the Corporation set out in the articles of the Corporation and, in particular, to distinguish the Voting Shares held by Canadians from those held by Non-Canadians.

SCHEDULE E

SHAREHOLDERS' SUBSCRIPTION-RIGHTS PLAN

"BE IT RESOLVED:

- 1. THAT the agreement establishing a shareholders' Subscription-Rights Plan as of February 3, 1999 entered into between the Corporation and Montreal Trust Company, as the same may be amended prior to the Meeting as provided for therein, be and is hereby ratified; and
- 2. THAT any officer or director of the Corporation be and is hereby authorized to execute and deliver such documents and instruments and to take such other actions as such officer or director may deem necessary or advisable to give effect to this resolution, in his entire discretion, his determination being conclusively evidenced by the execution and delivery of such documents or instruments and the taking of such actions."