These materials are important and require your immediate attention. They require holders of Class A variable voting shares and Class B voting shares of Transat A.T. Inc. to make important decisions. If you are in doubt as to how to make such decisions, please contact your financial, legal, tax or other professional advisors. If you require any assistance in completing your proxy, please contact Transat A.T. Inc.’s strategic shareholder advisor and proxy solicitation agent, Kingsdale Advisors, toll free in North America at 1-888-518-1552 or collect call outside North America at 416-867-2272 or by email at contactus@kingsdaleadvisors.com.

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS OF TRANSAT A.T. INC.

TO BE HELD AT Sofitel Hotel, 1155 Sherbrooke West Street, Montréal, Québec, H3A 2N3, Canada, on August 23, 2019, at 10:00 a.m. (Montréal time)

and MANAGEMENT PROXY CIRCULAR with respect to an ARRANGEMENT involving TRANSAT A.T. INC. and AIR CANADA dated July 19, 2019

THE BOARD HAS UNANIMOUSLY DETERMINED THAT THE ARRANGEMENT IS IN THE BEST INTERESTS OF TRANSAT A.T. INC. AND IS FAIR TO THE SHAREHOLDERS, AND UNANIMOUSLY RECOMMENDS THAT THE SHAREHOLDERS VOTE

IN FAVOUR

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LETTER TO SHAREHOLDERS

Dear Shareholders:

The board of directors (the “Board”) of Transat A.T. Inc. (the “Corporation” or “Transat” or the terms “we,” “us”, “our” and “ours” also referring to Transat A.T. Inc. and to one or more of its subsidiaries, or to Transat A.T. Inc. alone, depending on the context) cordially invites you to attend the special meeting (the “Meeting”) of the holders of Class A variable voting shares and Class B voting shares (collectively, the “Voting Shares”) of the Corporation which will be held at Sofitel Hotel, 1155 Sherbrooke West Street, Montréal, Québec, H3A 2N3, Canada, on August 23, 2019, at 10:00 a.m. (Montréal time).

At the Meeting, pursuant to the interim order (the “Interim Order”) of the Québec Superior Court (the “Court”), the holders of Voting Shares (the “Shareholders”) of the Corporation will be asked to consider and, if deemed advisable, to approve, with or without variation, a special resolution (the “Arrangement Resolution”) approving a statutory plan of arrangement (the “Arrangement”) pursuant to section 192 of the Canada Business Corporations Act (“CBCA”) involving Transat and Air Canada (the “Purchaser”). Under the terms of the Arrangement, each Shareholder of the Corporation, other than any dissenting Shareholders, will be entitled to receive from the Purchaser $13.00 in cash for each Voting Share (the “Consideration”) held in the share capital of the Corporation. At the time of the announcement of the Arrangement on June 27, 2019, the purchase of 100% of the equity of the Corporation represented a total aggregate consideration of approximately $520 million.

The Consideration offered under the Arrangement represents a premium of 156% to the 30-day volume weighted average price of the Voting Shares of the Corporation on the Toronto Stock Exchange (the “TSX”) on April 29, 2019, namely the day preceding the announcement by the Corporation of preliminary discussions with more than one party regarding a potential sale of the Corporation, and a premium of 143% to the 90-day volume weighted average price of such Voting Shares on the TSX on such date.

Shareholders should review the accompanying notice of special meeting of Shareholders and management proxy circular (the “Circular”) which describes, among other things, the background to the Arrangement as well as the reasons for the determinations and recommendations of a special committee comprised exclusively of independent directors, namely Jean-Yves Leblanc (Chair), Raymond Bachand, Jacques Simoneau, Philippe Sureau and W. Brian Edwards (the “Special Committee”) and the Board. The Circular also contains a detailed description of the Arrangement, including certain risk factors relating to the Arrangement. You should consider carefully all of the information in the Circular.

The Special Committee retained the services of National Bank Financial Inc. (“NBF”), as financial advisor, and BMO Nesbitt Burns Inc. (“BMO”) to provide opinions as to the fairness, from a financial point of view, of the Consideration to be received by the Shareholders in connection with the Arrangement. NBF and BMO each provided an opinion to the effect that, as at June 26, 2019 (after market close), subject to the scope of review, assumptions, qualifications and limitations set forth therein, the Consideration to be received by the Shareholders pursuant to the Arrangement is fair, from a financial point of view, to such Shareholders.

The Board, upon the unanimous recommendation of the Special Committee, unanimously determined that the Arrangement is in the best interests of the Corporation and is fair to the Shareholders of the Corporation, and unanimously recommends that Shareholders of the Corporation vote FOR the special resolution approving the Arrangement.

The directors and Executive Officers of the Corporation, who collectively own or exercise control or direction over approximately 3.46% of the Voting Shares, have all entered into Support and Voting Agreements pursuant to which they have agreed, subject to the terms thereof, to vote in favour of the Arrangement Agreement (as defined below).

The Arrangement is subject to certain closing conditions, including court approval and approval of the Arrangement Resolution by (i) at least two thirds of the votes cast by the Shareholders, voting together as a single class, present in
person or represented by proxy at the Meeting and entitled to vote, and (ii) a simple majority of the votes cast by the Shareholders, voting together as a single class, present in person or represented by proxy at the Meeting and entitled to vote, excluding those Shareholders whose votes are required to be excluded in determining minority approval pursuant to Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions. In addition, the Arrangement is subject to receipt of applicable regulatory approvals, including the approvals under the Competition Act (Canada), the Canada Transportation Act and the European Union Council Regulation (EC) No. 139/2004 (the “Key Regulatory Approvals”) and other customary closing conditions for a transaction of this nature. If the necessary Key Regulatory Approvals are obtained in a timely manner, subject to the other customary conditions contained in the arrangement agreement dated June 27, 2019, between Transat and the Purchaser (the “Arrangement Agreement”) being satisfied or waived, it is anticipated that the Arrangement will be completed early in 2020. Further details of the Arrangement are set out in the accompanying Circular.

Your vote is important regardless of the number of Voting Shares you own. If you are unable to be present at the Meeting in person, we encourage you to take the time now to complete, sign, date and return the enclosed form of proxy or voting instruction form, as applicable, so that your shares can be voted at the Meeting in accordance with your instructions. If you are a registered Shareholder, we also encourage you to complete, sign, date and return the enclosed letter of transmittal, which will help the Corporation to arrange for the prompt payment for your shares when the Arrangement is completed.

You are also advised that registered Shareholders have been granted the right to dissent in respect to the Arrangement. Please review the Circular carefully if you are contemplating exercising these rights.

Since November 16, 2015, the Class A variable voting shares and the Class B voting shares trade on the TSX under a single ticker designated “TRZ”, bearing CUSIP number 89351T401 and are designated for purposes of trading on the TSX and reporting in brokerage accounts under the single designation “Voting and Class A variable voting shares” of Transat.

If you have any questions or require assistance with voting your shares by proxy, please contact our strategic shareholder advisor and proxy solicitation agent at:

KINGSDALE Advisors

North American Toll Free: 1-888-518-1552
Email: contactus@kingsdaleadvisors.com
Outside North America Collect Call: 1-416-867-2272

Montréal, Québec, July 19, 2019.

On behalf of the Board, we would like to take this opportunity to thank you for the support you have shown as Shareholders of the Corporation.

Yours truly,

Transat A.T. Inc.

Jean-Marc Eustache
Chairman of the Board, President and Chief Executive Officer

Jean-Yves Leblanc
Chairman of the Special Committee
NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

Montréal, Québec, July 19, 2019.

Notice is hereby given, in accordance with an interim order of the Superior Court of Québec dated July 17, 2019 (the “Interim Order”), that a special meeting (the “Meeting”) of the holders (the “Shareholders”) of Class A variable voting shares and Class B voting shares (the “Voting Shares”) of Transat A.T. Inc. (the “Corporation” or “Transat”) will be held on August 23, 2019, at 10:00 a.m. (Montréal time) at Sofitel Hotel (room: Monet-Chagall, 2nd floor), 1155 Sherbrooke West Street, Montréal, Québec, H3A 2N3, Canada, for the following purposes:

1. to consider, and, if deemed advisable, to approve, with or without variation, a special resolution (the “Arrangement Resolution”), the full text of which is set forth in Schedule A of the accompanying management proxy circular (the “Circular”), to approve an arrangement (the “Arrangement”) pursuant to section 192 of the Canada Business Corporations Act (the “CBCA”) involving the Corporation and Air Canada, the whole as more fully described in the Circular; and

2. to transact such other business as may properly come before the Meeting or any adjournment or postponement thereof.

The board of directors of the Corporation has set the close of business on July 17, 2019, as the record date for determining the Shareholders who are entitled to receive notice of, and to vote at, the Meeting. Only persons shown on the register of Shareholders at the close of business on that date, or their proxy holders, will be entitled to attend the Meeting and vote on the Arrangement Resolution.

Whether or not they are able to attend the Meeting, Shareholders are urged to vote as soon as possible electronically, by mail or by fax in the manner set forth in the instructions found on the form of proxy or voting instruction form which accompanies this notice of special meeting of Shareholders. Votes must be received by AST Trust Company (Canada) not later than 5:00 p.m. (Montréal time) on August 21, 2019 (or 48 hours, excluding Saturdays, Sundays and statutory holidays, prior to the commencement of the reconvened Meeting if the Meeting is adjourned or postponed). The time limit for the deposit of proxies may be waived or extended by the Chair of the Meeting at his discretion without notice.

Pursuant to the Interim Order, registered Shareholders of the Corporation have the right to dissent with respect to the Arrangement Resolution and, if the Arrangement becomes effective, to be paid the fair value of their Voting Shares in accordance with the provisions of section 190 of the CBCA, as modified by the Interim Order and the plan of arrangement pertaining to the Arrangement (the “Plan of Arrangement”). A registered Shareholder wishing to exercise rights of dissent with respect to the Arrangement must send to the Corporation a written objection to the Arrangement Resolution, which written objection must be received by the Corporation at Transat A.T. Inc., Place du Parc, 300 Léo-Pariseau Street, Suite 600, Montréal, Québec, H2X 4C2, Attention: Bernard Bussières, Vice-President, General Counsel and Corporate Secretary, with a copy to (i) Fasken Martineau DuMoulin LLP, 800 Square-Victoria, Suite 3700, Montréal, Québec, Canada, H4Z 1E9, Attention: Mtre Alain Riendeau & Mtre Brandon Farber, email: ariendeau@fasken.com & bfarber@fasken.com, (ii) Stikeman Elliott LLP, 1155 René-Lévesque Blvd. W., 41st Floor, Montréal Québec, H3B 3V2, Attention: Mtre Stéphanie Lapierre, email: slapierre@stikeman.com, and (iii) AST Trust Company (Canada), 1 Toronto Street, Suite 1200, Toronto, Ontario, M5C 2V6, Attention: Proxy Department, or at 2001 Robert-Bourassa Blvd., Suite 1600, Montréal, Québec, H3A 2A6, Attention: Proxy Department by no later than 5:00 p.m. (Montréal time) on August 21, 2019 (or 48 hours, excluding Saturdays, Sundays and statutory holidays, prior to the commencement of the reconvened Meeting if the Meeting is adjourned or postponed), and must otherwise strictly comply with the dissent procedures described in the accompanying Circular. The Shareholders’ rights to dissent is more particularly described in the accompanying Circular, and copies of the Plan of Arrangement, the Interim Order and the text of section 190 of the CBCA are set forth in Schedules B, E and G, respectively, of the Circular. Failure to strictly comply with the requirements set forth in section 190 of the CBCA, as modified by the Interim Order and the Plan of Arrangement, may result in the loss of any right of dissent.
Montréal, Québec, July 19, 2019.

BY ORDER OF THE BOARD

Transat A.T. Inc.

______________________________

Bernard Bussières
Vice-President, General Counsel and Corporate Secretary
MANAGEMENT PROXY CIRCULAR

INFORMATION REGARDING THE MEETING

NOTICE-AND-ACCESS
The Corporation has elected not to use the notice-and-access procedures under applicable Securities Laws to send the proxy-related materials to registered Shareholders and beneficial owners of the Voting Shares.

CURRENCY
All currency amounts referred to in this Circular, unless otherwise stated, are expressed in Canadian dollars.

GLOSSARY OF TERMS
Capitalized terms used in this Circular without definition have the meanings ascribed to them in the Glossary of Terms.

YOUR QUESTIONS AND OUR ANSWERS ON PROXY VOTING

1. Q: Who is soliciting my proxy?
   
   A: Transat’s management is soliciting your proxy for use at the Meeting to be held at Sofitel Hotel (room: Monet-Chagall, 2nd floor), 1155 Sherbrooke West Street, Montréal, Québec, H3A 2N3, Canada, on August 23, 2019, at 10:00 a.m. (Montréal time).

2. Q: How will these matters be decided at the Meeting?
   
   A: In order to be approved, the Arrangement Resolution requires the affirmative votes of (i) at least two thirds of the votes cast on the special Arrangement Resolution by the Shareholders, voting together as a single class, present in person or represented by proxy at the Meeting and entitled to vote, and (ii) a simple majority of the votes cast on the Arrangement Resolution by the Shareholders, voting together as a single class, present in person or represented by proxy at the Meeting and entitled to vote, excluding those Shareholders whose votes are required to be excluded in determining minority approval pursuant to Regulation 61-101, whom, as of the date hereof, consist of Mr. Jean-Marc Eustache.

3. Q: What are the restrictions on ownership of my voting shares?
   
   A: Pursuant to the Canada Transportation Act, S.C. 1996, c. 10 (the “CT Act”), Air Transat A.T. Inc. (“Air Transat”), a wholly-owned subsidiary of the Corporation, must at all times be able to establish that it is “Canadian” within the meaning of the CT Act to be entitled to hold
the licences necessary to operate an air service. Because Air Transat is a wholly-owned subsidiary of Transat, Transat must qualify as “Canadian” in order for Air Transat to qualify as “Canadian”.

In order to remain “Canadian”, Transat’s articles of arrangement provide for Class A variable voting shares and Class B voting shares. The Class A variable voting shares can only be owned or controlled by non-Canadians, while the Class B voting shares can only be owned or controlled by Canadians. Any outstanding Class B voting share is converted into a Class A variable voting share on a one for one basis, automatically and without any further act of the Corporation or the holder, if such Class B voting share becomes owned or controlled by a person who is not a Canadian. Conversely, in the event that a Class A variable voting share becomes held by a Canadian, it will be converted into a Class B variable voting share on a one for one basis automatically and without any further act of the Corporation or the holder.

Following the amendment to the Corporation’s articles of incorporation on May 8, 2019, in accordance with a plan of arrangement under the CBCA, the whole to align the restrictions on the level of non-Canadian ownership and voting control with those prescribed by the definition of “Canadian” in Subsection 55(1) in the CT Act, Transat’s Class A variable voting shares carry one vote per Class A variable voting share at any meeting of shareholders subject to an automatic reduction of the voting rights attached thereto in the event that (i) any single non-Canadian, either individually or in affiliation with any other person, holds a number of Class A variable voting shares that exceeds 25% of either the total number of Voting Shares or the number of votes that would be cast at a given meeting of shareholders, (ii) all non-Canadians authorized to provide air services, together with such persons in affiliation with them, hold, in the aggregate, a number of Class A variable voting shares that exceeds 25% of either the total number of Voting Shares or the total number of votes that would be cast at a given meeting of shareholders, and (iii) the number of issued and outstanding Class A variable voting shares exceeds 49% of either the total number of all of the Corporation’s issued and outstanding Voting Shares or the total number of votes that would be cast at a given meeting of shareholders. If any of the above-mentioned applicable limitations are exceeded, the votes that should be attributed to holders of Class A variable voting shares will be attributed as follows:

- first, if applicable, there will be a reduction in the voting rights of any single non-Canadian (including a single non-Canadian authorized to provide air service), either individually or in affiliation with any other person, carrying more than 25% of the votes to ensure that such non-Canadians (including such persons in affiliation with them) never carry more than 25% of the votes which holders of Voting Shares cast at any meeting of Shareholders;

- second, if required, and after giving effect to the first proration set out above, a further proportional reduction of the voting rights of all non-Canadians authorized to provide an air service (including such persons in affiliation with them) to ensure that such non-Canadians authorized to provide air service, in the aggregate, never carry more than 25% of the votes which holders of Voting Shares cast at any meeting of Shareholders; and

- third, if required and after giving effect to the first two (2) prorations set out above, a proportional reduction of the voting rights for the Class A variable voting shares to ensure that non-Canadians never carry, in the aggregate, more than 49% of the votes which holders of Voting Shares cast at any meeting of Shareholders.
The holders of Class A variable voting shares and Class B voting shares vote together as a single class except if the holders of a given class are entitled to vote as a class, as provided in the CBCA. Only Shareholders present in person or represented by proxy at a meeting and legally entitled to vote thereat can exercise or cast votes attaching to their Voting Shares.

The Board, pursuant to its powers under Transat By-law 2012-2 and the regulations under the CBCA, and in accordance with the provisions of Transat’s Articles and the CT Act, has implemented a series of administrative measures to ensure that the Class B voting shares are owned and controlled by Canadians and the Class A variable voting shares are owned or controlled by non-Canadians at all times (the “Ownership Restrictions”). These measures are more particularly reflected in the form of declaration of ownership and control. Shareholders wishing to vote at the Meeting either by: (i) completing and delivering a form of proxy or a voting instruction form, or (ii) by attending and voting in person at the Meeting, will be required to complete a declaration of ownership and control in order to enable Transat to comply with the Ownership Restrictions. If you do not duly complete the declaration or if Transat or its transfer agent, AST, determines that you indicated (inadvertently or otherwise) that you own or control the wrong class of shares, the automatic conversion provided for in our Articles shall be triggered. Where a statement made in a declaration of ownership appears inconsistent (inadvertently or otherwise) with the information held by Transat, Transat may take any action that it deems appropriate to ensure compliance with the Ownership Restrictions. Further, if a declaration of ownership and control is not completed or if it is determined by the Corporation or its transfer agent, AST, that it is incorrectly indicated (through inadvertence or otherwise) that the shares represented by the proxy are owned and controlled by a Canadian, the shares represented by such proxy will be deemed to be owned and controlled by a person that is a non-Canadian authorized to provide an air service. Such declaration is contained in the accompanying form of proxy (or in the voting instruction form provided to you if you are a non-registered Shareholder).

The Corporation has also previously obtained an exemption from the AMF and the Ontario Securities Commission, providing that the outstanding Class A variable voting shares and the outstanding Class B voting shares of the Corporation are to be considered as a single class of shares for the application of the takeover bid rules and early warning reporting rules, contained under Securities Laws. A copy of the decision is available under Transat’s profile at www.sedar.com. In addition, in connection with the Arrangement, the Corporation has applied for and received from the applicable Securities Authorities an exemptive relief providing that the outstanding Class A variable voting shares and the outstanding Class B voting shares of the Corporation are to be considered as a single class of shares, voting together, for purposes of the simple majority of the votes cast by Shareholders on the Arrangement Resolution to be obtained in connection with the “minority approval” required per Regulation 61-101. See “Canadian Securities Laws Matters - Application of Regulation 61-101 respecting Protection of Minority Security Holders in Special Transactions”.

4. **Q: How many shares carry voting rights and how many votes do I have?**

**A:** As at July 17, 2019, a total of 37,749,090 Voting Shares of the share capital of Transat were issued and outstanding. You are entitled to receive notice of, and vote at the Meeting or at any adjournment or postponement thereof, if you were a holder of Voting Shares on July 17, 2019, the Record Date for the Meeting.
Each Class A variable voting share carries one vote per Class A variable voting share, and each Class B voting share also carries one vote per Class B voting share, in both cases, unless the adjustment rules mentioned under Question 3 above apply.

5. **Q: Who are our principal Shareholders?**

**A:** To the knowledge of our directors and officers, and based on publicly available information, as at July 17, 2019, the only persons who beneficially own or exercise control or direction over 10% or more of the outstanding Voting Shares are:

(i) **Letko Brosseau**, which held 7,277,104 Class B voting shares, representing approximately 19.28% of all issued and outstanding Voting Shares; and

(ii) **Fonds de solidarité FTQ**, which held 4,360,426 Class B voting shares, representing approximately 11.55% of all issued and outstanding Voting Shares.

6. **Q: How do I vote?**

**A:** You are a “registered Shareholder” if you have a share certificate or Direct Registration System (DRS) advice (“DRS Advice”) issued in your name and as a result, have your name shown on Transat’s register of Shareholders kept by our transfer agent, AST.

If you are a registered Shareholder, you can vote in person at the Meeting or by proxy through one of the following three methods:

- **On AST’s website:** [www.astvotemyproxy.com](http://www.astvotemyproxy.com).

- **By mail,** in the prepaid envelope provided for this purpose; or by personal delivery at 1 Toronto Street, Suite 1200, Toronto, Ontario, M5C 2V6, Attention: Proxy Department, or at 2001 Robert-Bourassa Blvd., Suite 1600, Montréal, Québec, H3A 2A6, Attention: Proxy Department.

- **By completing and signing the enclosed form of proxy and forwarding it by fax at (416) 368-2502,** Attention: Proxy Department.

If you vote by Internet, you will need your 13-digit control number that you will find on your form of proxy.

**The cut-off time for voting is 5:00 p.m. (Montréal time) on August 21, 2019, (or 48 hours, excluding Saturdays, Sundays and statutory holidays, prior to the commencement of the reconvened Meeting if the Meeting is adjourned or postponed).** The time limit for the deposit of proxies may be waived by the chair of the Meeting at his discretion without notice.

If your Voting Shares are held by an intermediary or nominee (for example, a bank, trust company, securities broker, clearing agency or other institution) (each, an “Intermediary”), please refer to the instructions below under the headings “**How can a non-registered Shareholder Vote?**”
7. Q: Can I vote by proxy?

A: Whether or not you attend the Meeting, you can appoint a proxyholder to vote for you at the Meeting. If you are a registered Shareholder, you can use the enclosed form of proxy, or any other proper form of proxy, to appoint your proxyholder. The persons named in the enclosed form of proxy are directors or officers of Transat. However, you can choose another person to be your proxyholder, including someone who is not a Shareholder of Transat, by crossing out the names printed on the form of proxy and inserting the name of the person of your choice in the blank space provided, or by completing another proper form of proxy. If you appoint a non-management proxyholder please ensure they attend the Meeting for your vote to count.

If your Voting Shares are held by an Intermediary, please refer to the instructions below under the heading, “How can a non-registered Shareholder vote?” if you wish to attend in person or appoint someone else to attend and vote at the Meeting.

8. Q: How will my proxy be voted?

A: On the form of proxy, you can indicate how you want your proxyholder to vote your Voting Shares, or you can let your proxyholder decide for you. If you have not specified on the form of proxy how you want your Voting Shares to be voted on a particular matter, your proxyholder can then vote in accordance with his or her best judgment.

Unless contrary instructions are provided in writing, the Voting Shares represented by proxies received by management will be voted FOR the adoption of the Arrangement Resolution reproduced in Schedule A;

9. Q: What if there are amendments or if other matters are brought before the Meeting?

A: The enclosed form of proxy gives the persons named on it the authority to use their discretion and best judgment in voting on amendments or variations to matters set out in the notice of the Meeting or any other matter duly brought before the Meeting.

At the date of printing this Circular, management is not aware of any amendments to the matters set out in the notice of the Meeting or of any other matter to be presented at the Meeting.

10. Q: Can I change my mind and revoke my proxy?

A: You can revoke your proxy at any time before it is acted upon. To do so, you must clearly state, in writing, that you want to revoke your proxy and deliver this written notice to the attention of Bernard Bussières, the Corporation’s Vice-President, General Counsel and Corporate Secretary at: Transat A.T. Inc., Place du Parc, 300 Léo-Pariseau Street, Suite 600, Montréal, Québec, H2X 4C2, no later than two (2) business days before the Meeting, namely by August 21, 2019, at 5:00 p.m. (Montréal time), or to the chair of the Meeting at the opening of the Meeting or any adjournment or postponement thereof, or in any other manner permitted by law.
11. **Q:** **WHAT IS THE QUORUM FOR THE MEETING?**

**A:** The quorum for the Meeting shall be persons present not being less than two (2) in number and holding or representing by proxy not less than 25% of the total number of the issued Voting Shares on the Record Date.

12. **Q:** **WHO COUNTS THE VOTES?**

**A:** Proxies and votes are tallied by duly authorized representatives of AST, the Corporation’s transfer agent.

13. **Q:** **HOW ARE PROXIES SOLICITED?**

**A:** Proxies will be solicited primarily by mail or by any other means our management may deem necessary. Transat has retained Kingsdale Advisors, as its strategic shareholder advisor and proxy solicitation agent, for assistance in connection with the solicitation of proxies for the Meeting for a fee of approximately $125,000 plus additional fees related to telephone calls and other services. Agreements will also be made with brokerage firms and other custodians, nominees and fiduciaries for the forwarding of solicitation material to the beneficial owners of Voting Shares registered in their names and Transat may reimburse them for the reasonable transaction and clerical expenses they will incur. Transat will pay for all costs related to this Circular, including printing, postage and delivery costs. The Purchaser may also, at its expense, solicit proxies directly or through an established soliciting dealer of its choice.

14. **Q:** **HOW CAN A NON-REGISTERED SHAREHOLDER VOTE?**

**A:** You are a “non-registered Shareholder” or “beneficial owner” if your Voting Shares are held on your behalf through an Intermediary. Under applicable Securities Laws, a beneficial owner of securities is a “non-objecting beneficial owner” (a “NOBO”) if such beneficial owner has or is deemed to have provided instructions to the Intermediary holding the securities on such beneficial owner’s behalf not objecting to the Intermediary disclosing ownership information about the beneficial owner in accordance with said legislation, and a beneficial owner is an “objecting beneficial owner” (an “OBO”) if such beneficial owner has or is deemed to have provided instructions objecting to same.

If you are a Canadian NOBO, the Corporation has sent these materials directly to you, and your name and address and information about your holdings of Voting Shares have been obtained in accordance with applicable Securities Laws from the Intermediary holding on your behalf. By choosing to send these materials to you directly, the Corporation (and not the Intermediary holding on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. The voting instruction form that is sent to Canadian NOBOS contains an explanation as to how you can exercise the voting rights attached to your Voting Shares, including how to attend and vote directly at the Meeting. Please provide your voting instructions as specified in the enclosed voting instruction form.

If you are an OBO or a non-Canadian NOBO, you received these materials from your Intermediary or its agent (such as Broadridge), and your Intermediary is required to seek your instructions as to the manner in which to exercise the voting rights attached to your Voting Shares. The Corporation has agreed to pay for Intermediaries to deliver to OBOs and non-Canadian NOBOS the proxy-related materials and the relevant voting instruction form. The voting instruction form that is sent...
to an OBO and a non-Canadian NOBO by the Intermediary or its agent should contain an explanation as to how you can exercise the voting rights attached to your Voting Shares, including how to attend and vote directly at the Meeting. Please provide your voting instructions to your Intermediary as specified in the enclosed voting instruction form.

15. **Q: Why is this management proxy circular sent to my attention?**

**A:** These securityholder materials are being sent to both registered and non-registered owners of Voting Shares. If you are a non-registered owner, and Transat or its agent has sent these materials directly to you, your name and address and information about your holdings of Voting Shares have been obtained in accordance with applicable Securities Laws from the Intermediary holding these Voting Shares on your behalf.

By choosing to send these materials to you directly, Transat (and not the Intermediary holding the Voting Shares on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

16. **Q: What is a plan of arrangement?**

**A:** A plan of arrangement is a statutory procedure under Canadian corporate law that allows companies to carry out transactions with the approval of their shareholders and the Court. The Plan of Arrangement you are being asked to consider will provide for, among other things, the acquisition directly or indirectly by the Purchaser of all of the issued and outstanding Voting Shares.

17. **Q: I own Voting Shares. What will I receive in the arrangement if it is approved?**

**A:** Pursuant to the Arrangement Agreement and the Plan of Arrangement, each Shareholder will receive $13.00 in cash per Voting Share held after the Arrangement is completed.

18. **Q: What premium does the consideration offered for the Voting Shares represent?**

**A:** The Consideration offered under the Arrangement represents a premium of 156% to the 30-day volume weighted average price of the Voting Shares of the Corporation on the TSX on April 29, 2019, namely the day preceding the announcement by the Corporation of preliminary discussions with more than one party regarding a potential sale of the Corporation, and a premium of 143% to the 90-day volume weighted average price of such Voting Shares on the TSX on such date.

19. **Q: When will the arrangement be completed?**

**A:** It is currently anticipated that the Arrangement will be completed early in 2020. It is not possible, however, to state with certainty when the Effective Date will occur. The Effective Date could be delayed for a number of reasons, including a delay in obtaining the Key Regulatory Approvals. As provided under the Arrangement Agreement, the Corporation will file the Articles of Arrangement as soon as reasonably practicable and in any event within five (5) Business Days after the satisfaction or waiver (if permitted) of the conditions to the completion of the Arrangement. The Arrangement must be completed on or prior to the Outside Date (as such date may be extended as permitted under the Arrangement Agreement). If the Arrangement is not
completed on or prior to the Outside Date (as such date may be extended as permitted under the Arrangement Agreement), the Parties may be entitled to terminate the Arrangement Agreement, subject to certain conditions as described herein under “Arrangement Agreement”.

20. **Q: WHEN WILL I RECEIVE THE CONSIDERATION FOR MY VOTING SHARES?**

**A:** You will receive the Consideration for your Voting Shares as soon as practicable after the Arrangement is completed, provided you have sent all of the necessary documentation to the Depositary. See “The Arrangement - Procedure for Exchange of Voting Share Certificates by Shareholders”.

21. **Q: WHAT WILL I HAVE TO DO AS A SHAREHOLDER TO RECEIVE THE CONSIDERATION FOR MY VOTING SHARES?**

**A:** If you are a registered Shareholder, you will receive a Letter of Transmittal that you must complete and send with the certificate(s) representing your Voting Shares to the Depositary. The Depositary will mail you a cheque by first-class mail as soon as practicable after the Effective Date after receipt of your completed Letter of Transmittal and of your Voting Share certificate(s), together with all other required documents (if applicable). See “The Arrangement - Procedure for Exchange of Voting Share Certificates by Shareholders”.

If you are a non-registered Shareholder, you will receive your payment through your account with your Intermediary that holds Voting Shares on your behalf. You should contact your Intermediary if you have questions about this process.

22. **Q: WHAT APPROVALS ARE REQUIRED FOR THE ARRANGEMENT TO BECOME EFFECTIVE?**

**A:** Completion of the Arrangement is subject in particular to the receipt of (i) the Required Shareholder Approval, (ii) the Court approval, and (iii) the Key Regulatory Approvals. The Arrangement is also subject to certain other customary conditions. See “Arrangement Agreement”.

23. **Q: WHAT IS THE REQUIRED SHAREHOLDER APPROVAL?**

**A:** The Arrangement Resolution must be approved by (i) at least two thirds of the votes cast on the Arrangement Resolution by the Shareholders, voting together as a single class, present in person or represented by proxy at the Meeting and entitled to vote, and (ii) a simple majority of the votes cast on the Arrangement Resolution by the Shareholders, voting together as a single class, present in person or represented by proxy at the Meeting and entitled to vote, excluding those Shareholders whose votes are required to be excluded in determining minority approval pursuant to Regulation 61-101, whom, as of the date hereof, consist of Jean-Marc Eustache.

24. **Q: WHAT HAPPENS IF THE SHAREHOLDERS DO NOT APPROVE THE ARRANGEMENT?**

**A:** If Transat does not receive the Required Shareholder Approval in favour of the Arrangement Resolution, the Arrangement will not become effective. Failure to complete the Arrangement could have a material adverse effect on the market price of the Voting Shares. If the Arrangement is not completed and the Board decides to seek another transaction, there can be no assurance that it will be able to find a party willing to pay an equivalent or higher price than the
Consideration to be paid pursuant to the terms of the Arrangement Agreement. See "Risk Factors".

25. **Q: Will the Voting Shares continue to be listed on the TSX after the Arrangement?**

   **A:** No. If the Arrangement is approved, all of the Voting Shares will be acquired directly or indirectly by the Purchaser, and the Voting Shares will be delisted from the TSX as promptly as practicable after the completion of the Arrangement. The Purchaser also intends to seek to have Transat cease to be a reporting issuer following the completion of the Arrangement under the securities legislation of all of the provinces of Canada in which it is currently a reporting issuer.

26. **Q: Will Transat pay dividends before the completion of the Arrangement?**

   **A:** No. Transat will not declare or pay dividends or any other distributions (whether in cash, shares or property) before the completion of the Arrangement.

27. **Q: What are the tax consequences of the Arrangement to me as a Shareholder?**

   **A:** This Circular contains a summary of certain Canadian federal income tax considerations. See the discussion under "Certain Canadian Federal Income Tax Considerations".

28. **Q: Who do I ask if I have questions about the meeting or require assistance with voting?**

   **A:** Please contact our strategic shareholder advisor and proxy solicitation agent, Kingsdale Advisors, toll-free at 1-888-518-1552 or by collect call outside North America at 416-867-2272 or by email at contactus@kingsdaleadvisors.com with any questions you may have regarding the Meeting.

**PLEASE REMEMBER - IF YOU DO NOT WANT TO VOTE IN PERSON, THE DEADLINE FOR VOTING IN RESPECT OF THE MEETING IS AUGUST 21, 2019, AT 5:00 P.M. (MONTRÉAL TIME)**
CAUTIONARY STATEMENTS

We have not authorized any person to give any information or to make any representation in connection with the Arrangement or any other matters to be considered at the Meeting other than those contained in this Circular. If any such information or representation is given or made to you, you should not rely on it as having been authorized or as being accurate.

This Circular does not constitute an offer to buy, or a solicitation of an offer to sell, any securities, or the solicitation of a proxy, by any person in any jurisdiction in which such an offer or solicitation is not authorized or in which the person making such an offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such an offer or solicitation.

Shareholders should not construe the contents of this Circular as legal, tax or financial advice and are urged to consult with their own legal, tax, financial or other professional advisors.

The information concerning the Purchaser contained in this Circular has been provided by the Purchaser for inclusion in this Circular. Although Transat does not have any knowledge that would indicate that such information is untrue or incomplete, neither the Corporation nor any of its directors or officers assumes any responsibility for the accuracy or completeness of such information, or for the failure by the Purchaser to disclose events or information that may affect the accuracy or completeness of such information.

All summaries of, and references to, the Plan of Arrangement and the Arrangement Agreement in this Circular are qualified in their entirety by the complete text of the Plan of Arrangement and the Arrangement Agreement. The Plan of Arrangement is attached as Schedule B to this Circular and a copy of the Arrangement Agreement has been filed on SEDAR at www.sedar.com. You are urged to read carefully the full text of the Plan of Arrangement and the Arrangement Agreement.

NO CANADIAN SECURITIES REGULATORY AUTHORITY NOR THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE.

FORWARD-LOOKING INFORMATION

This Circular contains “forward-looking information” within the meaning of applicable Securities Laws. Forward-looking information is identified by the use of terms and phrases such as “may”, “would”, “should”, “could”, “expect”, “intend”, “estimate”, “outlook”, “target”, “goal”, “guidance”, “anticipate”, “plan”, “foresee”, “believe”, or “continue”, the negative of these terms and similar terminology, including references to assumptions, although not all forward-looking information contains these terms and phrases. Such forward-looking information includes, but is not limited to, statements relating to the anticipated benefits of the Arrangement for the Corporation, the Purchaser and their respective Shareholders, the receipt of Regulatory Approvals, Shareholder and Court approvals and the anticipated timing of the completion of the Arrangement.

Forward-looking information is subject to a number of risks and uncertainties, many of which are beyond our control, which could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking information. These risks and uncertainties include, but are not limited to, the failure of the parties to obtain the necessary Regulatory Approvals or Shareholder and Court approvals or to otherwise satisfy the conditions to the completion of the Arrangement; failure of the parties to obtain such approvals or satisfy such conditions in a timely manner; significant transaction costs
or unknown liabilities; failure to realize the expected benefits of the Arrangement; general economic conditions; and other risks and uncertainties identified under "Risk Factors" and "Information concerning Transat". Failure to obtain the necessary Regulatory Approvals or Shareholder and Court approvals, or the failure of the parties to otherwise satisfy the conditions to the completion of the Arrangement or to complete the Arrangement, may result in the Arrangement not being completed on the proposed terms, or at all. In addition, if the Arrangement is not completed, and the Corporation continues as a publicly traded entity, there are risks that the announcement of the Arrangement and the dedication of substantial resources of the Corporation to the completion of the Arrangement could have an impact on its business and strategic relationships (including with future and prospective employees, customers, suppliers and partners), operating results and activities in general, and could have a material adverse effect on its current and future operations, financial condition and prospects. Furthermore, pursuant to the terms of the Arrangement Agreement, the Corporation may, in certain circumstances, be required to pay a fee to the Purchaser, the result of which could have an adverse effect on its financial position.

Consequently, all of the forward-looking information contained herein is qualified by the foregoing cautionary statements, and there can be no guarantee that the results or developments that we anticipate will be realized or, even if substantially realized, that they will have the expected consequences or effects on our business, financial condition or results of operation. Unless otherwise noted or the context otherwise indicates, the forward-looking information contained herein is provided as of the date hereof, and we do not undertake to update or amend such forward-looking information whether as a result of new information, future events or otherwise, except as may be required by applicable Securities Law.

NOTICE TO SHAREHOLDERS IN THE UNITED STATES

Transat is a corporation existing under the federal laws of Canada. The solicitation of proxies and the transactions contemplated herein involve securities of a Canadian issuer and are being effected in accordance with Canadian corporate and securities laws. Shareholders should be aware that requirements under such Canadian laws differ from requirements under United States corporate and securities laws relating to United States corporations. The proxy rules under the United States Securities Exchange Act of 1934, as amended, are not applicable to the Corporation nor to this solicitation and therefore this solicitation is not being effected in accordance with such securities laws.

Certain of the financial information included in this Circular has been prepared in accordance with IFRS, which differ from United States generally accepted accounting principles in certain material respects, and thus may not be comparable to financial information of United States companies.

Shareholders that are United States taxpayers are advised to consult their independent tax advisors regarding United States federal, state, local and foreign tax consequences to them by participating in the Arrangement.
SUMMARY

The following is a summary of certain information contained in this Circular. This summary is not intended to be complete and is qualified in its entirety by the more detailed information contained elsewhere in this Circular and the attached schedules, and by the full text of the Arrangement Agreement available on SEDAR at www.sedar.com and of the Plan of Arrangement attached to this Circular as Schedule B.

MEETING AND RECORD DATE

The Meeting will be held on August 23, 2019, at 10:00 a.m. (Montréal time) at Sofitel Hotel (room: Monet-Chagall, 2nd floor), 1155 Sherbrooke West Street, Montréal, Québec, H3A 2N3, Canada. The purpose of the Meeting is for Shareholders to consider and, if deemed advisable, to approve the Arrangement Resolution, the full text of which is set forth at Schedule A. Shareholders may also be asked to consider other business that properly comes before the Meeting or any adjournment(s) or postponement(s) thereof. The Shareholders entitled to vote at the Meeting are those holders of Voting Shares as of the close of business on July 17, 2019. See “Information Regarding the Meeting”.

SUMMARY OF THE ARRANGEMENT

The Arrangement Agreement provides for, among other things, the acquisition directly or indirectly by the Purchaser of all of the issued and outstanding Voting Shares by way of a plan of arrangement under Section 192 of the CBCA. Pursuant to the Arrangement Agreement and the Plan of Arrangement, each Shareholder (other than any Dissenting Shareholders) will be entitled to receive from the Purchaser $13.00 in cash for each Voting Share held in the share capital of the Corporation. A copy of the Plan of Arrangement is attached to this Circular as Schedule B, and a copy of the Arrangement Agreement has been filed on SEDAR at www.sedar.com. See “The Arrangement” and “Arrangement Agreement”.

PARTIES

- **Transat**

  Founded in 1987, Transat is a leading integrated international tourism company specializing in holiday travel. It offers vacation packages, hotel stays and air travel under the Transat and Air Transat brands to some 60 destinations in more than 25 countries in the Americas and Europe. Transat is also a retail distributor, both online and through travel agencies, as well as a destination services provider in Mexico, the Dominican Republic and Jamaica. In 2018, Transat started setting up its own hotel division with a mission to own and operate hotels in the Caribbean and Mexico. Air Transat received, for two consecutive years, the World’s Best Leisure Airline Award at the Skytrax World Airline Awards, an independent U.K. research firm. Transat is the first major international tour operator to be Travelife Certified for all its activities. Based in Montréal, the Corporation has approximately 5,000 employees. Transat’s head office is located at Place du Parc, 300 Léo-Pariseau Street, Suite 600, Montréal, Québec, Canada H2X 4C2.

- **Air Canada**

  Air Canada is Canada’s largest domestic and international airline serving nearly 220 airports on six continents. Canada’s flag carrier is among the 20 largest airlines in the world and in 2018 served nearly 51 million customers. Air Canada provides scheduled passenger service directly to 62 airports in Canada, 54 in the United States and 100 in Europe, the Middle East, Africa, Asia, Australia, the Caribbean, Mexico, Central America and South America. Air Canada is a founding member of Star Alliance, the world’s most comprehensive air transportation network serving 1,317 airports in 193 countries. Air Canada is the only
international network carrier in North America to receive a Four-Star ranking according to independent U.K. research firm Skytrax, which also named Air Canada the 2019 Best Airline in North America.

BACKGROUND TO THE ARRANGEMENT

See “The Arrangement - Background to the Arrangement” for a summary of the main events that led to the execution of the Arrangement Agreement and certain meetings, negotiations, discussions and actions of the Parties that preceded the execution of the Arrangement Agreement and the public announcement of the Arrangement.

RECOMMENDATION OF THE SPECIAL COMMITTEE AND THE BOARD

Having undertaken a thorough review of, and carefully considered, information concerning the Arrangement, the Fairness Opinions, and after consulting with and receiving advice from financial and legal advisors, the Special Committee determined that the Arrangement is in the best interests of the Corporation and is fair to the Shareholders and unanimously recommended that the Board approve the Arrangement. See “The Arrangement - Recommendation of the Special Committee”.

After careful consideration, including the receipt of the Fairness Opinions, after consulting with and receiving advice from financial and legal advisors, and after receiving the unanimous recommendation of the Special Committee, the Board has unanimously determined that the Arrangement is in the best interests of Transat and is fair to the Shareholders, and unanimously recommends that the Shareholders vote FOR the Arrangement Resolution. See “The Arrangement - Recommendation of the Board”.

In reaching their conclusion that the Arrangement is in the best interests of the Corporation and is fair to the Shareholders, the Special Committee and the Board considered and relied upon a number of substantive factors, including those described under “The Arrangement – Reasons for the Recommendation”.

In making their respective determinations that the Arrangement is in the best interests of the Corporation and is fair to the Shareholders, as well as their respective unanimous recommendations in favour of the Arrangement, the Special Committee and the Board, with the assistance of financial and legal advisors, considered and relied upon a number of substantive factors, including, among others: (a) the Consideration payable to Shareholders, including the significant premium and form of payment; (b) the Fairness Opinions; (c) the effect of the Arrangement on the Corporation, its operations and stakeholders, including that the combination of Air Canada and Transat will create a Montréal-based global leader in leisure, tourism and travel distribution, giving Transat new avenues for growth, and Air Canada’s stated intention to preserve the Transat and Air Transat brands and maintain the Transat head office and its key functions in Montréal, which could provide a compelling platform for future growth and employment while also providing increased job security for both Air Canada’s and Transat’s employees through greater growth prospects; (d) the procedural safeguards and fairness in respect of the Arrangement, including the Required Shareholder Approval and Court approval required to complete the Arrangement, and the right of registered Shareholders to dissent and receive the fair value for their Voting Shares as well as the ability of the Board of Directors to consider Acquisition Proposals and to respond to and accept a Superior Proposal; (e) the certainty of the completion of the Arrangement, including given that it is not subject to any due diligence or financing condition, and that the Special Committee and Board of Directors are comfortable that Air Canada has the necessary funds to complete the Arrangement and pay the aggregate Consideration to Shareholders; (f) the fact that Air Canada possesses the required ability, experience, skill and expertise, as well as the necessary financial and other resources, to successfully operate the Corporation’s business on a long term basis; (g) the advantages, risks and disadvantages
related to the pursuit of the Corporation’s strategic business plan, the Arrangement and other indications of interest received, and the value that could potentially result therefrom, in each case, taking into account the execution risks and other factors deemed relevant; (h) the limited number of other potential acquirors as a result of the nature of the Corporation’s business and the regulatory constraints relating to Canadian control under the CT Act; (i) the Special Committee’s and the Board’s assessment, after consultation with legal and other advisors, that the required Regulatory Approvals are likely to be obtained within the timeframe set out in the Arrangement Agreement; and (j) the fact that the Arrangement Agreement provides for the payment by Air Canada of the Reverse Termination Fee in the event that the Arrangement Agreement is terminated as a result of Key Regulatory Approvals not being made, given or obtained, subject to certain conditions. See “The Arrangement – Reasons for the Recommendation” for a more detailed description of these and other principal factors and risks.

REQUIRED SHAREHOLDER APPROVAL

At the Meeting, pursuant to the Interim Order, the Shareholders will be asked to vote to approve the Arrangement Resolution. The approval of the Arrangement Resolution will require the affirmative vote of: (i) at least two thirds of the votes cast on the Arrangement Resolution by the Shareholders, voting together as a single class, present in person or represented by proxy at the Meeting and entitled to vote, and (ii) a simple majority of the votes cast on the Arrangement Resolution by the Shareholders, voting together as a single class, present in person or represented by proxy at the Meeting and entitled to vote, other than Mr. Jean-Marc Eustache. See “The Arrangement – Shareholders’ Approval of the Arrangement”.

The directors and Executive Officers of the Corporation, who collectively own or exercise control or direction over approximately 3.46% of the Voting Shares, have all entered into Support and Voting Agreements pursuant to which they have agreed, subject to the terms thereof, to vote in favour of the Arrangement Agreement. See “The Arrangement – Support and Voting Agreements”.

FAIRNESS OPINIONS

In determining that the Arrangement is in the best interests of the Corporation and is fair to the Shareholders, the Board and the Special Committee considered, among other things, the NBF Fairness Opinion and the BMO Fairness Opinion. The Fairness Opinions each state that, as at June 26, 2019 (after market close), and subject to the assumptions, qualifications and limitations set forth in each respective opinion, the Consideration to be received by the Shareholders pursuant to the Arrangement is fair, from a financial point of view, to such Shareholders. See “The Arrangement – Fairness Opinions”.

IMPLEMENTATION OF THE ARRANGEMENT

The Arrangement will be implemented by way of a court-approved plan of arrangement under the CBCA pursuant to the terms of the Arrangement Agreement. Pursuant to the Plan of Arrangement, the following transactions, among others, will occur:

1.1 each Shareholder, other than Dissenting Shareholders (if any), will be entitled to receive from the Purchaser $13.00 in cash for each Voting Share;

1.2 each holder of Options, whether vested or unvested, shall be entitled to receive a cash payment from the Corporation for each Option in an amount (if any) equal to $13.00 less the applicable exercise price and applicable withholding taxes in respect of such Option;

1.3 each holder of DSUs, PSUs or RSUs, whether vested or unvested, shall be entitled to receive for each unit a cash payment from the Corporation equal to the amount of $13.00, less applicable
withholding taxes (in the case of any unvested PSUs or RSUs, at a deemed level of attainment of the Corporation’s performance objectives at 100%); and

1.4 all Options, DSUs, PSUs and RSUs outstanding on the Effective Time shall be terminated in accordance with the Plan of Arrangement.

The Plan of Arrangement is attached as Schedule B to this Circular and a copy of the Arrangement Agreement has been filed on SEDAR at www.sedar.com. See “The Arrangement”.

The following procedural steps must be taken in order for the Arrangement to become effective: (a) the Required Shareholder Approval must be obtained; (b) the Court must grant the Final Order approving the Arrangement; (c) all conditions precedent to the Arrangement set forth in the Arrangement Agreement, including the receipt of the Key Regulatory Approvals, must be satisfied or waived by the appropriate party; and (d) the Final Order and Articles of Arrangement in the form prescribed by the CBCA must be filed with the Director.

In the event that the Arrangement does not proceed for any reason, including because the Corporation does not receive the Required Shareholder Approval, or fails to obtain the Key Regulatory Approvals or Court approval, Transat will continue as a publicly traded company. See “Risk Factors”.

SUPPORT AND VOTING AGREEMENTS

The directors and Executive Officers of the Corporation, who collectively own or exercise control or direction over approximately 3.46% of the Voting Shares, have all entered into Support and Voting Agreements pursuant to which they have agreed to vote in favour of the Arrangement Agreement. See “The Arrangement - Support and Voting Agreements”.

ARRANGEMENT AGREEMENT

On June 27, 2019, the Corporation and the Purchaser entered into the Arrangement Agreement, pursuant to which it was agreed, among other things, to implement the Arrangement in accordance with and subject to the terms and conditions contained therein and in the Plan of Arrangement. See “Arrangement Agreement”.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

This Circular contains a summary of certain Canadian federal income tax considerations generally applicable to certain Shareholders who, under the Arrangement, ultimately dispose of one or more Voting Shares to the Purchaser for cash. See “Certain Canadian Federal Income Tax Considerations”.

DISSENT RIGHTS

Pursuant to the Interim Order, registered Shareholders have the right to exercise Dissent Rights with respect to the Arrangement Resolution and, if the Arrangement becomes effective, to be paid the fair value of their Voting Shares in accordance with the provisions of section 190 of the CBCA, as modified by the Interim Order and the Plan of Arrangement. A registered Shareholder wishing to exercise Dissent Rights with respect to the Arrangement must send to Transat a Dissent Notice, which Dissent Notice must be received by Transat, c/o Bernard Bussières, the Corporation’s Vice-President, General Counsel and Corporate Secretary at: Transat A.T. Inc., Place du Parc, 300 Léo-Pariseau Street, Suite 600, Montréal, Québec, H2X 4C2, with a copy to (i) Fasken Martineau DuMoulin LLP, 800 Square-Victoria, Suite 3700, Montréal, Québec, Canada, H4Z 1E9, Attention: Mtre Alain Rendeau & Mtre Brandon Farber, email: ariendeau@fasken.com & bfarber@fasken.com, (ii) Stikeman Elliott LLP, 1155 René-Lévesque Blvd. W., 41st
Floor, Montréal Québec, H3B 3V2, Attention: Mtre Stéphanie Lapierre, email: slapierre@stikeman.com, and (iii) AST Trust Company (Canada), 1 Toronto Street, Suite 1200, Toronto, Ontario, M5C 2V6, Attention: Proxy Department, or at 2001 Robert-Bourassa Blvd., Suite 1600, Montréal, Québec, H3A 2A6, Attention: Proxy Department by no later than 5:00 p.m. (Montréal time) on August 21, 2019 (or 48 hours, excluding Saturdays, Sundays and statutory holidays, prior to the commencement of the reconvened Meeting if the Meeting is adjourned or postponed), and must otherwise strictly comply with the dissent procedures described in this Circular. See “Dissenting Shareholders’ Rights”.

DEPOSITARY

AST will act as the Depositary for the receipt of share certificates and DRS Advices representing Voting Shares and related Letters of Transmittal and the payments to be made to Shareholders pursuant to the Arrangement. See “The Arrangement - Procedure for Exchange of Voting Share Certificates by Shareholders”.

STOCK EXCHANGE DE-LISTING AND REPORTING ISSUER STATUS

It is expected that the Voting Shares will be de-listed from the TSX and that the Corporation will apply to cease to be a reporting issuer in all the provinces of Canada following the completion of the Arrangement. See “Arrangement Agreement - Covenants - Covenants Relating to TSX Delisting”

RISK FACTORS

There is a risk that the Arrangement may not be completed. Any failure to complete the Arrangement could materially and negatively impact the trading price of the Voting Shares. You should carefully consider the risk factors described in the section “Risk Factors” in evaluating the approval of the Arrangement Resolution.
THE ARRANGEMENT

BACKGROUND TO THE ARRANGEMENT

The following is a summary of the main events that led to the execution of the Arrangement Agreement and certain meetings, negotiations, discussions and actions of the Parties that preceded the execution of the Arrangement Agreement and the public announcement of the Arrangement on June 27, 2019. Certain events subsequent to June 27, 2019 are also described.

On October 5, 2018, the President and Chief Executive Officer of Air Canada, Calin Rovinescu, initiated a meeting with the President and Chief Executive Officer of the Corporation, Jean-Marc Eustache, to discuss Air Canada’s interest in acquiring the Corporation.

On November 13, 2018, at the request of Messrs. Rovinescu and Eustache, Denis Pétrin and Jean-François Lemay, respectively Vice-President and Chief Financial Officer of the Corporation and President-General Manager of Air Transat, a subsidiary of the Corporation, met with Craig Landry and David J. Shapiro, respectively Executive Vice President, Operations and Senior Vice President, International and Regulatory Affairs and Chief Legal Officer of Air Canada, to identify key issues and commence preliminary discussions regarding a potential transaction between Air Canada and the Corporation.

On November 29, 2018, Messrs. Rovinescu and Eustache met again to review the status of their teams’ conversations and gauge mutual interest in pursuing more substantive discussions regarding a potential transaction.

Messrs. Rovinescu and Eustache met once again on December 13, 2018, at which point Mr. Rovinescu presented Mr. Eustache with a non-binding proposal (the “2018 Initial Air Canada Proposal”) for an acquisition by Air Canada of all the Voting Shares at an offer price of $13.00 per Voting Share pursuant to a plan of arrangement (the “Proposed Transaction”). In addition to usual closing conditions, a 180-day exclusivity period and due diligence, the proposal was expressly made subject to a minimum cash level to be met by the Corporation at closing (the “Minimum Cash Condition”), a $3.00 minimum threshold above the offer price for a competing proposal to be accepted by the Corporation as a “superior proposal” (the “Spring Door Threshold”), and the allocation of deal completion risk. Mr. Eustache made the case for the offer price to be improved, and an improvement of $2.00 above the offer price was presented on an indicative basis, subject to Air Canada’s requirements regarding the Minimum Cash Condition, the Spring Door Threshold, the allocation of deal completion risk and any matters that would arise in due diligence. The 2018 Initial Air Canada Proposal represented premiums ranging from 93% to 122% and 73% to 100%, respectively, to the 30- or 90-day volume weighted average prices of the Voting Shares on the TSX on December 12, 2018. These terms, taken together, formed the basis on which further discussions were pursued.

On December 13, 2018, the Corporation announced its financial results for its financial year ended October 31, 2018.

On December 17, 2018, the Board met with Fasken, the Corporation’s legal advisors, to review and analyse the 2018 Initial Air Canada Proposal and the discussion that took place between Messrs. Rovinescu and Eustache on December 13, 2018. At that meeting, Fasken advised the Board of the importance of ensuring that an independent and rigorous process be put in place to review the
Proposed Transaction, and also advised the members of the Board of their roles and responsibilities in the circumstances, as well as their ability to rely on the advice and services of external legal and financial advisors to assist them in discharging such duties. The Board unanimously approved the engagement of NBF as financial advisors. Mr. Raymond Bachand, who is a director of National Bank of Canada, did not vote on the matter.

At that same meeting, following Fasken’s recommendations, the Board formed the Special Committee composed only of independent directors of the Corporation, namely Jean-Yves Leblanc (Chair), Raymond Bachand, W. Brian Edwards, Jacques Simoneau and Philippe Sureau, to generally oversee the process relating to the evaluation of the Proposed Transaction. It was also determined that the role of the Special Committee would be, among other things, to: (i) review the terms, conditions and other details of a going-private transaction in conjunction with the Proposed Transaction, based on the advice of the Corporation’s legal and financial advisors; (ii) consider and, if deemed appropriate, put in place a formal review process of the strategic options available to the Corporation including the sale of the Corporation or of substantially all of its assets or a major change to its business model or the nature of its activities or any other alternative transaction, and to consider and evaluate the terms and conditions and other details of any transaction emerging from this strategic review, including any variations or amendments thereto; (iii) make recommendations to the Board with regard to any strategic transaction, including the Proposed Transaction or any other alternative proposal and oversee any process that it deems appropriate for the purpose of making such recommendations; and (iv) if the Proposed Transaction or an alternative proposal is approved by the Board, oversee its implementation, including overseeing the due diligence process, the negotiation of the terms and conditions, the granting of the required regulatory approvals and other details of any transaction (including any amendments thereto) in connection with its strategic review.

That same day, the Special Committee held its first meeting. In addition to endorsing the Board’s decision regarding the selection of financial advisors to support the Special Committee in connection with its mandate, the Special Committee approved the engagement of Gide Loyrette Nouel (“Gide”) as European legal regulatory counsel.

On December 20, 2018, the Special Committee met again and approved the corporate disclosure principles and practices to be observed by the Corporation and its key representatives including in the event of any information leak during the process relating to the evaluation of the Proposed Transaction and the Corporation’s strategic alternatives.

On January 8, 2019, the Special Committee met with representatives of NBF, Fasken and Gide. The representatives of NBF presented their preliminary analysis of the financial aspects of the 2018 Initial Air Canada Proposal and the representatives of Fasken and Gide then presented their preliminary analysis of certain related regulatory matters. The Special Committee also discussed with the financial and legal advisors certain key elements of the 2018 Initial Air Canada Proposal and potential response strategies. The Special Committee then authorized the hiring of the Brattle Group, a firm of economists, to assist the legal advisors in their analysis of certain regulatory aspects of the Proposed Transaction.

On January 9, 2019, executive officers of the Corporation presented a revised strategic plan to the members of the Board, including new financial projections, which had been updated based on the financial results of the Corporation for the most recently completed financial year. Upon its review, the Board recognized that despite important accomplishments in the financial year ended October 31,
2018, the Corporation had not attained the set targets, and that the Corporation’s ability to deliver on its strategic plan and achieve its expected results would require several years and represented a significant risk in the medium- and long-term.

On January 17, 2019, a meeting was held at which the Corporation shared its position in respect of the 2018 Initial Air Canada Proposal, including that the Minimum Cash Condition, the Spring Door Threshold and the proposed allocation of deal completion risk, were not acceptable to it.

In the weeks that followed, the parties did not have further substantive discussions regarding pricing and the underlying assumptions for it until April 2019, as they examined more closely the regulatory and other key approvals and risks inherent to the Proposed Transaction before pursuing discussions on the other elements of the Proposed Transaction.

On January 21, 2019, Mr. Eustache received a call from a Shareholder of the Corporation informing him that Groupe MACH Inc. ("Groupe MACH") would potentially be interested in privatizing the Corporation.

On January 24, 2019, at the request of Groupe MACH, Messrs. Eustache and Pétrin met with the President and Chief Executive Officer of Groupe MACH and its financial advisor, at which meeting Groupe MACH expressed an interest in acquiring the Corporation and proceeding to a due diligence review of the Corporation's business.

On February 1, 2019, the Corporation and Air Canada entered into a mutual confidentiality and standstill agreement that did not contain any exclusivity undertaking nor any terms relating to the Proposed Transaction. During the weeks that followed, the parties conducted extensive analysis, with the assistance of legal advisors and other external advisors, to determine the regulatory and other key approvals that would need to be obtained in connection with the Proposed Transaction and the risks associated with obtaining such approvals.

On February 7, 2019, the Corporation received a non-binding letter of intent from Groupe MACH to acquire all the Voting Shares at a proposed price ranging between $8.50 to $9.50 per Voting Share (the "MACH Proposal"). The MACH Proposal was subject to a number of conditions, including completion of satisfactory due diligence and a 90-day exclusivity period.

On February 11, 2019, Mr. Eustache received a call from the chief executive officer of a group with international operations (the "Confidential Party") requesting that they meet to discuss a potential strategic transaction.

That same day, the Special Committee met to discuss the MACH Proposal and, while insisting on the importance of maintaining the confidentiality of the ongoing discussions, agreed to pursue discussions with Groupe MACH.

On February 12, 2019, a meeting of the Board was held at which the Special Committee reported on the status of discussions with Air Canada and Groupe MACH. At that meeting, the Board approved, upon the recommendation of the Human Resources and Compensation Committee, an employee retention plan developed with the assistance of PCI - Perrault Consulting Inc., the Corporation’s external compensation advisors. See “The Arrangement - Interests of Certain Persons in the Arrangement - Employee Retention Plan”.

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In the weeks that followed, the Special Committee met several times to discuss the status of the discussions with Air Canada and to discuss the MACH Proposal. The Special Committee also asked NBF to conduct a financial analysis of the MACH Proposal. Meetings were also held during that same period among Groupe MACH, the Corporation and their respective financial advisors to discuss the MACH Proposal and, more particularly, Groupe MACH’s intentions regarding the Corporation and its financial ability to complete the proposed transaction, as well as Groupe MACH’s ability to manage and support the Corporation’s operations.

On February 20, 2019, at a meeting between the financial advisors of the Corporation and Groupe MACH, the financial advisors of Groupe MACH indicated that Groupe MACH would not agree to a confidentiality agreement unless the MACH Proposal was accepted by the Corporation, which proposal included a requirement for an exclusivity period. Groupe Mach’s position was also confirmed to the Corporation by a representative of Groupe MACH by email the next day.

On March 14, 2019, the Corporation released its financial results for the first quarter ended January 31, 2019.

On March 21, 2019, at a meeting of the Special Committee, representatives of NBF communicated their view that the price per Voting Share offered under the MACH Proposal was inadequate and did not reflect the fundamental value of the Corporation. Accordingly, a letter to that effect was sent by the Corporation to Groupe MACH on March 22, 2019.

In the weeks that followed, several meetings and negotiation sessions held between Messrs. Jean-Yves Leblanc and Raymond Bachand, members of the Special Committee, and Groupe MACH led to changes in the price offered by Groupe MACH, which was revised to a price ranging between $9.00 and $10.50 per Voting Share in a second proposal, and thereafter revised to a fixed price of $10.00 per Voting Share in a third proposal. However, even as so revised, the offered price always remained unsatisfactory to the Corporation. In addition, during these exchanges between the Corporation and Groupe MACH, Groupe MACH maintained its position that it had no intention to agree to a confidentiality and standstill agreement unless a letter of intent with the Corporation including an exclusivity undertaking on its part was entered into.

On April 16, 2019, the Corporation and Air Canada, together with their respective legal and financial advisors, reengaged and resumed negotiations. At that time, Air Canada presented a revised proposal (the “Revised Air Canada Proposal”) which included a proposed purchase price of $11.50 per Voting Share and the elimination of certain conditions from the 2018 Initial Air Canada Proposal that were problematic for the Corporation, including the Minimum Cash Condition and a modified allocation of deal completion risk. Air Canada explained that it had reduced the price as a result of the elimination or revision to the above closing conditions and the Corporation’s disappointing financial results (including a deteriorating performance and a downward adjustment in earnings guidance), its significant reduction in cash position, the weak performance of the Voting Shares on the TSX and the higher than anticipated costs of integration.

On April 18, 2019, the Board met for an update by the Special Committee concerning the Revised Air Canada Proposal and the MACH Proposal. The Board also received an update of the analysis prepared by Fasken, Gide and the Brattle Group relating to various regulatory matters. NBF also presented an
update of the financial considerations relating to the Revised Air Canada Proposal. Finally, the Board discussed with NBF and Fasken various response strategies in light of the latest developments.

On April 25, 2019, Mr. Eustache met with Mr. Rovinescu to discuss the Revised Air Canada Proposal.

On April 26, 2019, Messrs. Jean-Yves Leblanc and Raymond Bachand delivered a letter to Groupe MACH offering access to confidential information of the Corporation to allow Groupe MACH, subject to executing a confidentiality and standstill agreement, having substantially similar terms as those agreed to by Air Canada, to continue their financial analysis. This proposal was reiterated at a meeting held on April 29, 2019 among Jean-Yves Leblanc, Raymond Bachand and the president and chief executive officer of Groupe MACH, without success.

On April 30, 2019, after having been informed that Groupe MACH had distributed the MACH Proposal to several Shareholders, and considering the resulting increased risk of information leaks, especially in the context of the annual meeting of shareholders of the Corporation to be held the same day, the Board caused the Corporation to publish a press release prior to such meeting to announce that it had entered into preliminary discussions with more than one party concerning a potential transaction regarding the acquisition of the Voting Shares.

In the days after the April 30, 2019 press release, other expressions of interest were received verbally or in writing from various potential strategic and financial partners, but none of these expressions of interest were determined to be likely to realistically lead to an actionable proposal or viable alternative.

On May 1, 2019, Mr. Eustache received a call from the chief executive officer of the Confidential Party confirming the wish to organize a meeting to explore a possible strategic transaction. Based on this conversation, the Corporation concluded that the interest of the Confidential Party was at a very preliminary stage.

On May 3, 2019, the Special Committee retained the services of NRF as independent legal advisors to support it in the process of reviewing the options available to the Corporation. Mr. Bachand withdrew from that portion of the meeting as he also acts as strategic advisor with NRF.

That same day, a meeting was held among representatives of Transat, NBF, Air Canada and Morgan Stanley, Air Canada’s financial advisors.

During the week of May 5, 2019, several discussions took place between NBF and Morgan Stanley.

On May 6, 2019, the financial advisor of Groupe MACH indicated to the financial advisor of the Corporation that Groupe MACH had no interest in pursuing discussions with the Corporation unless its letter of intent, which contained an exclusivity undertaking on the part of the Corporation, was executed. Discussions with Groupe MACH were therefore suspended.

On May 7, 2019, Messrs. Eustache, Pétrin and Bussières (Vice-President, General Counsel and Corporate Secretary of the Corporation) met with executive officers of the Confidential Party to discuss a possible strategic transaction between the two corporations. This meeting did not lead to any viable alternative. After such date, there were no further contacts between the Corporation and the Confidential Party.
Late in the evening of May 9, 2019, Morgan Stanley contacted representatives of NBF to submit certain amendments to the Revised Air Canada Proposal, including a price increase to $12.50 per Voting Share (the “Second Revised Air Canada Proposal”). Such price represented premiums of 145% and 133%, respectively, to the 30- and 90-day volume weighted average prices of the Voting Shares on the TSX on April 29, 2019, namely the day preceding the announcement by the Corporation of preliminary discussions regarding its potential sale.

On May 10, 2019, the Special Committee met to discuss the Second Revised Air Canada Proposal. Upon the recommendation of its legal and financial advisors, the Special Committee concluded that it was advisable to take additional time to reflect on and consider the terms of the Second Revised Air Canada Proposal and to allow its advisors to conduct further analysis. The Special Committee also mandated NBF to advise Morgan Stanley of this decision and to reiterate the elements which the Corporation considered to be important in its negotiations with Air Canada. The Special Committee then mandated its legal and financial advisors to conduct a detailed analysis of the Second Revised Air Canada Proposal.

In parallel, the executive officers of the Corporation, with the assistance of NBF, continued to work to develop updated financial projections for the Corporation as a stand-alone entity.

On May 12, 2019, representatives of Morgan Stanley contacted representatives of NBF to submit to the Corporation, at the request of Air Canada, a revised non-binding proposal (the “Final Air Canada Proposal”). The most significant changes in the Final Air Canada Proposal included an increase in the offered price to $13.00 per Voting Share (the “Proposed Price”), a further reduction in the Spring Door Threshold to $1.00, the improvement of the deal protection measures from the Corporation’s point of view and a shortening of the exclusivity period from 180 days to a period ending 30 days after the commencement of a formal due diligence process. The Proposed Price represented premiums of 156% and 143%, respectively, to the 30- and 90-day volume weighted average prices of the Voting Shares on the TSX on April 29, 2019, namely the day preceding the announcement by the Corporation of preliminary discussions regarding its potential sale.

On the morning of May 13, 2019, the legal and financial advisors presented their analysis of the Final Air Canada Proposal to the members of the Special Committee.

On the afternoon of May 13, 2019, the Special Committee met again with certain executive officers of the Corporation and its legal and financial advisors in order to discuss the prospects of the Corporation as a stand-alone entity and to review in detail the Corporation’s newly revised strategic plan and financial projections, including the main hypotheses on which the financial projections and the revised plan were based as well as the significant risks and uncertainties related thereto. The Special Committee again noted that the implementation of the Corporation’s strategic plan would take time and involved significant risks in the medium- and long-term.

On the morning of May 14, 2019, the Special Committee met again with its legal and financial advisors and certain executive officers of the Corporation to, among other things, consider the Proposed Transaction, conduct a final review of the material terms and conditions set out in the Final Air Canada Proposal, receive the advice of NBF, Fasken and NRF, and determine whether a recommendation should be made to the Board for the entering into of the Final Air Canada Proposal and the granting of a 30-day exclusivity period. The NBF representatives presented a report of their analysis of the Final Air
Canada Proposal and reported their preliminary findings on the fairness, from a financial point of view, of the consideration to be received by the Shareholders of the Corporation as a result of the Proposed Transaction under the Final Air Canada Proposal. NBF also provided its comments and findings, including with respect to the historical results and financial forecasts of the Corporation and the other potential strategic and financial buyers. After the presentation of NBF, Fasken and NRF provided the members of the Special Committee with an overview of the important terms of the Final Air Canada Proposal as well as their recommendations concerning the deal protection measures included therein and the response and negotiation strategies developed with NBF. The legal advisors also examined and analysed the fiduciary obligations of the directors in the context of evaluating the Final Air Canada Proposal and, eventually, the Proposed Transaction. After discussing and evaluating the risks involved with each option available to the Corporation, the Special Committee mandated NBF to present a counter-offer to the representatives of Morgan Stanley within the parameters predetermined by the Special Committee on the advice of the legal and financial advisors, which were all accepted by Air Canada later in the day of May 14, 2019, and which were subsequently reflected in the Final Air Canada Proposal.

On that date, as part of its review and evaluation of the Proposed Transaction, the Special Committee had already held more than 25 formal meetings and had had many discussions with the executive officers of the Corporation, in addition to consulting with the legal and financial advisors retained for the Proposed Transaction on many occasions.

On May 15, 2019, the members of the Special Committee presented their unanimous recommendation to the Board that it was in the best interest of the Corporation and its various stakeholders, including its shareholders, employees, clients, creditors, partners, consumers and suppliers, to enter into the proposed Final Air Canada Proposal (including the underlying undertaking to negotiate exclusively with Air Canada for a period ending 30 days following the commencement of formal due diligence process) and eventually proceed with the completion of the Proposed Transaction under the terms of a Plan of Arrangement to be negotiated between the parties.

At that meeting, the members of the Board followed the recommendation of the Special Committee and unanimously authorized the execution of the Final Air Canada Proposal by the Corporation, which Final Air Canada Proposal was executed as of May 15, 2019, as announced by both the Corporation and Air Canada via separate press releases on May 16, 2019.

On May 16, 2019, the parties began the implementation of a due diligence process, which formally began on May 27 and ended 30 days later, on June 26, 2019. Each Party invested considerable time and resources to complete this exercise.

At meetings held on May 22 and May 28, 2019, the members of the Special Committee discussed with Fasken and NRF the advisability of retaining the services of an additional independent financial advisor to prepare a second opinion relating to the fairness, from a financial point of view, of the consideration that would be paid to Shareholders as a result of the Proposed Transaction, given that NBF may be entitled to a compensation based on the success of the transaction.

On May 28, 2019, the Special Committee retained the services of BMO for such purpose.

On June 2, 2019, Stikeman Elliott LLP ("Stikeman"), Air Canada’s legal advisors, provided an initial draft of the Arrangement Agreement, to Fasken and NRF.
On June 4, 2019, Stikeman also provided to Fasken and NRF initial drafts of various other documents relating to the Proposed Transaction, notably the D&O Support and Voting Agreements and the Plan of Arrangement. Fasken and NRF began their review of the various drafts from that time, in conjunction with the Corporation and the Special Committee. Beginning on June 11, 2019, the Corporation (including through the Special Committee) and Air Canada, as well as their respective advisors, actively negotiated the terms and conditions of the Arrangement Agreement and the other definitive agreements relating to the Proposed Transaction.

On June 4, 2019, Groupe MACH published a press release in which it stated its interest in acquiring all of the Voting Shares for a price equal to $14.00 per Voting Share (the “June 2019 MACH Expression of Interest”), a price that was significantly higher than any previous indicative price per Voting Share privately expressed by Groupe MACH. The press release issued by Groupe MACH also stated that the proposal was subject to many conditions, including a $120 million financing from Investissement Québec, in addition to contemplating a $15 million minority investment by TM Grupo Immobiliario, a Spanish private group.

On June 13, 2019, in light of the unusual trading activity in the securities of the Corporation following the publication of Groupe Mach’s press release, the Corporation clarified by press release that it had not received as of then any formal proposal from Groupe MACH related to its June 4, 2019 press release.

Later on June 13, 2019, the Corporation received a non-binding letter of intent from Groupe MACH in which it proposed to purchase all of the Voting Shares for a price of $14.00 per Voting Share, subject to many conditions, including a $120 million financing from Investissement Québec, in addition to contemplating a $15 million minority investment by TM Grupo Immobiliario, and requiring the immediate cessation of discussions with Air Canada and a 30-day due diligence period (the “June 2019 Mach Letter”). No financing offer or commitment supporting Groupe MACH’s proposal or evidence of Groupe MACH’s liquidity levels or cash on hand, which would have allowed the Board to evaluate Groupe MACH’s financial capacity to proceed with its proposed transaction, was attached to the June 2019 Mach Letter.

On June 13, 2019, the Corporation released its financial results for the second quarter ended April 30, 2019.


On June 18, 2019, Groupe MACH issued an additional press release stating that the structure of its proposal was a plan of arrangement under the CBCA, and not a take-over bid under applicable securities laws which would have precluded an offer being made subject to a financing condition.

On June 20, 2019, the Corporation was informed that Air Canada was prepared to enter into the Arrangement Agreement on the basis of the support and voting agreements to be obtained from its directors and officers only.

On June 21, 2019, at a meeting of the Special Committee, and upon the recommendation of the financial and legal advisors, the Special Committee mandated NBF to informally contact certain significant Shareholders of the Corporation to assess the level of support from these Shareholders for
the Proposed Transaction. At the meeting, the Special Committee also discussed the principal terms and conditions of the Proposed Transaction.

On June 25, 2019, Groupe MACH issued a press release announcing a non-binding agreement with the Government of Québec in relation to the transaction proposed in the June 2019 Mach Letter, and delivered an amended version of such letter (the “Amended June 2019 Mach Letter”) in which were removed a few conditions, including the conditions relating to the financing by Investissement Québec and the execution of voting and support agreements with Fonds de solidarité des travailleurs du Québec and Caisse de dépôt et placement du Québec. Groupe MACH did not include any financing offer or commitment supporting its proposal or any evidence of its liquidity levels or cash on hand in order to demonstrate its financial capacity to proceed with its proposed transaction.

On June 26, 2019, the members of the Special Committee met to, among other things, review the Proposed Transaction and proceed with a detailed examination of its principal terms and conditions, as set forth in the definitive agreements relating to the Proposed Transaction, receive the advice of the legal and financial advisors and determine whether a recommendation should be made to the Board. At such meeting, the legal and financial advisors presented, among other things, a comparison of the main advantages, risks and disadvantages related to both the Proposed Transaction and the transaction contemplated in the Amended June 2019 Mach Letter.

Between May 15 and June 26, 2019, the Special Committee held eight formal meetings, had many discussions with the executive officers of the Corporation and also frequently consulted with the legal and financial advisors mandated in the context of the Proposed Transaction.

The Board met on June 26, 2019 to review the Proposed Transaction and proceed to examine its principal terms set out in the Arrangement Agreement, as well as to receive advice from NBF, BMO, Fasken and NRF.

At that meeting, NBF presented a detailed report of its analysis and informed the Board of its conclusion to the effect that, subject to the assumptions, limitations and qualifications contained in the NBF Fairness Opinion, as at June 26, 2019, the consideration of $13.00 to be received by the Shareholders of the Corporation under the Arrangement, is fair, from a financial point of view, to such Shareholders. BMO also presented a report of its analysis and informed the meeting of its conclusion to the effect that, subject to the assumptions, limitations and qualifications contained in the BMO Fairness Opinion, as at June 26, 2019, the consideration of $13.00 to be received by the Shareholders of the Corporation under the Arrangement, is fair, from a financial point of view, to such Shareholders.

In parallel to the ongoing discussions regarding the Proposed Transaction, management determined, in consultation with the external auditors of the Corporation, that a restatement of the Corporation’s consolidated financial statements filed for the year ended October 31, 2018, as well as for the first quarter ended January 31, 2019 and the second quarter ended April 30, 2019, was required as regards the book value of the non-controlling interest of the subsidiary Trafictours Canada Inc. Management also confirmed that each of NBF and BMO had taken into consideration the adverse effect of this restatement for purposes of valuing the business of the Corporation in connection with the preparation of their respective fairness opinions. The Special Committee and the Board were advised that Air Canada had been informed of the Corporation’s likely decision to restate its financial statements (and the additional $20.3 million contingent liability as at April 30, 2019 resulting therefrom), and that after
considering this development and the other findings of its own due diligence review of the business and affairs of the Corporation, Air Canada had determined nonetheless to maintain and reconfirm its proposed price of $13.00 per Voting Share.

Following the presentations by NBF and BMO, Fasken and NRF provided the members of the Special Committee with a summary of the important terms and conditions of the Arrangement Agreement, the Plan of Arrangement and the D&O Support and Voting Agreements. The legal advisors then present confirmed that all legal advisors had approved the current version of the documents relating to the Proposed Transaction. Fasken and NRF also reviewed and analyzed the fiduciary obligations of the directors in the context of evaluating the Arrangement Agreement and the Proposed Transaction.

The members of the Board then discussed the presentations made by all of the advisors and the documents that were provided, as well as the merits of executing the Arrangement Agreement and eventually proceeding with the Proposed Transaction, and deliberated on the advantages of the Proposed Transaction. The Board then received the unanimous recommendation of the Special Committee. The meeting was then adjourned.

The next morning, namely June 27, 2019, the Board meeting resumed and, after having received a report from the legal advisors of the Corporation and of the Special Committee on the finalization of the definitive agreements, the Board ratified the conclusions of the report of the Special Committee and unanimously approved the Proposed Transaction and the execution of the Arrangement Agreement.

The Arrangement Agreement, the D&O Support and Voting Agreements and the other definitive agreements relating to the Proposed Transaction were then finalized and executed, and a joint press release announcing the Proposed Transaction was issued on the morning of June 27, 2019 before the opening of trading on the TSX.

On July 3, 2019 in an interview granted to The Canadian Press, Groupe MACH announced that it did not intend to submit an acquisition proposal to the Corporation that could qualify as a Superior Proposal under the terms of the Arrangement Agreement entered into between the Corporation and Air Canada. This position was later confirmed by Groupe MACH on July 9, 2019 through the issuance of a press release confirming that Groupe MACH had chosen not to submit a Superior Proposal.

RECOMMENDATION OF THE SPECIAL COMMITTEE

Having undertaken a thorough review of, and carefully considered, information concerning the Arrangement, the Fairness Opinions and after consulting with financial and legal advisors, the Special Committee unanimously determined that the Arrangement is in the best interests of the Corporation and is fair to the Shareholders and unanimously recommended that the Board approve the Arrangement.

RECOMMENDATION OF THE BOARD

After careful consideration, the Board has unanimously determined that the Arrangement is in the best interests of Transat and is fair to the Shareholders and unanimously recommends that the Shareholders vote FOR the Arrangement Resolution.
REASONS FOR THE RECOMMENDATION

The Special Committee and the Board, with the assistance of financial and legal advisors, carefully reviewed the proposed Arrangement and the terms and conditions of the Arrangement Agreement and all related agreements and documents, and in making their respective determinations and unanimous recommendations, the Special Committee and the Board considered and relied upon a number of substantive factors, including the factors discussed below.

- **Consideration Payable to Shareholders**
  - **Significant Premium**

  The Consideration offered under the Arrangement represents a premium of 156% to the 30-day volume weighted average price of the Voting Shares of the Corporation on the TSX on April 29, 2019, namely the day preceding the announcement by the Corporation of preliminary discussions with more than one party regarding a potential sale of the Corporation, and a premium of 143% to the 90-day volume weighted average price of such Voting Shares on the TSX on such date.

  - **Arrangement More Favourable than Other Alternatives including Status Quo**

    The Special Committee and the Board are of the view that the value offered to Shareholders under the Arrangement is more favourable to Shareholders than the value that could potentially result from other alternatives, including the Corporation continuing to pursue its strategic business plan or endeavouring to conclude a transaction with respect to other indications of interest received, in each case, taking into account the execution risks and other factors deemed relevant by the Special Committee and the Board.

  - **Cash Consideration**

    The Consideration to be paid to Shareholders pursuant to the Arrangement will be paid entirely in cash, which will provide Shareholders with certainty of value and immediate liquidity.

- **Fairness Opinions**

  Each of NBF and BMO provided an opinion to the effect that, as of June 26, 2019 (after market close) and subject to the scope of review, assumptions, qualifications and limitations set forth in their respective opinions, the Consideration to be received by the Shareholders pursuant to the Arrangement is fair, from a financial point of view, to such Shareholders. The full text of the Fairness Opinions, setting out the assumptions and limitations and qualifications on the review undertaken in connection with such Fairness Opinions, is attached as schedule C of the Circular (the “NBF Fairness Opinion”) and schedule D of the Circular (the “BMO Fairness Opinion”). The summary of each Fairness Opinion included in this Circular is qualified in its entirety by reference to the full text of the applicable Fairness Opinion. Neither Fairness Opinion is a recommendation as to whether or not Shareholders should vote in favour of the Arrangement.

- **Effect of the Arrangement on the Corporation, its Operations and Stakeholders**

  The Special Committee and the Board are of the view that the terms of the Arrangement Agreement treat the stakeholders of the Corporation fairly, while maximizing value for the Shareholders.
combination of Air Canada, Skytrax’s Best Airline in North America, and Transat, Skytrax’s Best Leisure Airline in the world, will create a Montréal-based global leader in leisure, tourism and travel distribution, offering Canadians choices to more destinations and promoting two-way tourism, and will give Transat new avenues for growth with the support of a strong network offering many options for connecting traffic. Following Closing, travelers will benefit from the merged companies’ enhanced capabilities in the highly competitive, global leisure travel market and from access to new destinations, more connecting traffic and increased frequencies.

Considering the strong presence of Air Canada in Québec and its success within the industry, and given Air Canada’s intention to preserve the Transat and Air Transat brands and maintain the Transat head office and its key functions in Montréal (as stated in the press release dated June 27, 2019 announcing the Proposed Transaction), the Special Committee and the Board consider that the Arrangement with Air Canada affords the best opportunity to maintain long-term employment, in particular for the Corporation’s highly skilled and specialized employees such as pilots, mechanics and flight attendants. As such, this made-in-Québec combination is expected to provide a compelling platform for future growth and employment while also providing increased job security for both companies’ employees through greater growth prospects.

The benefits offered to the participants of the Corporation’s Incentive Plans and the bonus and retention plan for the benefit of some executive officers and other key employees of the Corporation implemented with the assistance of external compensation consultants PCI – Perrault Conseil inc. in the context of the Arrangement are considered to adequately protect the interests of such persons and of the Corporation. Moreover, the Arrangement Agreement includes certain covenants of the Purchaser in respect of employees and the obligation to honour and comply with certain arrangements entered into with current and former employees after the Closing.

The Arrangement Agreement also contains customary restrictions on, among other things, significant transactions, changes of business and capitalization by the Corporation until the Arrangement is completed or the Arrangement Agreement is terminated. These restrictions, which were highly negotiated, are considered reasonable by the Special Committee and the Board. Finally, in order for the Arrangement to proceed, the Minister will need to be satisfied that the completion of the Arrangement does not raise concerns with respect to public interest as it relates to national transportation.

- **Procedural Safeguards and Fairness**

In making its determinations and recommendations, the Special Committee and the Board also observed that a number of procedural safeguards were and are present to allow the Special Committee and the Board to effectively represent the interests of Transat and the Shareholders, including, among others:

- **Arm’s Length Negotiations**

The Special Committee and Transat, with the assistance of financial advisors and legal counsel, conducted robust, arm’s-length negotiations with Air Canada of the key economic terms of the Arrangement and oversaw the negotiation of other material terms of the Arrangement Agreement and the Arrangement.
o **Special Committee and Board Oversight**

The Special Committee, which is comprised entirely of independent directors, oversaw, reviewed and considered, and directly participated in the negotiation of, the Arrangement. The Special Committee and the Board were advised by experienced and qualified financial and legal advisors. The Arrangement was unanimously recommended to the Board by the Special Committee, and was unanimously approved by the Board, which is comprised of twelve (12) directors, eleven (11) of whom are non-management and independent.

o **Required Shareholder Approval and Court Approval**

The Arrangement is subject to Shareholder and Court approvals, which provide additional protection to Shareholders. The Arrangement Resolution must be approved by the affirmative vote of (i) at least two thirds of the votes cast on the Arrangement Resolution by the Shareholders, voting together as a single class, present in person or represented by proxy at the Meeting and entitled to vote, and (ii) a simple majority of the votes cast on the Arrangement Resolution by the Shareholders, voting together as a single class, present in person or represented by proxy at the Meeting and entitled to vote, other than Mr. Jean-Marc Eustache. See “The Arrangement – Shareholders’ Approval of the Arrangement”. The Arrangement must also be approved by the Court, which will consider, among other things, the fairness and reasonableness, both procedurally and substantively, of the Arrangement to Shareholders.

o **Dissent Rights**

Registered Shareholders may, upon compliance with certain conditions and in certain circumstances, exercise dissent rights and, if ultimately successful, receive fair value for their Voting Shares as determined by the Court. See “Dissenting Shareholders’ Rights”.

o **Ability to Consider Acquisition Proposals and to Respond to and Accept a Superior Proposal**

The Arrangement Agreement does not preclude unsolicited Acquisition Proposals from other parties which may be considered by the Board in certain circumstances under the Arrangement Agreement. The Arrangement Agreement sets out a clear and precise framework and mechanism with which other potentially interested parties may abide to submit an Acquisition Proposal, obtain access to the Corporation’s confidential information and ultimately qualify as a “Superior Proposal”. In light of the significant degree of deal certainty and limited execution and long term risks associated with Air Canada’s proposal as described below, and given the flexibility afforded to the Board by the provisions of the Arrangement Agreement (which flexibility the Board did not have during the 30-day exclusivity period that followed the execution of the Final Air Canada Proposal), the Board determined that it was in the best interests of the Corporation, taking into account the interests of all stakeholders, to enter into the Arrangement Agreement. See “Background to the Arrangement”.

For instance, if at any time prior to obtaining the Required Shareholder Approval, the Corporation receives a bona fide unsolicited written Acquisition Proposal and the Board first determines (based upon, inter alia, the recommendation of the Special Committee) in good faith, after consultation with its financial advisors and its outside legal counsel, that such Acquisition Proposal constitutes or could reasonably be expected to constitute or lead to a Superior Proposal and the other conditions set forth in the Arrangement Agreement have been satisfied, the Corporation may engage in or participate in
discussions or negotiations with such Person regarding such Acquisition Proposal, and provide access to confidential information of the Corporation for such Person to conduct a reasonable due diligence process.

Moreover, the Arrangement Agreement permits the Corporation to accept a Superior Proposal in certain circumstances. Accordingly, subject to the terms and conditions of the Arrangement Agreement, if a Superior Proposal were to be made that Air Canada did not match, the Corporation may accept it upon paying the Termination Fee. See “Arrangement Agreement - Covenants Regarding Non-Solicitation”.

- **Appropriateness of Deal Protection Measures and Termination Fee**

The Termination Fee, Air Canada's right to match and other deal protection measures contained in the Arrangement Agreement are appropriate inducements to Air Canada to enter into the Arrangement Agreement. The quantum of the Termination Fee is reasonable for a transaction of this nature and, in the views of the Special Committee and the Board, the Termination Fee and other deal protection measures contained in the Arrangement Agreement would not preclude a third party from making a potential Superior Proposal.

- **Deal Certainty**
  
  - **No Due Diligence or Financing Condition**

The completion of the Arrangement is not subject to any due diligence or financing condition. Moreover, the Special Committee and the Board are comfortable that Air Canada has the funds necessary to complete the Arrangement and pay the aggregate Consideration to Shareholders.

  - **Air Canada's Ability, Experience, Skill and Expertise**

Air Canada is a preferred buyer with proven ability, skills, experience and expertise to successfully operate in several of the complex and highly competitive fields of activities in which the Corporation operates, including the airline and tour operator industries. There is no doubt that Air Canada possesses the required ability, experience, skill and expertise, as well as the necessary financial and other resources, to successfully operate the Corporation's business on a long term basis, which offers the best prospect of preserving skilled and specialized jobs, especially in Québec.

The benefits of Air Canada's trusted reputation and renown were also illustrated in connection with the negotiations of the Arrangement Agreement, where from and after May 16, 2019, several counterparties to agreements to which the Corporation and its subsidiaries are parties, including various suppliers and creditors of the Corporation, readily granted their consents or waived their consent rights. These counterparties indicated that such prior consents could however be imposed as closing conditions to a transaction with another buyer, which would affect deal certainty of any such other transaction.

  - **Other Indications of Interest Received**

The indications of interests in acquiring Transat received from other potential parties before and after the Corporation's announcements of April 30, 2019, including the one received on an unsolicited basis
after May 15, 2019, were non-binding and subject to significant conditions, including conditions relating to the completion of satisfactory due diligence. Such conditions posed significant risk as regards the completion due diligence and any transaction contemplated in such non-binding indications of interest, including in light of the nature of the Corporation’s activities which are operated in a number of complex business segments and which are part of various highly competitive industries, particularly as an airline and tour operator for which highly specialized skills and competencies are required. In agreeing to have Air Canada conduct due diligence during the exclusivity period referred to above, the Corporation understood that Air Canada was able to do so within that timeframe with the benefit of its deep understanding of the industry in which the Corporation operates. The due diligence process of other interested parties would not have had the benefit of that foundation and therefore would have represented more uncertainty. Furthermore, no demonstration had been made of such other parties’ available funds or ability to obtain necessary funds to complete the acquisition of the Corporation.

In light of these circumstances and of the fact that completion of the Arrangement is not subject to any due diligence or financing condition and that Air Canada has the funds necessary to complete the Arrangement and pay the aggregate Consideration to Shareholders, the Special Committee and the Board, after consultation with their financial advisors and outside legal counsel, were of the view that the non-binding indications of interest received did not warrant the initiation of a diligence and negotiation process with such other parties after the end of the Exclusivity Period and before entering into the Arrangement Agreement, as this could have caused Air Canada to withdraw its proposal (thereby depriving the Corporation and its stakeholders of this opportunity).

In particular as regards the non-binding indications of interest and letters of intent received from Groupe MACH, one of the factors which the Board considered in its deliberations was that, on several occasions over the past few months, but before the beginning of the Exclusivity Period, Groupe MACH was asked to sign a non-disclosure agreement containing customary standstill provisions (an NDA), in order to grant it access to the Corporation’s data room. However, Groupe MACH repeatedly refused to enter into such an NDA unless the Corporation concurrently agreed to an exclusivity undertaking in its favour, which was not in the Corporation’s interest given the significantly more advanced discussions that were taking place concurrently with Air Canada. This consistent refusal of Groupe MACH prevented it from receiving from the Corporation any proprietary or otherwise sensitive non-public information. Groupe MACH ceased discussions with the Corporation on May 6, 2019, although it should have known that it would have been premature for them to be granted exclusivity given that it was publicly known by then that the Corporation was in talks with more than one party regarding a potential transaction as disclosed in the Corporation’s April 30, 2019 news release.

Moreover, at no time did Groupe MACH provide the Special Committee with any evidence that it had adequate liquidity levels, cash on hand or fully committed financing, despite the Special Committee’s several requests to that effect before the beginning of the Exclusivity Period. No demonstration was made either regarding Groupe MACH’s long term business plan, or ability, experience and expertise to successfully operate in several of the complex fields of activities in which the Corporation operates and which are part of intensely competitive industries, particularly as an airline and tour operator.

Meanwhile, the Corporation was in advanced and constructive discussions with Air Canada, whose proposed price was significantly higher than all price points proposed by Groupe MACH in private negotiations at all times prior to its public announcement of June 4, 2019.
Thereafter, after the start of the Exclusivity Period with Air Canada, Groupe MACH’s announcement of June 4, 2019 and subsequent letter of intent proposal required the immediate termination of discussions with Air Canada, as well as the completion of a satisfactory 30-day due diligence. In light of the significant risks and uncertainty associated with Groupe MACH’s proposal, none of which had been addressed by Groupe MACH despite the Special Committee’s attempts during the months before the start of the Exclusivity Period, the Special Committee and the Board, after consultation with their financial advisors and outside legal counsel, were of the view that it was not appropriate to initiate a diligence and negotiation process on these terms with Groupe MACH before entering into the Arrangement Agreement, thereby potentially risking the withdrawal of Air Canada’s proposal.

On July 3, 2019, in an interview granted to The Canadian Press, Groupe MACH announced that it did not intend to submit an acquisition proposal to the Corporation that could qualify as a Superior Proposal under the terms of the Arrangement Agreement (despite it being entitled to do so). This position was later confirmed by Groupe MACH on July 9, 2019 through the issuance of a press release confirming that Groupe MACH had chosen not to submit a Superior Proposal.

- **Limited Number of Conditions**

Air Canada’s obligation to complete the Arrangement is subject to a limited number of conditions that the Special Committee and the Board believe are reasonable and customary in the circumstances.

- **Limited Number of Other Potential Acquirors and Binding Offers**

As a result of the nature of the Corporation’s business and the lack of synergies with the Corporation, it is unlikely that any non-strategic investors (such as private equity investors) would be capable of paying, and be prepared to pay, a higher price to acquire the Corporation given its business model.

In addition, having regard to the regulatory constraints relating to Canadian control under the CT Act facing any potential acquirer, the number of potential acquirers is further limited.

- **Regulatory Approvals and Reverse Termination Fee**

The Special Committee’s and the Board’s assessment, after consultation with legal and other advisors, is that all required Regulatory Approvals, including the Key Regulatory Approvals, are likely to be obtained on terms and conditions reasonably satisfactory to the Corporation and Air Canada and within the timeframe set out in the Arrangement Agreement, including the Outside Date. The Arrangement Agreement also provides for the payment by Air Canada of the Reverse Termination Fee in the event that the Arrangement Agreement is terminated as a result of Key Regulatory Approvals not being made, given or obtained, subject to certain conditions.

- **Other Relevant Factors**

In addition to the above-mentioned factors, the Special Committee and the Board also considered the following factors:

(a) the Special Committee’s assessment of the current and anticipated opportunities and the risks associated with the business, operations, assets, financial performance and condition of the Corporation if it were to continue as a stand-alone entity, including
the execution risks of its strategic plan and other factors, such as the lack of alliances between the Corporation and other air carriers, the economic and regulatory context and the current environment that is conducive to consolidation;

(b) the Special Committee also considered the strategy and intentions of other parties having expressed an interest in acquiring the Corporation, including with respect to financial capacity and their proposed financing structure, as well as the execution and long term risks associated with any proposal made by such parties; and

(c) the Special Committee concluded, after extensive and robust negotiations with Air Canada, that the Consideration agreed to was the highest price that could be obtained and that further negotiation, or the initiation of a negotiation process with other parties having expressed an interest in acquiring the Corporation, could have caused Air Canada to withdraw its proposal, which would have deprived the Corporation and its stakeholders Shareholders of this opportunity.

The Special Committee and the Board also considered a number of potential risks and negative factors relating to the Arrangement, including:

(a) the Special Committee has not conducted a formal solicitation process, other than discussions that the Corporation and NBF held with certain potential financial and strategic partners, prior to entering into the Arrangement Agreement, having regard to the fact that (i) the transaction represents a significant premium to the prevailing market prices of the Voting Shares (ii) the Corporation's press releases of April 30 and May 16, 2019 publicly disclosed a significant level of details, including the material terms of the Arrangement, the Consideration and the deal protection measures agreed to with Air Canada, which allowed other potentially interested parties the opportunity to express their interest in entering into a transaction with the Corporation, and (iii) the Arrangement Agreement allows the Corporation to respond to and accept an unsolicited Superior Proposal that is not matched by Air Canada, provided that the Corporation pays the Termination Fee;

(b) the conditions to Air Canada's obligation to complete the Arrangement and the rights of Air Canada to terminate the Arrangement Agreement in certain circumstances;

(c) the risks to the Corporation if the Arrangement is not completed, including the costs to the Corporation in pursuing the Arrangement, the diversion of management’s attention away from conducting the Corporation’s business in the ordinary course, the potential impact on the Corporation’s current business relationships (including with current, future and prospective employees, customers, suppliers and partners), and the considerable time required to implement the Corporation’s hotel development strategy and significant execution risks relating thereto;

(d) that, if the Arrangement is successfully completed, the Corporation will no longer exist as an independent public corporation and the consummation of the Arrangement will eliminate the opportunity for Shareholders to participate in potential longer term benefits of the business of the Corporation that might result from future growth and the potential achievement of the Corporation’s long-term plans to the extent that
those benefits, if any, exceed the benefits reflected in the Consideration to be received by Shareholders under the Arrangement, and with the understanding that there is no assurance that any such long term benefits will in fact materialize;

(e) the restrictions imposed pursuant to the Arrangement Agreement on the conduct of the Corporation’s business during the period between the date of the Arrangement Agreement and the consummation of the Arrangement;

(f) the risk that events may arise which could prevent Air Canada from consummating the Arrangement;

(g) the risks relating to obtaining the Key Regulatory Approvals by the Outside Date, having regard to the nature of such approvals, the subjective factors to be applied by the regulators and Air Canada’s obligations related to obtaining such approvals, as compared with the risks that might relate to obtaining any required regulatory or governmental approvals under potential transactions with other parties having expressed an interest in acquiring the Corporation;

(h) the risk that the Required Shareholder Approval might not be obtained at the Meeting; and

(i) the Arrangement will be a taxable transaction and, as a result, Shareholders will generally be required to pay taxes on any gains that result from their receipt of the Consideration pursuant to the Arrangement.

The foregoing summary of the information and factors considered by the Special Committee and the Board is not intended to be exhaustive of the factors considered by the Special Committee and the Board in reaching their respective conclusions and making their respective recommendations, but includes the material information, factors and analysis considered by the Special Committee and the Board in reaching such conclusions and making such recommendations. The members of the Special Committee and the Board evaluated the various factors summarized above in light of their own knowledge of the business of the Corporation and the industry in which the Corporation operates and of the Corporation’s financial condition and prospects and were assisted in this regard by the Corporation’s management and legal and financial advisors, and in the case of members of the Special Committee, the Special Committee’s legal advisors. In reaching the determination to approve and recommend the Arrangement, the Special Committee and the Board did not assign any relative or specific weights to the foregoing factors, and individual directors may have given different weights to different factors. The Special Committee’s and the Board’s reasons for recommending the Arrangement include certain assumptions relating to forward-looking information, and such information and assumptions are subject to various risks. See “Cautionary statements” and “Risk Factors”.

- Determinations and Recommendations of the Special Committee and the Board

Having undertaken a thorough review of, and carefully considered, information concerning the Corporation, Air Canada, the Arrangement, the alternatives available to the Corporation (including the status quo alternative), the Special Committee and the Board have unanimously determined, after receiving legal and financial advice, that the Arrangement is in the best interests of the Corporation and
its stakeholders, including Shareholders, employees, clients, partners, creditors and suppliers, and is fair to Shareholders.

FAIRNESS OPINIONS

In determining that the Arrangement is in the best interests of the Corporation and is fair to the Shareholders, the Board and the Special Committee considered, among other things, the NBF Fairness Opinion and the BMO Fairness Opinion. The Fairness Opinions each state that, as at June 26, 2019 (after market close), and subject to the assumptions, limitations and qualifications set forth in each respective opinion, the Consideration to be received by the Shareholders pursuant to the Arrangement is fair, from a financial point of view, to such Shareholders.

The following summary of the Fairness Opinions is qualified in its entirety by reference to the full text of the Fairness Opinions attached to this Circular as Schedule C and Schedule D. Transat encourages you to read the Fairness Opinions in their entirety. The Fairness Opinions are not recommendations as to how any Shareholder should vote with respect to the Arrangement or any other matter.

- **NBF Fairness Opinion**

By letter of engagement dated December 21, 2018 (the “NBF Engagement Letter”), NBF was engaged by the Special Committee, as financial advisor and pursuant to which, among other things, NBF agreed to provide the Corporation with financial advisory services in connection with the proposed Arrangement and an opinion as to the fairness, from a financial point of view, of the Consideration to be received by the Shareholders pursuant to the Arrangement.

At the request of the Special Committee, at meetings of the Special Committee and the Board held on June 26, 2019, and at a meeting of the Board held on June 27, 2019, NBF orally presented the substance and conclusions of the NBF Fairness Opinion, namely that as of June 26, 2019 (after market close), the Consideration to be received by the Shareholders pursuant to the Arrangement is fair, from a financial point of view, to such Shareholders.

Pursuant to the terms of the NBF Engagement Letter, NBF is to be paid a fee for its services as financial advisor, including a fee for the NBF Fairness Opinion and fees that are contingent on the completion of the Arrangement. Upon execution of the Arrangement Agreement, NBF were paid an announcement fee. The Corporation has also agreed to indemnify NBF against certain liabilities and out-of-pocket expenses.

The NBF Fairness Opinion does not constitute a recommendation to any Shareholder as to how such Shareholder should act or vote on any matters relating to the Arrangement. This summary of the NBF Fairness Opinion is qualified in its entirety by the full text of such opinion.

Shareholders are urged to read the NBF Fairness Opinion in its entirety. See Schedule C to the Circular.

- **BMO Fairness Opinion**

The Corporation entered into an engagement letter dated May 28, 2019 (the “BMO Engagement Letter”), with BMO pursuant to which, among other things, BMO agreed to provide the Corporation with an opinion as to the fairness, from a financial point of view, of the Consideration to be received by
the Shareholders pursuant to the Arrangement. On June 26, 2019, BMO delivered its oral opinion to the Special Committee and the Board, and subsequently confirmed in writing, to the effect that, as at June 26, 2019, and subject to the assumptions, limitations and qualifications contained therein, the Consideration to be received by the Shareholders pursuant to the Arrangement is fair, from a financial point of view, to such Shareholders.

In considering the fairness, from a financial point of view, of the Consideration to be received by Shareholders pursuant to the Arrangement, BMO considered whether the Consideration was consistent with ranges of share prices for the Corporation determined by applying a sum-of-the-parts approach for the Corporation, taking into consideration the following components:

(a) the existing activities and operations of the Corporation (the “Existing Business”);

(b) the Corporation’s business plan to develop hotels in Mexico and the Caribbean (the “Hotel Plan”);

(c) the value of the land owned by the Corporation in Puerto Morales;

(d) the estimated excess cash on the Corporation’s balance sheet;

(e) the value of the Corporation’s investment in Rancho Banderas; and

(f) the value of the non-controlling interest in its Trafictours Canada Inc. subsidiary, as restated by management.

BMO’s financial analysis included the following methodologies for determining the values of the applicable components of the Corporation:

(a) trading multiples and metrics of public companies considered relevant by BMO;

(b) multiples paid in selected precedent transactions considered relevant by BMO;

(c) a discounted cash flow (“DCF”) analysis of the Existing Business; and

(d) a DCF analysis of the Hotel Plan.

Shareholders are urged to read the BMO Fairness Opinion in its entirety. See Schedule D to the Circular.

The full text of the BMO Fairness Opinion, which sets forth, among other things, assumptions made, information reviewed, matters considered and limitations on the scope of the review undertaken in rendering the BMO Fairness Opinion, as the case may be, is attached in Schedule D to this Circular. The BMO Fairness Opinion addresses the fairness, from a financial point of view, of the Consideration to be received by the Shareholders pursuant to the Arrangement and does not address any other aspect of the Arrangement or any related transaction, including any legal, tax or regulatory aspects of the Arrangement to the Corporation or its Shareholders. The BMO Fairness Opinion is addressed to the Special Committee and to the Board for their exclusive use only in considering the Arrangement. The BMO Fairness Opinion may not be relied upon by any other Person. The BMO Fairness Opinion does
not address the relative merits of the Arrangement as compared to any other strategic alternatives that may be available to the Corporation nor has BMO been requested to identify, solicit, consider or develop any potential alternatives to the Arrangement.

The BMO Fairness Opinion does not constitute a recommendation to any Shareholder as to how such Shareholder should act or vote on any matters relating to the Arrangement. This summary of the BMO Fairness Opinion is qualified in its entirety by the full text of such opinion.

BMO is to receive a fixed fee, as stipulated in its engagement agreement with the Corporation for the rendering of the BMO Fairness Opinion. In addition, BMO is entitled to recover reasonable costs and expenses incurred in fulfilling its engagement. The fee payable to BMO is not contingent, in whole or in part, on whether the Arrangement is completed, or on the conclusions reached in the BMO Fairness Opinion, and BMO does not otherwise have a material financial interest in the completion of the Arrangement. In addition, pursuant to the engagement agreement, BMO will be indemnified by Transat under certain circumstances for liabilities arising in connection with its engagement.

BMO has not been engaged to provide any financial advisory services nor has it participated in any financings involving the Corporation, Air Canada, or any of their respective associates or affiliates within the past two years, other than: (i) providing the BMO Fairness Opinion to the Special Committee and the Board pursuant to the BMO Engagement Letter; (ii) being a syndicate member in Air Canada’s $200 million Canadian revolving credit facility which closed in December 2018; (iii) providing foreign exchange rate hedging services to Air Canada; and (iv) providing cash management services to Air Canada.

In the ordinary course of its business and subject always to compliance with applicable Securities Laws, BMO may trade in the securities of the Corporation or any other entity or party that may be involved in the Arrangement, both for its own account or for the accounts of its customers and, accordingly, may at any time hold a long or short position in such securities.

Furthermore, in the ordinary course of its business and unrelated to the Arrangement, BMO or its affiliates may provide investment banking, corporate banking, financial advisory and other financial services to the Corporation and/or other interested parties in the Arrangement in the future, for which BMO or its affiliates may receive compensation.

Shareholders are urged to read the BMO Fairness Opinion in its entirety. See Schedule D to the Circular.

As described under “The Arrangement – Reasons for the Recommendation”, the Fairness Opinions were one of the many factors taken into consideration by the Board and the Special Committee in considering the Arrangement.

**SHAREHOLDERS’ APPROVAL OF THE ARRANGEMENT**

At the Meeting, pursuant to the Interim Order, the Shareholders will be asked to vote to approve the Arrangement Resolution. The approval of the Arrangement Resolution will require the affirmative vote (the “Required Shareholder Approval”) of (i) at least two thirds of the votes cast on the Arrangement Resolution by the Shareholders, voting together as a single class, present in person or represented by proxy at the Meeting and entitled to vote, and (ii) a simple majority of the votes cast on the
Arrangement Resolution by the Shareholders, voting together as a single class, present in person or represented by proxy at the Meeting, and entitled to vote, other than Mr. Jean-Marc Eustache. See "Certain Legal Matters - Regulatory Matters".

Notwithstanding the approval by the Shareholders of the Arrangement Resolution in accordance with the foregoing, the Arrangement Resolution authorizes the Board to, without notice to or approval of the Shareholders, (i) amend, modify or supplement the Arrangement Agreement or the Plan of Arrangement to the extent permitted by the Arrangement Agreement, and (ii) subject to the terms of the Arrangement Agreement, not to proceed with the Arrangement and related transactions.

**SUPPORT AND VOTING AGREEMENTS**

All of the directors and Executive Officers of the Corporation entered into Support and Voting Agreements with the Purchaser on June 27, 2019. Under their respective Support and Voting Agreements, each director and Executive Officer of the Corporation has agreed, *inter alia*:

(a) to vote or to cause to be voted the voting securities owned (beneficially or otherwise) by him or her, as the case may be, of the Corporation as of the record date for the Meeting (the "Subject Securities"), in favour of the approval of the Arrangement Resolution and any other matter necessary for the consummation of the transactions contemplated by the Arrangement Agreement;

(b) no later than 10 days prior to the Meeting, to deliver or to cause to be delivered to the Corporation duly executed proxies or voting instruction forms voting in favour of the approval of the Arrangement Resolution, such proxy or voting instruction forms not to be revoked or withdrawn without the prior written consent of the Purchaser;

(c) not to, directly or indirectly (including through any of its Representatives): (i) solicit, assist, initiate, encourage or otherwise facilitate (including, without limitation, by way of furnishing non-public information, entering into any form of written or oral agreement, arrangement or understanding or soliciting proxies) any inquiries, proposals or offers (whether public or otherwise) regarding an Acquisition Proposal; (ii) approve or recommend, or propose publicly to approve or recommend, any Acquisition Proposal; (iii) enter into or otherwise engage or participate in any discussions or negotiations with any person (other than the Purchaser) regarding any inquiry, proposal or offer that constitutes, or may reasonably be expected to constitute, an Acquisition Proposal; (iv) withdraw support, or propose publicly to withdraw support, from the transactions contemplated by the Arrangement Agreement; (v) enter, or propose publicly to enter, into any agreement related to any Acquisition Proposal; (vi) act jointly or in concert with others with respect to voting securities of the Corporation for the purpose of opposing or competing with the Purchaser in connection with the Arrangement Agreement; or (vii) join in the requisition of any meeting of the Securityholders for the purpose of considering any resolution related to any Acquisition Proposal;

(d) except as contemplated by the Arrangement Agreement or upon the settlement of Incentive Securities or the exercise of other rights to purchase Voting Shares, including purchases of Voting Shares under the ESPPs, not to, directly or indirectly, (i) sell, transfer, gift, assign, grant a participation interest in, option, pledge, hypothecate, grant a security or voting interest in or otherwise convey or encumber (each, a "Transfer"), or enter into any agreement, option or
other arrangement (including any profit sharing arrangement, forward sale or other monetization arrangement) with respect to the Transfer of any of its Subject Securities to any Person, other than pursuant to the Arrangement Agreement; (ii) grant any proxies or power of attorney, deposit any of its Subject Securities into any voting trust or enter into any voting arrangement, whether by proxy, voting agreement or otherwise, with respect to its Subject Securities, other than pursuant to the Support and Voting Agreement; or (iii) agree to take any of the actions described in the foregoing clauses (i) and (ii);

(e) not to exercise any rights of appraisal or rights of dissent provided under any applicable Laws or otherwise in connection with the Arrangement or the transactions contemplated by the Arrangement Agreement considered at the Meeting in connection therewith; and

(f) except as required pursuant to the Support and Voting Agreements (including to give effect to (a) above), not to grant or agree to grant any proxy or other right to vote the Subject Securities or enter into any voting trust or pooling agreement or arrangement in respect of the Subject Securities or enter into or subject any of the Subject Securities to any other agreement, arrangement, understanding or commitment, formal or informal, with respect to or relating to the voting or tendering thereof or revoke any proxy granted pursuant to the Support and Voting Agreement.

The Support and Voting Agreements will automatically terminate upon the earlier of: (i) the Effective Time, or (ii) termination of the Arrangement Agreement in accordance with its terms.

IMPLEMENTATION OF THE ARRANGEMENT

The Arrangement will be implemented by way of a Court-approved plan of arrangement under section 192 of the CBCA, pursuant to the terms of the Arrangement Agreement.

Pursuant to the Arrangement, each of the following events shall occur and shall be deemed to occur sequentially as set out below without any further authorization, act or formality, in each case, unless stated otherwise, effective as at five minute intervals starting at the Effective Time:

1.1 each Option outstanding immediately prior to the Effective Time (whether vested or unvested), notwithstanding the terms of the Stock Option Plans, shall, without any further action by or on behalf of the holder thereof, be deemed to be assigned and surrendered by such holder to the Corporation in exchange for a cash payment from the Corporation equal to the amount (if any) by which the Consideration exceeds the exercise price of such Option, less applicable withholding taxes, and such Option shall immediately be cancelled;

1.2 each DSU, PSU or RSU outstanding immediately prior to the Effective Time (whether vested or unvested), notwithstanding the terms of the DSU Plan, PSU Plan or RSU Plan, as applicable, shall, without any further action by or on behalf of the holder thereof, be deemed to be surrendered and transferred by such holder to the Corporation in exchange for a cash payment from the Corporation equal to the Consideration in respect of each DSU, PSU or RSU, in each case, less applicable withholding taxes, and each such DSU, PSU or RSU shall immediately be cancelled (for greater certainty, where a PSU is not earned and eligible to vest as of the Effective Time, the level of attainment of the Corporation’s performance objective(s) shall be deemed to be 100% for the purpose of determining the number of Voting Shares underlying such PSU);
1.3 each outstanding Voting Share held by a Dissenting Shareholder in respect of which Dissent Rights have been validly exercised shall be deemed to have been transferred without any further act or formality by the holder thereof to the Purchaser, and (i) such Dissenting Shareholder shall cease to be the holder of such Voting Share and shall cease to have any rights as a Shareholder other than the right to be paid the fair value of its Voting Shares by the Purchaser in accordance with the Plan of Arrangement, (ii) the name of such holder shall be removed from the register of holders of Voting Shares maintained by or on behalf of the Corporation, and (iii) the Purchaser shall be recorded as the holder of the Voting Shares so transferred and shall be deemed to be the legal and beneficial owner thereof; and

1.4 each outstanding Voting Share (other than Voting Shares held by the Dissenting Shareholders who have validly exercised their Dissent Rights) shall be transferred without any further act or formality by the holder thereof to the Purchaser in exchange for the Consideration, and (i) the holder of such Voting Share shall cease to be the holder of such Voting Share and shall cease to have any rights as a Shareholder other than the right to be paid the Consideration per Voting Share in accordance with the Plan of Arrangement, (ii) the name of such holder shall be removed from the register of holders of Voting Shares maintained by or on behalf of the Corporation, and (iii) the Purchaser shall be recorded as the holder of the Voting Shares so transferred and shall be deemed to be the legal and beneficial owner thereof.

The following procedural steps must be taken in order for the Arrangement to become effective: (a) the Required Shareholder Approval must be obtained; (b) the Court must grant the Final Order approving the Arrangement; (c) all conditions precedent to the Arrangement set forth in the Arrangement Agreement, including the receipt of the Key Regulatory Approvals, must be satisfied or waived by the appropriate party; and (d) the Final Order and Articles of Arrangement in the form prescribed by the CBCA must be filed with the Director.

CERTAIN EFFECTS OF THE ARRANGEMENT

If the procedural steps described above are taken and the Arrangement becomes effective, Shareholders will receive the Consideration for their Voting Shares, and the Purchaser will be the sole beneficiary of the Corporation’s future earnings and growth, if any, and will also bear the risks of ongoing operations, including the risks of any decrease in the Corporation’s value after the Arrangement. As a result of the completion of the Arrangement, the Voting Shares will cease to be listed on the TSX, and trading of the Voting Shares in the public market will no longer be possible.

PROCEDURE FOR EXCHANGE OF VOTING SHARES CERTIFICATES BY REGISTERED SHAREHOLDERS

Enclosed with this Circular is the form of Letter of Transmittal which, when properly completed and duly executed and returned together with the certificate(s) or DRS Advice(s) representing Voting Shares and all other required documents, will enable each Shareholder (other than Dissenting Shareholders) to obtain the Consideration that such Shareholder is entitled to receive under the Arrangement.

The form of Letter of Transmittal contains complete instructions on how to exchange the certificate(s) or DRS Advice(s) representing your Voting Shares for the Consideration under the Arrangement. You will not receive your Consideration under the Arrangement until after the Arrangement is completed and you have returned your properly completed documents, including the Letter of Transmittal, and the certificate(s) or copy of the DRS Advice(s) representing your Voting Shares to the Depositary.
Only registered Shareholders are required to submit a Letter of Transmittal. If you are a beneficial owner holding your Voting Shares through an Intermediary, you should contact that Intermediary for instructions and assistance and carefully follow any instructions provided to you by such Intermediary.

From and after the Effective Time, all certificates or DRS Advice(s) that represented Voting Shares immediately prior to the Effective Time will cease to represent any rights with respect to Voting Shares and will only represent the right to receive the Consideration or, in the case of Dissenting Shareholders, the right to receive fair value for their Voting Shares.

Any use of mail to transmit certificate(s) or DRS Advice(s) representing Voting Shares and the Letter of Transmittal is at each holder’s risk. Transat recommends that such certificate(s) or DRS Advice(s), and other documents be delivered by hand to the Depositary and a receipt therefore be obtained or that registered mail be used (with proper acknowledgment) and appropriate insurance be obtained.

In the event any certificate which immediately prior to the Effective Time represented one or more outstanding Voting Shares has been lost, stolen or destroyed, the Shareholder should contact the Depositary and upon the making of an affidavit of that fact by the Shareholder claiming such certificate to be lost, stolen or destroyed, the Depositary will deliver in exchange for such lost, stolen or destroyed certificate, the Consideration to which the holder is entitled pursuant to the Plan of Arrangement. When authorizing such delivery in exchange for any lost, stolen or destroyed certificate, the Shareholder to whom such Consideration is to be issued and delivered shall, as a condition precedent to the delivery of such Consideration, give a bond satisfactory to the Depositary and the Purchaser, each acting reasonably, in such sum as the Purchaser and the Depositary may direct, or otherwise indemnify the Depositary, Transat and the Purchaser in a manner satisfactory to the Depositary, Transat and the Purchaser, each acting reasonably, against any claim that may be made against the Depositary, Transat or the Purchaser with respect to the certificate alleged to have been lost, stolen or destroyed. See also the instructions in the Letter of Transmittal, and the Plan of Arrangement, for additional details.

PAYMENT OF CONSIDERATION

Prior to the filing of the Articles of Arrangement, the Purchaser shall deposit, or arrange to be deposited, for the benefit of holders of Voting Shares (other than the Dissenting Shareholders), cash with the Depositary in the aggregate amount equal to the payments in respect thereof required by the Plan of Arrangement, with the amount per Voting Share in respect of which Dissent Rights have been exercised being deemed to be the Consideration per Voting Share for this purpose, net of applicable withholding taxes for the benefit of the holders of such Voting Shares. The cash deposited with the Depositary by or on behalf of the Purchaser will be held in a non-interest-bearing account.

Upon surrender to the Depositary for cancellation of a certificate or DRS Advice which immediately prior to the Effective Time represented outstanding Voting Shares that were transferred pursuant to the Plan of Arrangement, together with a duly completed and executed Letter of Transmittal and such additional documents and instruments as the Depositary may reasonably require, the Shareholders represented by such surrendered certificate or DRS Advice shall be entitled to receive in exchange therefor, and the Depositary shall deliver to such holder, the cash payment which such holder has the right to receive under the Arrangement for such Voting Shares, less any withholding taxes, and any certificate so surrendered shall forthwith be cancelled.
As soon as practicable after the Effective Date, the Corporation shall pay the amounts, net of applicable withholding taxes, to be paid to holders of Options, DSUs, PSUs and RSUs, either (i) in accordance with the normal payroll practices and procedures of the Corporation, or (ii) in the event that payment in accordance with the normal payroll practices and procedures of the Corporation is not practicable for any such holder, by cheque (delivered to the address of such holder of Options, DSUs, PSUs and RSUs, as applicable, as reflected on the register maintained by or on behalf of the Corporation in respect of the Options, DSUs, PSUs and RSUs).

Until surrendered, each certificate or DRS Advice that immediately prior to the Effective Time represented Voting Shares shall be deemed after the Effective Time to represent only the right to receive upon such surrender a cash payment in lieu of such certificate or DRS Advice as contemplated in the Plan of Arrangement, less withholding taxes. Any such certificate or DRS Advice formerly representing Voting Shares not duly surrendered on or before the sixth (6th) anniversary of the Effective Date shall cease to represent a claim by or interest of any former holder of Voting Shares of any kind or nature against or in the Corporation or the Purchaser. On such date, all cash payments to which such former holder was entitled shall be deemed to have been surrendered to the Purchaser or the Corporation, as applicable, and shall be paid over by the Depositary to the Purchaser or as directed by the Purchaser.

Any payment made by the Depositary (or the Corporation, if applicable) in accordance with the Plan of Arrangement that has not been deposited or has been returned to the Depositary (or the Corporation) or that otherwise remains unclaimed, in each case, on or before the sixth (6th) anniversary of the Effective Time, and any right or claim to payment hereunder that remains outstanding on the sixth (6th) anniversary of the Effective Time, shall cease to represent a right or claim of any kind or nature and the right of the holder to receive the applicable consideration for the Voting Shares, the Options, the DSUs, the PSUs and the RSUs in accordance with the Plan of Arrangement shall terminate and be deemed to be surrendered and forfeited to the Purchaser or the Corporation, as applicable, for no consideration.

No holder of Voting Shares, Options, DSUs, PSUs or RSUs shall be entitled to receive any consideration with respect to such Voting Shares, Options, DSUs, PSUs or RSUs other than any cash payment to which such holder is entitled to receive in accordance with the Arrangement and the Plan of Arrangement and, for greater certainty, no such holder shall be entitled to receive any interest, dividends, premium or other payments in connection therewith, other than, in respect of Voting Shares, any declared but unpaid dividends with a record date prior to the Effective Date.

Each of the Corporation, the Purchaser and the Depositary shall be entitled to deduct and withhold from any amount payable to any person under the Plan of Arrangement such amounts as the Corporation, the Purchaser or the Depositary determine, acting reasonably, are required or permitted to be deducted and withheld with respect to such payment under the Tax Act, the United States Internal Revenue Code of 1986 or any provision of any other Law and shall remit such deduction and withholding with the appropriate Governmental Entity. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes hereof as having been paid to the person in respect of which such withholding was made provided that such amounts are actually remitted to the appropriate Governmental Entity.
EXPENSES OF THE ARRANGEMENT

Transat estimates that expenses in the aggregate amount of approximately $12 million will be incurred by Transat in connection with the Arrangement, including, among others, legal, financial advisory, accounting, proxy solicitation, filing fees and costs, the cost of preparing, printing and mailing this Circular, organizing and holding the Meeting, and fees in respect of the Fairness Opinions. Except as otherwise expressly provided in the Arrangement Agreement (including the Termination Fee and the Reverse Termination Fee), the parties to the Arrangement Agreement agreed that all out-of-pocket expenses of the parties relating to the Arrangement Agreement or the transactions contemplated thereby shall be paid by the party incurring such expenses.

SOURCES OF FUNDS FOR THE ARRANGEMENT

The total amount of funds required by the Purchaser to complete the Arrangement will be obtained by the Purchaser through cash on hand and/or cash available under existing debt instruments.

INTERESTS OF CERTAIN PERSONS IN THE ARRANGEMENT

In considering the recommendations of the Special Committee and the Board with respect to the Arrangement, Shareholders should be aware that certain of the directors and officers of Transat have interests in connection with the Arrangement as described below that may be in addition to, or separate from, those of Shareholders generally regarding the Arrangement. The Special Committee and the Board are aware of these interests and considered them along with other matters described herein.

- Shares and the Intentions of Directors and Executive Officers

As of the Record Date, the directors and Executive Officers of the Corporation, beneficially owned, directly or indirectly, or exercised control or direction over, in the aggregate 1,305,516 Voting Shares, which represented approximately 3.46% of the issued and outstanding Voting Shares on a non-diluted basis as of that date. All of the directors and Executive Officers of the Corporation have agreed to, pursuant to the terms of their respective Support and Voting Agreements, and intend to, vote all of their Voting Shares in favour of the Arrangement.

All of the Voting Shares held by the directors and Executive Officers of the Corporation will be treated in the same fashion under the Arrangement as Voting Shares held by all other Shareholders.

- Change of Control Benefits

The employment agreement of each of the Executive Officers of the Corporation provides for a severance payment equal to 12 to 36 months of base salary plus any short-term incentive bonus (at target amounts or at average amount paid over the past two years) in the event of termination of employment other than for cause, whether or not such termination occurs following a change of control of the Corporation, although in some cases, the amount may vary depending on whether or not the termination occurs after a change of control of the Corporation.

The applicable plans and the employment agreements of some of the Executive Officers of the Corporation also provide for the immediate vesting of unvested Voting Shares, Options, PSUs and RSUs, and bonuses granted in replacement thereof in 2019 upon, with the value of the payout of PSUs and RSUs being at 100%.
Moreover, obligations stemming from defined retirement benefits payable to Executive Officers under Transat’s defined retirement plan are guaranteed by an irrevocable letter of credit held by a third party trustee. This letter of credit currently provides for immediate payment of the accrued value of the benefits under the plan, without acceleration, upon the occurrence of certain events, including a change of control such as the one that will result from the Arrangement. In connection with the Arrangement Agreement, beneficiaries of the letter of credit will be offered the opportunity to consent to changes to the retirement arrangements that would allow them to choose to either receive their retirement benefits in the form of a lump sum payment at the Effective Time or receive instead a monthly pension upon retirement.

**Indemnification and Insurance**

The Arrangement Agreement provides that, prior to the Effective Date, the Corporation shall purchase customary “tail” policies of directors’ and officers’ liability insurance, from a reputable third party insurer, providing protection no less favourable in the aggregate to the protection provided by the policies maintained by the Corporation and its wholly-owned Subsidiaries which are in effect immediately prior to the Effective Date and providing protection in respect of claims arising from facts or events which occurred on or prior to the Effective Date and that the Purchaser shall, or shall cause the Corporation and its wholly-owned Subsidiaries to maintain such tail policies in effect without any reduction in scope or coverage for six (6) years after the Effective Date, provided that the Purchaser shall not be required to pay any amounts in respect of such coverage prior to the Effective Time and provided further that the cost of such policies shall not exceed 300% of the Corporation’s and its wholly-owned Subsidiaries current annual aggregate premium for policies currently maintained by the Corporation or its wholly-owned Subsidiaries. The Arrangement Agreement also includes a covenant of the Purchaser to cause the Corporation to honour all rights to indemnification or exculpation that were existing as of the date of the Arrangement Agreement in favour of present and former employees, officers and directors of the Corporation and its Subsidiaries to the extent they have been provided under applicable Law, the constating documents of the Corporation and its Subsidiaries or under indemnification agreements entered into in the Ordinary Course, and acknowledged that such rights shall survive the completion of the Plan of Arrangement and shall continue in full force and effect in accordance with their terms for a period of not less than six (6) years after the Effective Date.

**Employee Retention Plans**

Completion of the Arrangement is subject to uncertainty and, accordingly, officers and employees of the Corporation may experience uncertainty about their future roles with the Corporation. This may adversely affect the Corporation's ability to attract or retain officers and employees prior to the completion of the Arrangement.

In order to mitigate this risk, the Human Resources and Compensation Committee recommended and the Corporation approved the adoption of the Employee Retention Policy for the benefit of Executive Officers and other key employees of the Corporation.

The purposes of the Employee Retention Policy is to retain, encourage and reward Executive Officers and other key employees to (i) protect Transat’s brand by pursuing business as usual until the completion of the Arrangement, notwithstanding the uncertainty, (ii) actively contribute to the completion of the Arrangement under the best conditions and in a timely manner, and (iii) replace
long-term incentive grants which would otherwise have been made in January 2019 to Executive Officers and Senior Management of the Corporation in the normal course of business.

The Employee Retention Policy was therefore based on the following measures and principles.

- The sum of the value of the long-term incentive awards already outstanding was taken into consideration and considered as the core of the retention plan for employees who had been granted such incentives.
- The 2019 long term incentives (RSUs, PSUs and Options), which could not be granted because of the potential transaction, were replaced with a replacement bonus for a total value of $5,000,000 (subject to currency variations in some limited cases), which is not subject to any performance criteria, and is payable three years from the grant date, or on the closing of the Arrangement (the "Replacement Bonus").
- A special bonus was awarded to employees whose RSUs were to be cancelled in January 2020, for a total amount of $3,700,000, in order to maintain the retention effect of those instruments. Any payment related to those RSUs would be deducted from this amount.
- Bonuses in cash, for a total amount of $2,700,000 were granted to employees participating in the transaction and/or deemed key to the continuation of operations. In the latter case, the bonus amount is factored in the sum of the existing long-term incentives and Replacement Bonus, if any. Out of that amount, bonuses granted to Executive Officers represented $838,697 in the aggregate.
- A severance policy, valid until 18 months after the closing of the Arrangement, was approved for all employees, in line with previous practices of the Corporation, with improved amounts for certain levels and short-tenured employees, so as to facilitate their retention. The amount was also increased for certain key employees, depending on outstanding long-term incentives.

The entitlements under the Employee Retention Policy will be paid-out to eligible officers and key employees who are at the Corporation’s employ on the Effective Date, with some partial payments to be made on November 1st, 2019.

Should the transaction not be completed, a portion of the retention and bonus plan may be payable by the Corporation upon the cancellation date. However, the Replacement Bonus would only be payable on the third (3rd) anniversary of the grant date to employees who will have continued to work for the Corporation up to that date.

- **Holdings in Voting Shares, Options, DSUs, and PSUs**

The Voting Shares, Options, DSUs, and PSUs held by the directors and Executive Officers of Transat are listed under “Information Concerning Transat - Ownership of Securities”. The Voting Shares, Options, DSUs, and PSUs held by the directors and Executive Officers of Transat will be treated in the same fashion under the Arrangement as Voting Shares, Options, DSUs, and PSUs held by any other holder. This includes, (i) in respect of Options, the right to receive a cash payment from the Corporation for each Option, whether vested or unvested, in an amount (if any) equal to $13.00, less the applicable exercise price and less applicable withholding taxes in respect of such Option, and (ii) in respect of
DSUs and PSUs whether vested or unvested, the right to receive a cash payment from the Corporation for each unit equal to the amount of $13.00 less applicable withholding taxes (and where a PSU is not earned and eligible to vest as of the Effective Time, the level of attainment of the performance objective(s) shall be deemed to be 100% for the purpose of determining the number of Voting Shares underlying such PSU). See “Information concerning Transat - Ownership of Securities - Situation following Completion of Arrangement”.

**INTENTIONS OF DIRECTORS AND EXECUTIVE OFFICERS**

All of the directors and Executive Officers who collectively own or exercise control or direction over approximately 3.46% of the Voting Shares, have entered into Support and Voting Agreements pursuant to which they have agreed, subject to the terms thereof, to vote in favour of the Arrangement Resolution. See “The Arrangement - Support and Voting Agreements”.

**ARRANGEMENTS BETWEEN TRANSAT AND SECURITY HOLDERS**

Except as otherwise described in this Circular, Transat has not made or proposed to be made any agreement, commitment or understanding with a securityholder of Transat relating to the Arrangement.

**INFORMATION CONCERNING AIR CANADA**

Air Canada is Canada’s largest domestic and international airline serving nearly 220 airports on six continents. Canada’s flag carrier is among the 20 largest airlines in the world and in 2018 served nearly 51 million customers. Air Canada provides scheduled passenger service directly to 62 airports in Canada, 54 in the United States and 100 in Europe, the Middle East, Africa, Asia, Australia, the Caribbean, Mexico, Central America and South America. Air Canada is a founding member of Star Alliance, the world’s most comprehensive air transportation network serving 1,317 airports in 193 countries. Air Canada is the only international network carrier in North America to receive a Four-Star ranking according to independent U.K. research firm Skytrax, which also named Air Canada the 2019 Best Airline in North America.

Air Canada was formed on April 10, 1937, and is currently governed by the CBCA. Its head office is located at Air Canada Centre, 7373 Côte Vertu Boulevard West, Saint-Laurent, Québec, H4S 1Z3. Its shares are listed on the TSX under the symbol “AC”.

The total amount of funds required to complete the Arrangement will be funded by the Purchaser through cash on hand and/or cash available under existing debt instruments. See “The Arrangement Sources of Funds for the Arrangement”.
INFORMATION CONCERNING TRANSAT

GENERAL

Founded in 1987, Transat is a leading integrated international tourism company specializing in holiday travel. It arranges vacation packages, hotel stays and air travel under the Transat and Air Transat brands to some 60 destinations in more than 25 countries in the Americas and Europe. Transat is also a retail distributor, both online and through travel agencies, some of which it owns, as well as a destination services provider in Mexico, the Dominican Republic and Jamaica. Air Transat received, for two consecutive years, the World’s Best Leisure Airline Award at the Skytrax World Airline Awards, an independent U.K. research firm. Moreover, Transat is firmly committed to sustainable tourism development, as reflected in its multiple corporate responsibility initiatives over the past 12 years, and was awarded Travelife certification in 2018. Based in Montréal, the Corporation has approximately 5,000 employees. Transat’s head office is located at Place du Parc, 300 Léo-Pariseau Street, Suite 600, Montréal, Québec, Canada H2X 4C2.

DIRECTORS AND EXECUTIVE OFFICERS

**Directors**

The following table lists the name, province and country of residence of each director of the Corporation, his or her position and principal occupation, the year in which he or she became a director and his or her current committee membership.

<table>
<thead>
<tr>
<th>Name, Province and Country of Residence</th>
<th>Principal Occupation</th>
<th>Director of the Corporation since</th>
<th>Committee</th>
</tr>
</thead>
</table>
| Raymond Bachand, Québec, Canada         | Strategic Advisor, Norton Rose Fulbright | March 2014 | • Executive Committee  
• Audit Committee  
• Lead Director of the Corporation |
| Louis-Marie Beaulieu, Québec, Canada    | President and Chief Executive Officer, Groupe Desgagnés | March 2013 | • Human Resources and Compensation Committee  
• Audit Committee |
| Lucie Chabot, Québec, Canada            | Corporate Director   | October 2015 | • Audit Committee  
• Risk Management and Corporate Governance Committee |
| Lina De Cesare, Québec, Canada          | Corporate Director   | May 1989 | • Risk Management and Corporate Governance Committee |
| W. Brian Edwards, Québec, Canada        | Corporate Director   | June 2010 | • Executive Committee  
• Human Resources and Compensation Committee (Chair)  
• Risk Management and Corporate Governance Committee |
<p>| Jean-Marc Eustache, Québec, Canada      | Chair of the Board, President and Chief Executive Officer and Chair of the Executive Committee of the Corporation | February 1987 | • Executive Committee (Chair) |</p>
<table>
<thead>
<tr>
<th>Name, Province and Country of Residence</th>
<th>Principal Occupation</th>
<th>Director of the Corporation since</th>
<th>Committee</th>
</tr>
</thead>
</table>
| Susan Kudzman                           | Corporate Director   | March 2014                       | • Human Resources and Compensation Committee  
|                                        |                      |                                  | • Risk Management and Corporate Governance Committee |
| Jean-Yves Leblanc                       | Corporate Director   | December 2008                    | • Executive Committee   
|                                        |                      |                                  | • Human Resources and Compensation Committee   
|                                        |                      |                                  | • Audit Committee (Chair)           |
| Ian Rae                                 | Founder and Chief Executive Officer of CloudOps Inc. | October 2018 | - |
| Jacques Simoneau                        | Corporate Director   | November 2000                    | • Executive Committee   
|                                        |                      |                                  | • Audit Committee                
|                                        |                      |                                  | • Risk Management and Corporate Governance Committee (Chair) |
| Louise St-Pierre                        | Corporate Director   | October 2017                     | • Human Resources and Compensation Committee |
| Philippe Sureau                         | Corporate Director   | February 1987                    | - |

All members of the Board are Canadian residents. All of these individuals will continue in office until the Meeting. During the past five years, they have all served in their current function, or held their current position or another position within the corporation indicated opposite their name or a predecessor of that corporation, with the exception of:

- Lucie Chabot who, from 2014 to 2018, acted as the Vice President and Chief Financial Officer of Sail Outdoors Inc.;
- Susan Kudzman who, from 2014 to 2018, acted as the Executive Vice-President, Corporate Affairs and Chief Risk Officer of the Laurentian Bank of Canada;
- Jacques Simoneau who, from 2012 to July 12, 2019, acted as President, CEO and Director, Gestion Univalor, LP; and
- Louise St-Pierre who, from 2013 to 2016, acted as the President and Chief Executive Officer of Cogeco Connexion.
### Executive Officers

The following table lists the name, province/state and country of residence and the position within the Corporation of each Executive Officer of the Corporation.

<table>
<thead>
<tr>
<th>Name, Province/State and Country of Residence</th>
<th>Position within the Corporation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joseph Adamo, Québec, Canada</td>
<td>President, Transat Distribution Canada Inc. and Vice-President and Chief Distribution Officer, Transat Tours Canada Inc.</td>
</tr>
<tr>
<td>Michèle Barre, Québec, Canada</td>
<td>Vice-President, Network, Revenue Management, Pricing and Airline Programming, Transat Tours Canada Inc.</td>
</tr>
<tr>
<td>Bernard Bussières, Québec, Canada</td>
<td>Vice-President, General Counsel and Corporate Secretary</td>
</tr>
<tr>
<td>Grant Elder, Québec, Canada</td>
<td>Vice-President, Operational Efficiency and Continuous Improvement</td>
</tr>
<tr>
<td>Jean-Marc Eustache, Québec, Canada</td>
<td>Chair of the Board, President and Chief Executive Officer and Chair of the Executive Committee</td>
</tr>
<tr>
<td>Daniel Godbout, Québec, Canada</td>
<td>Senior Vice-President and Advisor to the President</td>
</tr>
<tr>
<td>Annick Guérard, Québec, Canada</td>
<td>Chief Operating Officer</td>
</tr>
<tr>
<td>Christophe Hennebelle, Québec, Canada</td>
<td>Vice-President, Human Resources and Corporate Affairs</td>
</tr>
<tr>
<td>Bruno Leclaire, Québec, Canada</td>
<td>Chief Information Officer and Digital Officer</td>
</tr>
<tr>
<td>Jean-François Lemay, Québec, Canada</td>
<td>President-General Manager of Air Transat</td>
</tr>
<tr>
<td>Denis Pétrin, Québec, Canada</td>
<td>Vice-President, Finance and Administration and Chief Financial Officer</td>
</tr>
<tr>
<td>Jordi Solé, Florida, United States</td>
<td>President, Hotel Division</td>
</tr>
</tbody>
</table>

All Executive Officers are Canadian residents, except Mr. Jordi Solé, who currently lives and resides in the United States. During the past five years, the Executive Officers have all held their current position or another position within the Corporation, with the exception of:

- Jordi Solé, who prior to February 20, 2018, was Senior Vice-President Operations at Blue-Diamond Resorts;
- Michèle Barre, who prior to September 11, 2017, was the SVP Inflight Services, at Air France;
- Bruno Leclaire, who prior to January 7, 2015, was Chief Digital Officer, at TC Media; and
- Grant Elder, who prior to September 24, 2018, was an independent consultant for COGECO.

**DESCRIPTION OF SHARE CAPITAL**

Transat’s authorized share capital consists of an unlimited number of Class A variable voting shares, Class B voting shares and preferred shares, issuable in series. All classes of shares in the capital of Transat are without nominal or par value. As at July 17, 2019, there were 37,749,090 Voting Shares and nil preferred shares issued and outstanding.

**DIVIDEND POLICY**

Transat has not paid any dividends on the Voting Shares since November 1, 2017 in order to, among other reasons, keep cash on hand to develop the hotel business and contend with business challenges arising from the prevailing economy. In accordance with the Arrangement Agreement, Transat will not declare or pay dividends or any other distributions on the Voting Shares until the completion of the Arrangement.

**OWNERSHIP OF SECURITIES**

- **Situation prior to the Completion of Arrangement**

The names of the directors and Executive Officers of Transat, all of whom have entered into Support and Voting Agreements, the positions held by them with Transat and the number and percentage of outstanding Voting Shares beneficially owned, or over which control or direction is exercised, directly or indirectly, by each of them and, where known after reasonable inquiry, by their respective associates or affiliates, are set out in the following table. The table also sets out the number of Options, DSUs, and PSUs held by each of them, prior to the Arrangement (as at July 17, 2019, no RSU was held by any director or Executive Officer):

<table>
<thead>
<tr>
<th>Name</th>
<th>Position within the Corporation</th>
<th>Class A variable voting shares (owned or otherwise) as of the date hereof</th>
<th>Class B voting shares (owned or otherwise) as of the date hereof</th>
<th>Voting Shares (%)</th>
<th>Voting Shares that are subject to vesting conditions</th>
<th>Options</th>
<th>DSUs</th>
<th>RSUs</th>
<th>PSUs</th>
<th>Replacement Bonus (§)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raymond Bachand</td>
<td>Director</td>
<td>-</td>
<td>20,000</td>
<td>0.05</td>
<td>-</td>
<td>45,148</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Louis-Marie Beaulieu</td>
<td>Director</td>
<td>-</td>
<td>6,290</td>
<td>0.02</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Lucie Chabot</td>
<td>Director</td>
<td>-</td>
<td>35,576</td>
<td>0.09</td>
<td>-</td>
<td>18,158</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Lina De Cesare</td>
<td>Director</td>
<td>-</td>
<td>18,790</td>
<td>0.05</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>W. Brian Edwards</td>
<td>Director</td>
<td>-</td>
<td>427,202</td>
<td>1.13</td>
<td>-</td>
<td>918,816</td>
<td>10,331</td>
<td>-</td>
<td>152,798</td>
<td>896,114</td>
</tr>
<tr>
<td>Jean-Marc Eustache</td>
<td>Chair of the Board, President and Chief Executive Officer and Chair of the Executive Committee</td>
<td>-</td>
<td>13,000</td>
<td>0.03</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Susan Kudzman</td>
<td>Director</td>
<td>-</td>
<td>18,280</td>
<td>0.05</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Jean-Yves Leblanc</td>
<td>Director</td>
<td>-</td>
<td>7,523</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Ian Rae</td>
<td>Director</td>
<td>-</td>
<td>3,949</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

39
<table>
<thead>
<tr>
<th>Name</th>
<th>Position within the Corporation</th>
<th>Class A variable voting shares (owned or otherwise) as of the date hereof</th>
<th>Class B voting shares (owned or otherwise) as of the date hereof</th>
<th>Voting Shares (%)</th>
<th>Voting Shares that are subject to vesting conditions</th>
<th>Options</th>
<th>DSUs</th>
<th>RSUs</th>
<th>PSUs</th>
<th>Replacement Bonus(3) ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Philippe Sureau</td>
<td>Director</td>
<td>-</td>
<td>121,209</td>
<td>0.86</td>
<td>-</td>
<td>25,548</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Joseph Adamo</td>
<td>President, Transat Distribution Canada Inc. and Vice-President and Chief Distribution Officer, Transat Tours Canada Inc.</td>
<td>-</td>
<td>39,336</td>
<td>0.10</td>
<td>7,295</td>
<td>38,311</td>
<td>-</td>
<td>-</td>
<td>21,830</td>
<td>126,211</td>
</tr>
<tr>
<td>Michèle Barre</td>
<td>Vice-President, Network, Revenue Management, Pricing and Aline Programming, Transat Tours Canada Inc.</td>
<td>2,202&lt;sup&gt;2&lt;/sup&gt;</td>
<td>-</td>
<td>0.01</td>
<td>1,600</td>
<td>6,202</td>
<td>-</td>
<td>-</td>
<td>7,937</td>
<td>105,830</td>
</tr>
<tr>
<td>Bernard Bussières</td>
<td>Vice-President, General Counsel and Corporate Secretary</td>
<td>-</td>
<td>76,909</td>
<td>0.20</td>
<td>5,027</td>
<td>164,663</td>
<td>1,099</td>
<td>-</td>
<td>22,546</td>
<td>135,428</td>
</tr>
<tr>
<td>Grant Elder</td>
<td>Vice-President, Operational Efficiency and Continuous Improvement</td>
<td>-</td>
<td>1,282</td>
<td>0.003</td>
<td>854</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>97,605</td>
</tr>
<tr>
<td>Daniel Godbout</td>
<td>Senior Vice-President and Advisor to the President</td>
<td>-</td>
<td>59,891</td>
<td>0.16</td>
<td>1,990</td>
<td>191,987</td>
<td>1,264</td>
<td>-</td>
<td>25,757</td>
<td>148,632</td>
</tr>
<tr>
<td>Annick Guérard</td>
<td>Chief Operating Officer</td>
<td>-</td>
<td>61,268</td>
<td>0.16</td>
<td>8,847</td>
<td>111,863</td>
<td>-</td>
<td>-</td>
<td>50,554</td>
<td>404,061</td>
</tr>
<tr>
<td>Christophe Hennebelle</td>
<td>Vice-President, Human Resources and Corporate Affairs</td>
<td>-</td>
<td>29,882</td>
<td>0.08</td>
<td>5,028</td>
<td>24,636</td>
<td>-</td>
<td>-</td>
<td>20,746</td>
<td>130,878</td>
</tr>
<tr>
<td>Bruno Leclaire</td>
<td>Chief Information Officer and Digital Officer</td>
<td>-</td>
<td>19,517</td>
<td>0.05</td>
<td>4,913</td>
<td>18,239</td>
<td>-</td>
<td>-</td>
<td>21,714</td>
<td>132,174</td>
</tr>
<tr>
<td>Jean-François Lemay</td>
<td>President-General Manager of Air Transat</td>
<td>-</td>
<td>57,958</td>
<td>0.15</td>
<td>5,827</td>
<td>80,757</td>
<td>-</td>
<td>-</td>
<td>36,505</td>
<td>220,951</td>
</tr>
<tr>
<td>Denis Pétrin</td>
<td>Vice-President, Finance and Administration and Chief Financial Officer</td>
<td>-</td>
<td>87,355</td>
<td>0.23</td>
<td>7,575</td>
<td>155,096</td>
<td>-</td>
<td>-</td>
<td>37,910</td>
<td>220,951</td>
</tr>
<tr>
<td>Jordi Solé</td>
<td>President, Hotel Division</td>
<td>7,569</td>
<td>-</td>
<td>0.02</td>
<td>5,625</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>-</td>
<td>9,771</td>
<td>3.46</td>
<td>54,581</td>
<td>1,710,570</td>
<td>306,775</td>
<td>-</td>
<td>398,297</td>
<td>2,618,835</td>
</tr>
</tbody>
</table>

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1. 10,000 of which are beneficiary owned by Anne Mainguy Edwards.
2. 5,000 of which are beneficiary owned by Fer3 Capital Inc.
3. Replacement Bonus was granted because the grants under the long-term incentive plans could not be granted in January 2019 due to the Corporation’s blackout policy. This Replacement Bonus is not subject to any performance criteria and is payable on the third (3<sup>rd</sup>) anniversary of the grant or upon a change of control, whichever arrives first.

4. Michèle Barre is not a “Canadian” within the meaning of the CT Act.
### Situation following Completion of Arrangement

The table below sets out, to the knowledge of the directors and Executive Officers of Transat, the consideration to be received in connection with the Arrangement by each of the directors and Executive Officers of Transat:

<table>
<thead>
<tr>
<th>Name</th>
<th>Position within the Corporation</th>
<th>Replacement Bonus(s)</th>
<th>Value of Voting Shares sold</th>
<th>Value of the Options, DSUs, PSUs and RSUs</th>
<th>Total consideration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raymond Bachand</td>
<td>Director</td>
<td>-</td>
<td>-</td>
<td>586,924</td>
<td>586,924</td>
</tr>
<tr>
<td>Louis-Marie Beaulieu</td>
<td>Director</td>
<td>-</td>
<td>260,000</td>
<td>384,813</td>
<td>644,813</td>
</tr>
<tr>
<td>Lucie Chabot</td>
<td>Director</td>
<td>-</td>
<td>81,770</td>
<td>236,054</td>
<td>317,824</td>
</tr>
<tr>
<td>Lina De Cesare</td>
<td>Director</td>
<td>-</td>
<td>462,488</td>
<td>253,188</td>
<td>715,676</td>
</tr>
<tr>
<td>W. Brian Edwards</td>
<td>Director</td>
<td>-</td>
<td>244,270</td>
<td>627,731</td>
<td>872,001</td>
</tr>
<tr>
<td>Jean-Marc Eustache</td>
<td>Chair of the Board, President and Chief Executive Officer and Chair of the Executive Committee</td>
<td>896,114</td>
<td>5,553,626</td>
<td>5,209,288</td>
<td>11,659,028</td>
</tr>
<tr>
<td>Susan Kudzman</td>
<td>Director</td>
<td>-</td>
<td>-</td>
<td>588,120</td>
<td>588,120</td>
</tr>
<tr>
<td>Jean-Yves Leblanc</td>
<td>Director</td>
<td>-</td>
<td>169,000</td>
<td>383,409</td>
<td>552,409</td>
</tr>
<tr>
<td>Ian Rae</td>
<td>Director</td>
<td>-</td>
<td>-</td>
<td>51,337</td>
<td>51,337</td>
</tr>
<tr>
<td>Jacques Simoneau</td>
<td>Director</td>
<td>-</td>
<td>237,640</td>
<td>281,554</td>
<td>519,194</td>
</tr>
<tr>
<td>Louise St-Pierre</td>
<td>Director</td>
<td>-</td>
<td>-</td>
<td>97,799</td>
<td>97,799</td>
</tr>
<tr>
<td>Philippe Sureau</td>
<td>Director</td>
<td>-</td>
<td>152,017</td>
<td>953,841</td>
<td>2,075,858</td>
</tr>
<tr>
<td>Joseph Adamo</td>
<td>President, Transat Distribution Canada Inc. and Vice-President and Chief Distribution Officer, Transat Tours Canada Inc.</td>
<td>126,211</td>
<td>606,197</td>
<td>374,018</td>
<td>1,106,426</td>
</tr>
<tr>
<td>Michèle Barre</td>
<td>Vice-President, Network Revenue Management, Pricing and Airline Programming, Transat Tours Canada Inc.</td>
<td>105,830</td>
<td>-</td>
<td>115,957</td>
<td>271,210</td>
</tr>
<tr>
<td>Bernard Bussieres</td>
<td>Vice-President, General Counsel and Corporate Secretary</td>
<td>135,428</td>
<td>1,065,174</td>
<td>870,202</td>
<td>2,070,804</td>
</tr>
<tr>
<td>Grant Elder</td>
<td>Vice-President, Operational Efficiency and Continuous Improvement</td>
<td>97,605</td>
<td>27,763</td>
<td>-</td>
<td>125,368</td>
</tr>
<tr>
<td>Daniel Godbout</td>
<td>Senior Vice-President and Advisor to the President</td>
<td>148,632</td>
<td>804,459</td>
<td>1,000,556</td>
<td>1,953,647</td>
</tr>
<tr>
<td>Annick Guérard</td>
<td>Chief Operating Officer</td>
<td>404,061</td>
<td>911,490</td>
<td>1,020,459</td>
<td>2,336,010</td>
</tr>
<tr>
<td>Christophe Hennebelle</td>
<td>Vice-President, Human Resources and Corporate Affairs</td>
<td>130,878</td>
<td>453,835</td>
<td>346,806</td>
<td>931,519</td>
</tr>
<tr>
<td>Bruno Leclaire</td>
<td>Chief Information Officer and Digital Officer</td>
<td>132,174</td>
<td>317,587</td>
<td>340,466</td>
<td>790,227</td>
</tr>
<tr>
<td>Jean-François Lemay</td>
<td>President-General Manager of Air Transat</td>
<td>220,951</td>
<td>829,207</td>
<td>751,433</td>
<td>1,801,591</td>
</tr>
<tr>
<td>Denis Petrin</td>
<td>Vice-President, Finance and Administration and Chief Financial Officer</td>
<td>220,951</td>
<td>1,234,086</td>
<td>907,558</td>
<td>2,362,595</td>
</tr>
<tr>
<td>Jordi Solè</td>
<td>President, Hotel Division</td>
<td>-</td>
<td>171,528</td>
<td>-</td>
<td>171,528</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td>$2,618,835</td>
<td>$17,633,837</td>
<td>$35,059,891</td>
</tr>
</tbody>
</table>

(1) A Replacement Bonus was granted because the grants under the long-term incentive plans could not be granted in January 2019 due to the Corporation’s blackout policy. This Replacement Bonus is not subject to any performance criteria and is payable three (3) years later after the grants or upon a change of control, whichever arrives first.
COMMITMENTS TO ACQUIRE SECURITIES OF TRANSAT

None of Transat and its directors and Executive Officers or, to the knowledge of the directors and Executive Officers of Transat, any of their respective associates or affiliates, any other insiders of Transat or their respective associates or affiliates or any person acting jointly or in concert with Transat has made any agreement, commitment or understanding to acquire securities of Transat.

PREVIOUS PURCHASES AND SALES

There were no Voting Shares or other securities of the Corporation purchased or sold by the Corporation during the 12-month period preceding the Arrangement Agreement (excluding securities purchased or sold pursuant to pursuant to Incentive Plans).

PREVIOUS DISTRIBUTIONS

The following table sets forth the Voting Shares distributed by the Corporation on an annual basis during the five-year period preceding the Arrangement Agreement:

<table>
<thead>
<tr>
<th>Year of Distribution</th>
<th>Number of Voting Shares Issued on Exercise</th>
<th>Average Price per Issued Voting Share</th>
<th>Aggregate Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019 (through July 18)</td>
<td>131,509</td>
<td>$5.39</td>
<td>$709,333</td>
</tr>
<tr>
<td>2018</td>
<td>204,476</td>
<td>$7.72</td>
<td>$1,578,048</td>
</tr>
<tr>
<td>2017</td>
<td>183,779</td>
<td>$6.07</td>
<td>$1,116,225</td>
</tr>
<tr>
<td>2016</td>
<td>192,140</td>
<td>$6.31</td>
<td>$1,212,603</td>
</tr>
<tr>
<td>2015</td>
<td>154,165</td>
<td>$6.51</td>
<td>$1,003,265</td>
</tr>
<tr>
<td>2014</td>
<td>101,960</td>
<td>$8.28</td>
<td>$844,085</td>
</tr>
</tbody>
</table>

TRADING IN VOTING SHARES

The Voting Shares are listed and posted for trading on the TSX under the symbol "TRZ". The following table summarizes the high and low closing market prices and the trading volumes of the Voting Shares on the TSX for each of the periods indicated:

<table>
<thead>
<tr>
<th>Month</th>
<th>High</th>
<th>Low</th>
<th>Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 2019 (to July 18, 2019)</td>
<td>$13.60</td>
<td>$12.32</td>
<td>2,865,140</td>
</tr>
<tr>
<td>June 2019</td>
<td>$14.24</td>
<td>$11.74</td>
<td>7,219,895</td>
</tr>
<tr>
<td>May 2019</td>
<td>$12.50</td>
<td>$8.08</td>
<td>9,925,951</td>
</tr>
<tr>
<td>April 2019</td>
<td>$8.85</td>
<td>$4.69</td>
<td>3,196,254</td>
</tr>
<tr>
<td>March 2019</td>
<td>$5.50</td>
<td>$4.50</td>
<td>1,636,514</td>
</tr>
<tr>
<td>February 2019</td>
<td>$5.98</td>
<td>$5.38</td>
<td>888,977</td>
</tr>
<tr>
<td>January 2019</td>
<td>$6.05</td>
<td>$5.61</td>
<td>839,135</td>
</tr>
<tr>
<td>December 2018</td>
<td>$7.19</td>
<td>$5.39</td>
<td>1,098,052</td>
</tr>
<tr>
<td>November 2018</td>
<td>$7.21</td>
<td>$6.43</td>
<td>762,392</td>
</tr>
<tr>
<td>October 2018</td>
<td>$8.08</td>
<td>$6.02</td>
<td>1,343,688</td>
</tr>
<tr>
<td>September 2018</td>
<td>$9.25</td>
<td>$7.71</td>
<td>1,403,756</td>
</tr>
<tr>
<td>August 2018</td>
<td>$9.40</td>
<td>$8.74</td>
<td>632,620</td>
</tr>
<tr>
<td>July 2018</td>
<td>$9.53</td>
<td>$8.12</td>
<td>871,446</td>
</tr>
</tbody>
</table>
The closing price per Voting Share on June 26, 2019, the last full trading day on the TSX before the public announcement of the proposed Arrangement was $14.19 while the closing price per Voting Share on April 29, 2019, namely the day preceding the announcement by the Corporation of discussions regarding a potential sale of the Corporation, was $5.67.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as otherwise described elsewhere in this Circular, to the knowledge of the directors and Executive Officers of Transat, no director or officer of Transat, or person who beneficially owns, or controls or directs, directly or indirectly, more than 10% of the Voting Shares, or director or officer of such person, or associate or affiliate of the foregoing has any interest, direct or indirect, in any transaction since the commencement of Transat's most recently completed financial year or in any proposed transaction which has materially affected or would materially affect Transat or any of its subsidiaries.

MATERIAL CHANGES IN THE AFFAIRS OF TRANSAT

Except as publicly disclosed or otherwise described in this Circular, the directors and Executive Officers of Transat are not aware of any plans or proposals for material changes in the affairs of Transat.

ADDITIONAL INFORMATION

Additional financial and other information relating to Transat is included in its most recent audited annual consolidated financial statements and unaudited interim financial statements, its annual and quarterly management’s discussion and analysis and other continuous disclosure documents which are available on SEDAR at www.sedar.com. Additional copies of this Circular and the documents referred to in the preceding sentence are available, without charge where applicable, upon delivery of a written request, addressed to: Bernard Bussières, Vice-President, General Counsel and Corporate Secretary at Place du Parc, 300 Léo Pariseau Street, Suite 600, Montréal, Québec, H2X 4C2. The most recent unaudited interim financial statements will be sent without charge to any Shareholder requesting them.

ARRANGEMENT AGREEMENT

Transat entered into the Arrangement Agreement with the Purchaser on June 27, 2019. The Arrangement Agreement and the Plan of Arrangement are the legal documents that govern the Arrangement. The following is a summary of the material terms of the Arrangement Agreement and is subject to, and qualified in its entirety by, the full text of the Arrangement Agreement which is filed on SEDAR under Transat’s issuer profile at www.sedar.com. The Corporation encourages Shareholders to read the Arrangement Agreement and the Plan of Arrangement in their entirety. The Arrangement Agreement establishes and governs the legal relationship between Transat and the Purchaser with respect to the transactions described in this Circular. It is not intended to be a source of factual, business or operational information about Transat or the Purchaser.

Pursuant to the Arrangement Agreement, it was agreed that the Parties would carry out the Arrangement in accordance with the Arrangement Agreement and the Plan of Arrangement. See “The Arrangement – Implementation of the Arrangement”.

Capitalized terms used below which are not otherwise defined herein have the meaning ascribed thereto in the Arrangement Agreement.
EFFECTIVE DATE OF THE ARRANGEMENT

Upon filing the Articles of Arrangement with the Director pursuant to Section 192 of the CBCA, the Arrangement shall become effective on the date shown on the Certificate of Arrangement. The Arrangement Agreement provides that Closing, including the filing of the Articles of Arrangement with the Director, shall occur as soon as reasonably practicable (and in any event not later than five (5) Business Days) after the satisfaction or waiver of the conditions precedent set forth in the Arrangement Agreement, including obtaining the Required Shareholder Approval and the Key Regulatory Approvals, and upon the Final Order being granted.

If such approvals are obtained and conditions are met, the transaction is expected to be completed early in 2020. It is not possible, however, to state with certainty when the Effective Date will occur. The Effective Date could be earlier than anticipated or could be delayed for a number of reasons, including an objection before the Court at the hearing of the application for the Final Order, or a delay in obtaining the Key Regulatory Approvals.

If the Arrangement is not completed on or prior to the Outside Date (as such date may be extended as permitted under the Arrangement Agreement), the Parties may be entitled to terminate the Arrangement Agreement, subject to certain conditions as described herein.

COVENANTS

- Conduct of Business of the Corporation

During the period following June 27, 2019, being the date of the Arrangement Agreement, until the earlier of the Effective Time and the time that the Arrangement Agreement is terminated in accordance with its terms, except (a) with the prior written consent of the Purchaser (such consent not to be unreasonably withheld, conditioned or delayed); (b) as required by the Arrangement Agreement, (c) as required by applicable Law, (d) in order to take commercially reasonable steps to respond to emergency-type occurrences involving life, health, personal safety, or the protection of property incidents or accidents occurring on or after the date of the Arrangement Agreement, (e) in order to take commercially reasonable steps to respond to emergency-type occurrences involving the preservation of business systems or Corporation data (including with respect to data and privacy breaches), or (f) as provided in the Corporation Disclosure Letter, the Corporation shall, and shall cause each of its Subsidiaries to: (i) conduct business in the Ordinary Course and in accordance with all applicable Laws, (ii) use commercially reasonable efforts to maintain and preserve, in the Ordinary Course, its and its Subsidiaries’ respective business organization, operations, assets, properties, Authorizations, intellectual property, goodwill and relationships with all employees, consultants, agents and independent contractors of the Corporation or any of its Subsidiaries, Governmental Entities (including any Aviation Authority), landlords, creditors, lessors, lessees, suppliers, licensors, licensees, unions, passengers and other customers, travel agents, strategic or alliance partners and other Persons, in each case with whom the Corporation or any of its Subsidiaries have material business relations, and (iii) use commercially reasonable efforts to manage the Corporation’s and its Subsidiaries’ quarterly level of net indebtedness, on a consolidated basis, in the Ordinary Course.

Without limiting the generality of the foregoing, and except with respect to the situations described in (a) to (f) above, the Corporation shall not, and shall cause its Subsidiaries not to, directly or indirectly, during the period following the date of the Arrangement Agreement until the earlier of the Effective Time and the time that the Arrangement Agreement is terminated in accordance with its terms:
(a) amend, restate, rescind, alter, enact or adopt all or any portion of any of the constating documents of the Corporation or its Subsidiaries;

(b) adjust, split, combine or reclassify, reduce the stated capital, purchase, redeem, repurchase or otherwise acquire any of its securities, or offer to do any of the foregoing, excluding the issuance by the Corporation of Class A variable voting shares or Class B voting shares upon the automatic conversion of either class of Voting Shares into the other, in accordance with the Corporation's constating documents;

(c) adopt a plan of complete or partial liquidation, arrangement, dissolution, amalgamation, merger, consolidation, restructuring, recapitalization, winding-up or other reorganization of the Corporation or any of its Subsidiaries (other than the Arrangement Agreement and the transactions contemplated by the Arrangement Agreement), or file a petition in bankruptcy under any applicable Law on behalf of the Corporation or any of its Subsidiaries, or consent to the filing of any bankruptcy petition against the Corporation or any of its Subsidiaries under any applicable Law;

(d) except as set forth in the Corporation Disclosure Letter, enter into any new line of business or discontinue any existing line of business;

(e) issue, grant, deliver, sell, exchange, amend, modify, accelerate, pledge or otherwise subject to any lien (other than permitted liens) (i) any securities of the Corporation or any of its Subsidiaries, (ii) options or other rights to acquire, or exercisable or exchangeable for, or convertible into, any securities of the Corporation or any of its Subsidiaries (including any Incentive Securities), or (iii) any rights that are linked in any way to the price of any shares of, or to the value of or of any part of, or to any dividends or distributions paid on any shares of, the Corporation or any of its Subsidiaries (including any Incentive Securities), in each case other than (A) the issuance of Voting Shares issuable upon the exercise of Options outstanding on June 27, 2019, in accordance with the terms of the applicable Stock Option Plan, or (B) the issuance of Class A variable voting shares or Class B voting shares upon the automatic conversion of either class of Voting Shares into the other, in accordance with the Corporation’s constating documents;

(f) except as set forth in the Corporation Disclosure Letter, declare, set aside or pay any dividend or other distribution (whether in cash, securities or property or any combination thereof) on any class of securities of the Corporation or any of its Subsidiaries;

(g) except as set forth in the Corporation Disclosure Letter, invest or acquire an interest in (by amalgamation, merger, consolidation, exchange, purchase of securities, contributions to capital or purchase, lease or license of assets or otherwise) any Person, or any property or asset (including, in each case, any hotel, land or any real or immovable property), or make any capital expenditures, in each case, other than (i) acquisitions of Parts, inventory, equipment, raw materials, goods and other supplies in the Ordinary Course (other than Aircraft, Aircraft Engines, Spare Engines and flight simulators) and that do not exceed such annual aggregate amount specified in the Arrangement Agreement; (ii) the purchase or lease of Aircraft, Aircraft Engines, Spare Engines and Parts pursuant to firm commitments existing as of June 27, 2019, under Material Contracts listed in the Corporation Disclosure Letter or the purchase or lease of Aircraft Engines, Spare Engines and Parts reasonably required to replace broken, faulty,
unserviceable, damaged or destroyed Aircraft Engines, Spare Engines and Parts; (iii) capital expenditures budgeted for the fiscal year ending October 31, 2019, in accordance with the capital expenditure plan set forth in the Corporation Disclosure Letter (provided that, for greater certainty, the Corporation shall be permitted to carry over in the fiscal year ending October 31, 2020, all or any unallocated amounts of the capital expenditures plan set forth in the Corporation Disclosure Letter with respect to the fiscal year ending October 31, 2019), (iv) capital expenditures budgeted for the fiscal year ending October 31, 2020, in accordance with the capital expenditures plan in the Corporation Disclosure Letter with respect to the fiscal year ending October 31, 2020, (v) short-term investments of cash in marketable securities in the Ordinary Course, and (vi) in respect of the Marival Armony Luxury Resort & Suites, the Puerto Morelos Project or the hotel sector business of the Corporation and its Subsidiaries, as set out below;

(h) invest or acquire an interest in (by amalgamation, merger, consolidation, exchange, purchase of securities, contributions to capital or purchase, lease or license of assets or otherwise) any Person, or any property or asset (including, in each case, any hotel, land or any real or immovable property), or make any capital expenditures or operating expenses related to capital expenditures, in each case, in respect of the Marival Armony Luxury Resort & Suites, the Puerto Morelos Project or the hotel sector business of the Corporation and its Subsidiaries, other than (i) capital expenditures with respect to the Marival Armony Luxury Resort & Suites and the Puerto Morelos Project that do not exceed, from and after May 15, 2019, such aggregate amount specified in the Arrangement Agreement (provided that such amount shall be reduced by any amount allocated to the Marival Armony Luxury Resort & Suites and the Puerto Morelos Project in the capital expenditure plans set forth in the Corporation Disclosure Letter), and (ii) operating expenses in the Ordinary Course that do not exceed such annual aggregate amount specified in the Arrangement Agreement.

(i) except as disclosed in the Corporation Disclosure Letter, sell, sell and lease back, pledge, licence, lease, sublease, alienate, dispose, swap, transfer or voluntarily lose the right to use, in whole or in part, or otherwise dispose of, or subject to any lien (other than permitted liens), any Corporation asset (including the right to use any gates or bridges at any Corporation Airport) or any interest in any Corporation asset, or waive, cancel, release or assign to any Person (other than the Corporation and its wholly-owned Subsidiaries) any material right or claim (including Indebtedness owed to the Corporation and its Subsidiaries), except for (i) Corporation assets (other than Aircraft, Aircraft Engines, Spare Engines and flight simulators and any shares or voting or equity securities in any Subsidiaries of the Corporation) sold, leased or otherwise transferred in the Ordinary Course and that are not, individually or in the aggregate, material to the Corporation and its Subsidiaries; (ii) obsolete, damaged or destroyed assets in the Ordinary Course; (iii) returns of leased assets, including Corporation Aircraft and Corporation Engines, at the end of the lease term; (iv) the leasing or subleasing of Seasonal Aircraft or the leasing or subleasing of Aircraft for Ad Hoc Charters and the return of such Seasonal Aircraft and Aircraft for Ad Hoc Charters at the end of the applicable lease term; (v) transfers of assets between one or more of the Corporation and its wholly-owned Subsidiaries; (vi) as expressly required pursuant to the terms of any Material Contract in effect on the date of the Arrangement Agreement, (vii) Corporation assets sold or disposed of by the Joint Venture Subsidiary in the Ordinary Course, and (viii) sales or other dispositions of Corporation assets in the Ordinary
Course not in excess of such aggregate amount specified in the Arrangement Agreement on an annual basis;

(j) except as set forth in the Corporation Disclosure Letter, fail to continue, in respect of all Corporation Aircraft, Corporation Engines and Corporation Parts all maintenance programs in the Ordinary Course (except as required or permitted by applicable Law), including using commercially reasonable efforts to keep all such Corporation Aircraft, Corporation Engines and Corporation Parts in such condition as may be necessary to enable the airworthiness certification of such Corporation Aircraft, Corporation Engines and Corporation Parts under applicable Laws to be maintained in good standing at all times and to enable such Corporation Aircraft, Corporation Engines and Corporation Parts to remain serviceable;

(k) except as set forth in the Corporation Disclosure Letter, take any action, or fail to take any action, which action or failure could jeopardise the continued and Ordinary Course use by the Corporation or any of its Subsidiaries of, or result in a loss of, any (i) Corporation Slots; (ii) airport gates at Material Corporation Airports that are leased, subleased, licensed or sublicensed, swapped or otherwise occupied by the Corporation or any of its Subsidiaries (or for which the Corporation or any of its Subsidiaries has the right to occupy); or (iii) other material airport facilities at the Corporation Airports;

(l) except as disclosed in the Corporation Disclosure Letter, enter into any contract relating to or providing for a new, replacement or material enhancement of any reservation system, flight operating system, crew or maintenance system, frequent flyer system or other system, or materially increases the Corporation's and its Subsidiaries' financial or term commitment to any such system;

(m) except as disclosed in the Corporation Disclosure Letter, make any loan or similar advance to, or any capital contribution in, or assume, guarantee or otherwise become liable with respect to the liabilities or obligations of, any Person;

(n) except in the Ordinary Course, enter into, amend, modify, terminate or cancel any swap;

(o) except as disclosed in the Corporation Disclosure Letter, prepay any long-term Indebtedness before its scheduled maturity or increase, create, incur, assume or otherwise become liable for any Indebtedness or guarantees thereof other than (i) in connection with advances or repayments in the Ordinary Course under the Corporation's or any Subsidiary's existing financing instruments consistent with past practices; or (ii) Indebtedness incurred in the Ordinary Course; provided that any Indebtedness created, incurred, assumed or for which the Corporation or any Subsidiary becomes liable in accordance with the foregoing is prepayable at the Effective Time without premium, penalty or other incremental costs (including breakage costs);

(p) except as may be required by the terms of any written employment contract, Employee Plan or collective agreement existing on June 27, 2019, or as otherwise disclosed in the Corporation Disclosure Letter: (i) grant any general increase in the rates of wages, salaries, benefits, bonuses or other remuneration of any employees (other than increases in the Ordinary Course) or grant any increase in the rates of wages, salaries, benefits, bonuses, or other remuneration of any Senior Management Employee (other than increases in the Ordinary Course); (ii) grant or
increase any severance, change of control, termination or similar compensation or benefits payable to any employee, consultant, agent or independent contractor of the Corporation or any of its Subsidiaries, or establish, adopt, enter into or amend any bonus, profit sharing, thrift, pension, retirement, deferred compensation, termination or severance plan, agreement, trust, fund, policy or other benefit arrangement as to any employee, consultant, agent, or independent contractor of the Corporation or any of its Subsidiaries; (iii) hire or engage any Employee or promote any existing employee, other than (A) employees (other than Senior Management Employees) in the Ordinary Course on market terms for similarly situated employees, and (B) Senior Management Employees, hired or promoted in the Ordinary Course, after reasonable consultation with the Purchaser, (iv) make any material changes to the terms and conditions of employment applicable to any group of employees, as reflected in work rules, employee handbooks, policies and procedures, or otherwise, (v) establish, adopt, enter into, amend or terminate any Employee Plan (or any plan, contract, program, policy, trust, fund or other arrangement that would be an Employee Plan if it were in existence as of June 27, 2019), or increase or accelerate the timing of any funding obligation, funding contribution or payment of any compensation or benefits under any Employee Plan, other than commercially reasonable amendments to targets under any Incentive Plan in the Ordinary Course, or (vi) reduce the Corporation’s or any of its Subsidiaries’ work force in a material way or so as to trigger any collective dismissal provisions under applicable Laws;

(q) knowingly take any action or fail to take any action that would reasonably be expected to result in a breach or violation of the obligations of the Corporation or any of its Subsidiaries under any collective agreement or any contract with an employee;

(r) except as contemplated in the covenants in the Arrangement Agreement relating to insurance and indemnification, amend, modify or terminate, cancel or let lapse, any material insurance (or re-insurance) policy of the Corporation or any of its Subsidiaries, unless, simultaneously with any termination, cancellation or lapse, replacement policies underwritten by insurance and re-insurance companies of nationally recognized standing providing coverage equal to or greater than the coverage under the terminated, cancelled or lapsed policies for substantially similar premiums (other than increases reflecting changing market rates made available by the insurance providers) are in full force and effect, and provided that no such termination, cancellation or lapse causes the Corporation or such Subsidiary to be in material default of any Material Contract or material Authorization to which it is a party or by which it is bound;

(s) enter into, amend or modify any contract with an insurance broker, intermediary, agent or any similar Person that cannot be terminated by the Corporation or its Subsidiary, as applicable, without penalty on no greater than thirty (30) days’ notice;

(t) other than in the Ordinary Course, amend any existing material Authorization of the Corporation or any of its Subsidiaries, or abandon or fail to diligently pursue any application for any required material Authorization, or take or omit to take any action that would reasonably be expected to lead to the termination of, or imposition of conditions on, any such material Authorization of the Corporation or any of its Subsidiaries or such required material Authorization;

(u) knowingly take any action or fail to take any action that would reasonably be expected to result in a breach or violation by the Corporation or any of its Subsidiaries of any environmental Laws;
settle or compromise any proceeding or threatened proceeding, in each case other than settlements or compromises in the Ordinary Course that involve only: (i) the payment of monetary damages (net of any payments or proceeds received through insurance) not in excess of such individual or aggregate amounts specified in the Arrangement Agreement, or (ii) the payment of immaterial non-monetary compensation, in each case without any admission of wrongdoing by the Corporation or any of its Subsidiaries, or the imposition of any material restrictions (including through the granting of equitable relief) on the business and operations of the Corporation or any of its Subsidiaries;

except as disclosed in the Corporation’s Disclosure Letter, enter into, amend or modify in any material respect, or terminate or cancel, or waive or fail to exercise any material rights under, any Material Contract, or enter into any contract that would be a Material Contract if in effect on June 27, 2019, in each case, other than: (i) immaterial amendments in the Ordinary Course; or (ii) contracts with customers, suppliers of services or goods, corporate and trade incentive sales contracts (other than with respect to Aircraft, Aircraft Engines or Spare Engines), in each case, entered into in the Ordinary Course;

(i) enter into, amend or modify in any respect, or terminate or cancel, or waive or fail to exercise any right under, or exercise any right (including any put, call, drag or similar right) that could result, directly or indirectly, in the disposition or acquisition of any ownership interest governed by, any Material Contract described in clause (b) of the definition of Material Contract relating to the Joint Venture Subsidiary or Trafictours Canada Inc., or enter into any contract relating to the Joint Venture Subsidiary or Trafictours Canada Inc. that would be a Material Contract described in clause (b) of the definition of Material Contract if it were entered into on June 27, 2019, or (ii) enter into any Material Contract described in clause (b) of the definition of Material Contract or enter into any contract that would be a Material Contract described in clause (b) of the definition of Material Contract if it were entered into on June 27, 2019 (or, in each case, enter into any amendment or modification to a contract that would have the same effect as entering into any such Material Contract or contract), in each case, having a term in excess of two (2) years or that cannot be terminated by the Corporation or any of its Subsidiaries, as applicable, without penalty on sixty (60) days' notice;

enter into, amend, or modify in any material respect, or terminate or cancel any collective agreement, provided however, that the Corporation may in the Ordinary Course (i) negotiate, in good faith and enter into, supersede, extend or renew any collective agreement which has expired, or is within six (6) months of expiring, and (ii) negotiate, in good faith, the entering into of any collective agreement with any union formed after June 27, 2019, provided that, in each case, except to the extent prohibited by applicable Law, the Corporation has agreed to reasonably consult with the Purchaser and to consider in good faith the Purchaser's opinions with respect to the aforementioned matters;

except as disclosed in the Corporation Disclosure Letter, engage in any transaction with any Senior Management Employee, vice-president, director or any of their immediate family members (including spouses) or any related party (within the meaning of Regulation 61-101), other than (i) expense reimbursements, expense accounts and advances in the Ordinary Course; (ii) employment contracts with employees hired in accordance with the terms of the Arrangement Agreement; (iii) transactions between the Corporation and any of its wholly-
owned Subsidiaries or between two or more wholly-owned Subsidiaries; or (iv) as otherwise permitted by the Arrangement Agreement;

(aa) make any change in the Corporation’s tax or financial accounting policies, practices, principles, methods or procedures, except as required by applicable Law or as required by IFRS (including with respect to the implementation of IFRS 16);

(bb) except as required by applicable Law: (i) make, change or rescind any material tax election, information schedule, return or designation, (ii) settle or compromise any material tax claim, assessment, reassessment, liability, proceeding or controversy, (iii) file any materially amended Tax Return, (iv) enter into any material agreement with a Governmental Entity with respect to Taxes or with a Corporation Airport with respect to Ticket Taxes, (v) enter into or change any material tax sharing, tax advance pricing agreement, tax allocation or tax indemnification agreement that is binding on the Corporation or its Subsidiaries, (vi) surrender any right to claim a material tax abatement, reduction, deduction, exemption, credit or refund, (vii) consent to the extension or waiver of the limitation period applicable to any material tax matter, or (viii) make a request for a material tax ruling to any Governmental Entity or (ix) materially amend or change any of its methods for reporting income, deductions or accounting for income tax purposes;

(cc) take any action that would, or would reasonably be expected to, materially delay or impede the consummation of the Arrangement, or the satisfaction of any of the conditions precedent set forth in the Arrangement Agreement;

(dd) grant or commit to grant an exclusive licence or otherwise transfer any Corporation intellectual property or exclusive rights in or in respect thereto that is material to the Corporation and its Subsidiaries taken as a whole, other than to wholly-owned Subsidiaries;

(ee) except as disclosed in the Corporation Disclosure Letter, take any action or fail to take any action that would, or would reasonably be expected to in the aggregate (i) cause the tax attributes of assets of the Corporation or any of its Subsidiaries or the amount of tax loss carry-forwards of the Corporation or any of its Subsidiaries to materially and adversely change from what is reflected in their respective Tax Returns; or (ii) render such tax loss carry-forwards unusable (in whole or in part) by any of them or any successor of the Corporation;

(ff) enter into or amend any contract with an independent contractor, consultant or advisor of the Corporation or any of its Subsidiaries (i) providing annual compensation in excess of such amount specified in the Arrangement Agreement or (ii) that is not cancellable by Corporation or any of its Subsidiaries without penalty on notice of sixty (60) days or less; or

(gg) authorize, agree, offer, resolve or otherwise commit, whether or not in writing, to do any of the foregoing.

Moreover, during the period from the date of the Arrangement Agreement until the earlier of the Effective Time and the time that the Arrangement Agreement is terminated in accordance with its terms, the Corporation and its Subsidiaries shall, not less than thirty (30) Business Days prior to the expiration of any Aircraft Contract or Aircraft Finance Contract (other than leases or subleases of Seasonal Aircraft, Ad Hoc Charters, and short-term leases or subleases of Aircraft Engines or Spare
Engines, in each case, having a term of less than six (6) months) (or, in each case, the expiration of the option to exercise material rights thereunder), provide the Purchaser with written notice of such deadline, a copy of any such Contract and copies of all material information that the Corporation and its Subsidiaries have in their possession or control that is relevant to a decision about whether to renew, extend or modify such Contract (or, in the case of an option, exercise such option), and cooperate and consult with the Purchaser regarding the decision about whether to renew, extend or modify such Contract (or, in the case of an option, exercise such option).

Nothing in the Arrangement Agreement shall result in the Purchaser exercising material influence over the business or operations of the Corporation or its Subsidiaries prior to the Effective Date. Prior to the Effective Date, the Corporation will exercise, consistent with the terms of the Arrangement Agreement, complete control and supervision over its and its Subsidiaries' business and operations.

- **Covenants of the Corporation Regarding the Arrangement**

Subject to the terms and conditions of the Arrangement Agreement, the Corporation shall, and shall cause its Subsidiaries to, perform all obligations required or desirable to be performed by the Corporation or any of its Subsidiaries under the Arrangement Agreement, cooperate with the Purchaser in connection therewith, and do all such other commercially reasonable acts and things as may be necessary or desirable to consummate and make effective, as soon as reasonably practicable, the transactions contemplated by the Arrangement Agreement and, without limiting the generality of the foregoing, the Corporation shall and, where appropriate, shall cause its Subsidiaries to (other than in connection with obtaining the Other Regulatory Approvals and Key Regulatory Approvals, which approvals shall be governed by the specific provisions of the Arrangement Agreement relating to covenants regarding regulatory approvals):

- **(a)** use commercially reasonable efforts to satisfy all conditions precedent in the Arrangement Agreement and take all steps set forth in the Interim Order and the Final Order applicable to it and comply promptly with all requirements imposed by Law applicable to it or its Subsidiaries with respect to the Arrangement Agreement or the Arrangement;

- **(b)** use commercially reasonable efforts to provide, obtain and maintain all third party notices or other notices and consents, waivers, permits, exemptions, orders, approvals, agreements, amendments or confirmations that are (A) required to be obtained under the Material Contracts in connection with the Arrangement, the Arrangement Agreement or the other transactions contemplated thereby, or (B) required in order to maintain the Material Contracts in full force and effect following completion of the Arrangement, in each case, on terms that are reasonably satisfactory to the Purchaser, and without paying, and without committing itself or the Purchaser to pay, any consideration or incur any liability or obligation without the prior written consent of the Purchaser (it being expressly agreed by the Purchaser that, with respect to (A) and (B) above, the receipt of such notices, consents, waivers, permits, exemptions, orders, approvals, agreements, amendments or confirmations shall not be in and of itself a condition to the closing of the Arrangement);

- **(c)** use commercially reasonable efforts to effect all necessary registrations, filings and submissions of information required by Governmental Entities from the Corporation and its Subsidiaries relating to the Arrangement;
(d) use commercially reasonable efforts to, upon reasonable consultation with the Purchaser, oppose, lift or rescind any order seeking to restrain, enjoin or otherwise prohibit or adversely affect the consummation of the Arrangement, and defend, or cause to be defended, any proceedings to which it is a party or brought against it or its directors or officers challenging the Arrangement, the Arrangement Agreement or the transactions contemplated thereby (provided, that neither the Corporation nor any of its Subsidiaries shall consent to the entry of any judgment or settlement with respect to any such proceedings without the prior written approval of the Purchaser, not to be unreasonably withheld, conditioned or delayed);

(e) not take any action, or refrain from taking any commercially reasonable action, or permit any action to be taken or not taken, in each case, which is inconsistent with the Arrangement Agreement or which would reasonably be expected to prevent, delay or otherwise impede the consummation of the Arrangement or the transactions contemplated by the Arrangement Agreement; and

(f) use commercially reasonable efforts to assist the Purchaser in obtaining the resignations and mutual releases (in a form satisfactory to the Purchaser, acting reasonably) of each member of the Board and each member of the board of directors of the Corporation's wholly-owned Subsidiaries (and, in the case of Subsidiaries that are not wholly-owned, of the directors nominated by the Corporation), and causing them to be replaced by Persons nominated by the Purchaser effective as of the Effective Time.

Unless prohibited by applicable Law, the Corporation shall promptly notify the Purchaser of:

(a) any Material Adverse Effect or any change, event, occurrence, effect, state of facts and/or circumstance that, individually or in the aggregate, would reasonably be expected to have or develop into a Material Adverse Effect;

(b) any notice or other communication from any Person alleging that the consent (or waiver, permit, exemption, order, approval, agreement, amendment or confirmation) of such Person (or another Person) is or may be required in connection with the Arrangement, the Arrangement Agreement or any of the transactions contemplated thereby;

(c) any notice or other communication from any Person, including a Governmental Entity (other than a Governmental Entity in connection with the Key Regulatory Approvals and Other Regulatory Approvals, which shall be addressed as contemplated in the covenants regarding regulatory approvals in the Arrangement Agreement) in connection with the transactions contemplated by the Arrangement Agreement (and, unless prohibited by Law, the Corporation shall contemporaneously provide a copy of any such written notice or communication to the Purchaser);

(d) (i) any notice or other communication from any bargaining agent representing employees giving notice to bargain and as permitted by Law, copies of any proposals tabled by any such bargaining agent that, if implemented, would materially modify the terms of a collective agreement; and (ii) the status of any ongoing collective bargaining negotiations with any union between June 27, 2019, and the Effective Time and promptly provide the Purchaser with copies of all material documents tabled by either party in the course of any such collective bargaining negotiations;
(e) any material breach or default, or any notice of material breach or default, by the Corporation or any of its Subsidiaries of any Material Contract or material Authorization to which it is a party or by which it is bound; or

(f) any (i) proceedings commenced or, to the knowledge of the Corporation, threatened against, relating to or involving or otherwise affecting the Arrangement, the Arrangement Agreement or any of the transactions contemplated thereby; and (ii) material proceedings commenced or, to the knowledge of the Corporation, threatened against, relating to or involving or otherwise affecting the Corporation, its Subsidiaries or the Corporation assets.

Covenants of the Purchaser Regarding the Arrangement

The Purchaser shall perform all obligations required or desirable to be performed by it under the Arrangement Agreement, cooperate with the Corporation in connection therewith, and do all such other commercially reasonable acts and things as may be necessary or desirable to consummate and make effective, as soon as reasonably practicable, the transactions contemplated by the Arrangement Agreement and, without limiting the generality of the foregoing, the Purchaser shall (other than in connection with obtaining the Key Regulatory Approvals and the Other Regulatory Approvals, which approvals shall be governed by specific provisions of the Arrangement Agreement relating to covenants regarding regulatory approvals:

(a) use commercially reasonable efforts to satisfy all conditions precedent in the Arrangement Agreement and take all steps set forth in the Interim Order and the Final Order applicable to it and comply promptly with all requirements imposed by Law applicable to it with respect to the Arrangement Agreement or the Arrangement;

(b) use commercially reasonable efforts to effect all necessary registrations, filings and submissions of information required by Governmental Entities from it relating to the Arrangement;

(c) use commercially reasonable efforts to oppose, lift or rescind any order seeking to restrain, enjoin or otherwise prohibit or adversely affect the consummation of the Arrangement, and defend, or cause to be defended, any proceedings to which it is a party or brought against it or its directors or officers challenging the Arrangement, the Arrangement Agreement or the transactions contemplated thereby; and

(d) not take any action, or refrain from taking any commercially reasonable action, or permit any action to be taken or not taken, in each case, which is inconsistent with the Arrangement Agreement or which would reasonably be expected to prevent, delay or otherwise impede the consummation of the Arrangement or the transactions contemplated by the Arrangement Agreement.

The Purchaser shall promptly notify the Corporation in writing of (a) any notice or other communication from any Person alleging that the consent (or waiver, permit, exemption, order, approval, agreement, amendment or confirmation) of such Person (or another Person) is or may be required in connection with the Arrangement Agreement or the Arrangement; or (b) any proceedings commenced or, to its knowledge, threatened against, relating to or involving or otherwise affecting the Purchaser that relate to the Arrangement Agreement or the Arrangement, in the case of each of (a) and (b), to the extent that such notice, communication or proceeding would reasonably be expected to impair, impede,
materially delay or prevent the Purchaser from performing its obligations under the Arrangement Agreement.

- **Covenants Regarding Regulatory Approvals**

The Parties shall, as promptly as practicable, prepare and file all necessary documents, registrations, statements, petitions, filings and applications required to obtain the Key Regulatory Approvals and the Other Regulatory Approvals and use their commercially reasonable efforts to obtain as promptly as practicable and maintain all Key Regulatory Approvals and Other Regulatory Approvals. Without limiting the generality of the foregoing, as promptly as practicable and in any event within ten (10) Business Days of June 27, 2019 (a) the Purchaser and the Corporation shall file their respective pre-merger notification forms pursuant to Part IX of the Competition Act; (b) the Purchaser will file a competitive impact brief pursuant to the Competition Act; and (c) the Parties will give notice to the Minister of Transport and the CTA pursuant to Section 53.1 of the CT Act. The Purchaser shall pay all filing fees incurred in connection with the Key Regulatory Approvals and the Other Regulatory Approvals.

The Parties shall cooperate and coordinate with one another in connection with obtaining the Key Regulatory Approvals and Other Regulatory Approvals, including by providing or submitting as promptly as possible all documentation and information that is required, or in the opinion of the Purchaser, acting reasonably, advisable, in connection with obtaining the Key Regulatory Approvals or Other Regulatory Approvals and using their best efforts to ensure that such information does not contain a misrepresentation.

The Parties shall cooperate with and keep one another fully informed as to the status of and the processes and proceedings relating to obtaining the Key Regulatory Approvals and Other Regulatory Approvals, and shall promptly notify each other of any communication from any Governmental Entity in respect of the Arrangement, the Arrangement Agreement or the transactions contemplated thereby and respond as promptly as reasonably possible to any inquiries or requests received from a Governmental Entity in respect of any Key Regulatory Approval or Other Regulatory Approval; and shall not make any submissions or filings, participate in any meetings, conversations or correspondence with any Governmental Entity in respect of the Arrangement, the Arrangement Agreement or the transactions contemplated thereby unless it consults with the other Party in advance and, to the extent not precluded by such Governmental Entity, gives the other Party the opportunity to review drafts of any submissions, filings or correspondence (including responses to requests for information and inquiries from any Governmental Entity) and will provide the other Party a reasonable opportunity to comment thereon and consider those comments in good faith, and attend and participate in any communications or meetings, and shall provide the other Party and its counsel with final copies of all such material submissions, correspondence, filings, presentations, applications, plans, and other material documents submitted to or filed with any Governmental Entity in respect of the transactions contemplated by the Arrangement Agreement. Despite the foregoing, submissions, filings or other written communications with any Governmental Entity may be redacted as necessary before sharing with the other Party to remove competitively sensitive information, provided that a Party must provide external legal counsel to the other Party non-redacted versions of such draft and final submissions, filings or other written communications on the basis that the redacted information will not be shared with the clients of the receiving external legal counsel.
The Purchaser, acting reasonably and diligently, and after consultation with the Corporation, will determine and direct, except as prohibited by applicable Law, the efforts to obtain the Key Regulatory Approvals and the Other Regulatory Approvals, including leading all communications and strategy relating to such efforts, provided, for greater certainty, that such authority does not affect, alter or mitigate the Purchaser’s obligation to comply with its covenants described above. For greater certainty, in no circumstances shall the Corporation state or suggest that the Purchaser is prepared to provide or agree to any undertakings, conditions or remedies in connection with obtaining any Key Regulatory Approval or Other Regulatory Approval, without the prior consent of the Purchaser.

- **Covenants Relating to Access to Information and Confidentiality**

From the date of the Arrangement Agreement until the earlier of the Effective Time and the termination of the Arrangement Agreement, subject to applicable Law and the terms of any existing contract (including the Confidentiality Arrangements), the Corporation shall, and shall cause its Subsidiaries to, upon reasonable prior notice: (a) give the Purchaser and its Representatives, consultants and independent contractors reasonable access to its and its Subsidiaries' offices, premises, properties, assets, senior personnel, contracts and books and records (including continuing access to the data room); and (b) furnish to the Purchaser and its Representatives, consultants, and independent contractors such financial and operating data or other information with respect to the assets or business of the Corporation as the Purchaser may reasonably request; provided that the Corporation’s compliance with such request shall not unduly interfere with the conduct of the business of the Corporation and its Subsidiaries.

Any information provided in accordance with the foregoing that is non-public and/or proprietary in nature shall be subject to the terms of the Confidentiality Arrangements; provided that to the extent any provision of such Confidentiality Arrangements conflicts with the terms of the Arrangement Agreement, the terms of the Arrangement Agreement shall prevail. For greater certainty, if the Arrangement Agreement is terminated in accordance with its terms, any obligations of the Parties and their respective Representatives under the Confidentiality Arrangements shall survive the termination of the Arrangement Agreement in accordance with the terms of the Confidentiality Arrangements.

- **Covenants Relating to a Pre-Acquisition Reorganization**

Subject to the terms of the Arrangement Agreement, the Corporation has agreed that, upon request of the Purchaser, the Corporation shall, and shall cause its Subsidiaries to, use commercially reasonable efforts to (a) perform such reorganizations of their corporate structure, capital structure, business, operations and assets or such other transactions as the Purchaser may request, acting reasonably (each a “Pre-Acquisition Reorganization”); (b) cooperate with the Purchaser and its advisors to determine the nature of the Pre-Acquisition Reorganizations that might be undertaken and the manner in which they would most effectively be undertaken; and (c) cooperate with the Purchaser and its advisors to seek to obtain any consents, approvals, waivers or similar authorizations which are reasonably required by the Purchaser (based on the applicable terms of the Contract) in connection with the Pre-Acquisition Reorganizations, if any, provided that any out-of-pocket costs, fees or expenses of the Corporation or any of its Subsidiaries associated therewith shall be at the Purchaser’s sole expense.
The Corporation will not be obligated to participate in any Pre-Acquisition Reorganization under the Arrangement Agreement unless the Corporation determines in good faith that such Pre-Acquisition Reorganization:

(a) can be completed immediately prior to the Effective Date, and can be unwound in the event the Arrangement is not consummated without adversely affecting, or being prejudicial to, the Corporation, its Subsidiaries or the Shareholders;

(b) is effected as close as reasonably practicable prior to the Effective Time;

(c) does not require the approval of any of the Shareholders (other than the Required Shareholder Approval);

(d) does not require the Corporation or its Subsidiaries to take any action that could reasonably be expected to result in taxes being imposed on, or any adverse tax or other consequences to, any Shareholders incrementally greater than the taxes or other consequences to such party in connection with the completion of the Arrangement in the absence of action being taken pursuant to the foregoing provisions;

(e) does not result in any material breach by the Corporation or any of its Subsidiaries of any contract or any breach by the Corporation or any of its Subsidiaries of their respective organizational documents or Law; and

(f) does not impair, impede or prevent the ability of the Corporation to consummate, and will not materially delay the consummation of, the Arrangement.

If the Arrangement Agreement is terminated (other than by the Purchaser pursuant to its right to terminate the Arrangement Agreement upon a breach by the Corporation of any of its representations or warranties or covenants), the Purchaser (a) shall forthwith reimburse the Corporation for all out-of-pocket costs, fees and expenses incurred by the Corporation and its Subsidiaries in connection with any proposed Pre-Acquisition Reorganization, and (b) shall indemnify and hold harmless the Corporation and its Subsidiaries from and against any and all liabilities, losses, damages, claims, penalties, interests, awards, judgements and Taxes suffered or incurred by any of them in connection with or as a result of any Pre-Acquisition Reorganization, or take all necessary steps to reverse or unwind any Pre-Acquisition Reorganization.

**Covenants Relating to Tax Matters**

The Corporation has covenanted and agreed that as promptly as possible after the date of the Arrangement Agreement, until the Effective Date, the Corporation and its Subsidiaries shall (a) duly and timely file with the appropriate Governmental Entity, or with the appropriate Corporation Airport, all Tax Returns required to be filed by any of them, which shall be correct and complete in all material respects, (b) reasonably consult with the Purchaser with respect to the discretionary deductions to be claimed in respect of any such Tax Return where claiming such discretionary deductions would otherwise give rise to a non-capital loss for tax purposes and (c) pay, withhold, collect and remit to the appropriate Governmental Entity and to the appropriate Corporation Airport in a timely fashion all amounts required to be so paid, withheld, collected or remitted. The Corporation shall keep the Purchaser reasonably informed of any events, discussions, notices or changes with respect to any Tax or
regulatory audit or investigation or any other investigation by a Governmental Entity or by a Corporation Airport or Proceeding involving the Corporation or any of its Subsidiaries (other than Ordinary Course communications which could not reasonably be expected to be material to the Corporation and the Subsidiaries on a consolidated basis).

- **Covenants Relating to Public Communications**

The Parties have agreed that neither Party shall issue any press release or make any other public statement or disclosure with respect to the Arrangement Agreement or the transactions contemplated by the Arrangement Agreement without the prior written consent of the other Party (which consent shall not be unreasonably withheld, conditioned or delayed); provided that, subject to the covenants regarding non-solicitation in the Arrangement Agreement, any Party that, in the opinion of outside legal counsel, is required to make disclosure by applicable Law (other than disclosures to Governmental Entities in connection with the Other Regulatory Approvals and Key Regulatory Approvals, which shall be addressed in the manner contemplated by the covenants regarding regulatory approvals in the Arrangement Agreement), shall use its best efforts to give the other Party prior oral or written notice and a reasonable opportunity to review or comment on such disclosure (other than with respect to confidential information contained in such disclosure) and if such prior notice is not permitted by applicable Law, shall give such notice immediately following the making of such disclosure. The Party making such disclosure shall give reasonable consideration to any comments made by the other Party or its counsel. For the avoidance of doubt, none of the foregoing shall prevent the Corporation or the Purchaser from making (a) internal announcements to employees and having discussions with shareholders, financial analysts and other stakeholders, or (b) public announcements in the Ordinary Course that do not relate specifically to the Arrangement Agreement or the Arrangement, in each case, so long as such announcements and discussions are consistent in all material respects with the most recent press releases, public disclosures or public statements made by such Person.

- **Notice and Cure Provisions**

From the period commencing on the date of the Arrangement Agreement and continuing until the earlier of the Effective Time and the termination of the Arrangement Agreement in accordance with its terms, each Party has covenanted and agreed to promptly notify the other Party of the occurrence, or failure to occur, of any event or state of facts which occurrence or failure would, or would be reasonably likely to cause any of the representations or warranties of such Party contained in the Arrangement Agreement to be untrue or inaccurate in any material respect at any time from the date of the Arrangement Agreement to the Effective Time; or result in the failure to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by such Party under the Arrangement Agreement.

The Corporation may not elect to exercise its right to terminate the Arrangement Agreement pursuant to a breach by the Purchaser of any of its representations or warranties or a failure to perform any of its covenants under the Arrangement Agreement, and the Purchaser may not elect to exercise its right to terminate the Arrangement Agreement pursuant to a breach by the Corporation of any of its representations or warranties or a failure to perform any of its covenants under the Arrangement Agreement, unless the Party seeking to terminate the Arrangement Agreement (the "Terminating Party") will have delivered a written notice (the "Termination Notice") to the other Party (the "Breaching Party") specifying in reasonable detail all breaches of covenants, representations and
warranties or other matters which the Terminating Party asserts as the basis for termination. After delivering a Termination Notice, provided the Breaching Party is proceeding diligently to cure such matter and such matter is capable of being cured prior to the Outside Date, the Terminating Party may not exercise such termination right until the earlier of (a) the Outside Date, and (b) the date that is fifteen (15) Business Days following receipt of such Termination Notice by the Breaching Party, if such matter has not been cured by such date, provided that, for greater certainty, if any matter is not capable of being cured by the Outside Date, the Terminating Party may immediately exercise the applicable termination right, and provided further that a Willful Breach shall be deemed to be incapable of being cured.

If the Terminating Party delivers a Termination Notice prior to the date of the Meeting, unless the Parties agree otherwise, the Corporation shall postpone or adjourn the Meeting to the earlier of (a) five (5) Business Days prior to the Outside Date and (b) the date that is fifteen (15) Business Days following receipt of such Termination Notice by the Breaching Party.

- **Covenants Relating to Insurance and Indemnification**

Prior to the Effective Date, the Corporation shall purchase customary “tail” policies of directors’ and officers’ liability insurance, from a reputable third party insurer, providing protection no less favourable in the aggregate to the protection provided by the policies maintained by the Corporation and its wholly-owned Subsidiaries which are in effect immediately prior to the Effective Date and providing protection in respect of claims arising from facts or events which occurred on or prior to the Effective Date and the Purchaser shall, or shall cause the Corporation and its wholly-owned Subsidiaries to maintain such tail policies in effect without any reduction in scope or coverage for six (6) years after the Effective Date, provided that the Purchaser shall not be required to pay any amounts in respect of such coverage prior to the Effective Time and provided further that the cost of such policies shall not exceed 300% of the Corporation’s and its wholly-owned Subsidiaries current annual aggregate premium for policies currently maintained by the Corporation or its wholly-owned Subsidiaries.

From and after the Effective Time, the Purchaser has agreed to cause the Corporation to honour all rights to indemnification or excorporation that were existing as of the date of the Arrangement Agreement in favour of present and former employees, officers and directors of the Corporation and its Subsidiaries to the extent they have been provided under applicable law, the constating documents of the Corporation and its Subsidiaries or under indemnification agreements entered into in the Ordinary Course, and acknowledged that such rights shall survive the completion of the Plan of Arrangement and shall continue in full force and effect in accordance with their terms for a period of not less than six (6) years after the Effective Date.

- **Covenants Relating to TSX Delisting**

The Corporation and the Purchaser have each agreed to cooperate with the other Party in taking, or causing to be taken, all actions necessary to delist the Voting Shares from the TSX as promptly as practicable following the Effective Time (including, if requested by the Purchaser, such items as may be necessary to delist the Voting Shares on the Effective Date).
Covenants Relating to Transaction Litigations

Each of the Corporation and Purchaser shall, as promptly as reasonably practicable, notify each other in writing of any Transaction Litigation and shall keep the each other informed on a reasonably prompt basis regarding any such Transaction Litigation. The Corporation shall give the Purchaser the opportunity to (a) participate in the defense of any Transaction Litigation, and (b) consult with outside legal counsel to the Corporation regarding the defense, settlement or compromise with respect to any such Transaction Litigation. With respect to the foregoing, “participate” means that the Purchaser will be kept reasonably apprised on a prompt basis of proposed strategy and other significant decisions with respect to the Transaction Litigation (to the extent that the attorney-client privilege between the Corporation and its outside legal counsel is not undermined or otherwise adversely affected, provided that, in such case, the Parties shall cooperate in seeking to find a way to allow disclosure of the proposed strategy or other significant decision to the extent doing so could reasonably (in the good faith belief of the Corporation, after consultation with outside legal counsel) be managed through the use of customary “clean-room” arrangements or the entering into of any “common interest” contract or similar contract), and the Purchaser may offer comments or suggestions with respect to such Transaction Litigation which the Corporation shall consider in good faith; provided that the Corporation shall not settle or compromise or agree to settle or compromise any Transaction Litigation without the Purchaser’s prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed.

Covenants of the Purchaser Regarding Employment Matters

From and after the Effective Time, the Purchaser shall cause the Corporation to honour and comply in all material respects with all of the obligations of the Corporation under employment agreements with current or former employees, as the case may be, and for a period of twelve (12) months following the Effective Time shall cause the Corporation to provide the employees with benefits and total compensation that are, in the aggregate, at least substantially comparable to, those provided to such employees immediately prior to the Effective Time, provided that the foregoing shall not (a) give any employees any right to continued employment; (b) affect (other than as provided below) or otherwise increase the severance, post-termination benefits or other termination entitlements of employees under their current employment agreements, the Employee Retention Policy and the retirement agreements disclosed in the Corporation Disclosure Letter and the related trust agreement and letter of credit, or applicable Law, (c) impair in any way the right of the Corporation to terminate the employment of any employee or amend or terminate any of the Employee Plans at any time; or (d) apply to any employee who is or becomes covered by a collective agreement whose terms and conditions of employment of each such employee following the Effective Time shall be governed by the terms of the applicable collective agreement.

From and after the Effective Time, the Purchaser shall cause the Corporation to honour and comply in all material respects with all of the obligations of the Corporation under the Employee Retention Policy and the retirement agreements disclosed in the Corporation Disclosure Letter and the related trust agreement and letter of credit, provided that no provision of the foregoing shall (a) give any employees any right to continued employment, (b) affect (other than as provided under the present paragraph) or otherwise increase the severance, post-termination benefits or other termination entitlements of employees under their current employment agreements, or applicable Law, (c) impair in any way the right of the Corporation to terminate the employment of any employee, (d) apply to any employee who
is or becomes covered by a collective agreement whose terms and conditions of employment of each such employee following the Effective Time shall be governed by the terms of the applicable collective agreement, or (e) give any employee any right to both a lump sum payment and a monthly pension in respect of his or her service prior to the Closing.

**Payment of the Consideration**

The Purchaser shall, following receipt of the Final Order and immediately prior to the filing by the Corporation of the Articles of Arrangement with the Director, provide or cause to be provided to the Depositary sufficient funds to be held in escrow (the terms and conditions of such escrow to be satisfactory to the Corporation and the Purchaser, each acting reasonably) to satisfy the aggregate Consideration payable to the Shareholders by the Purchaser as provided for in the Plan of Arrangement (other than with respect to Shareholders exercising Dissent Rights as provided in the Plan of Arrangement).

**COVENANTS REGARDING NON-SOLICITATION**

Except as expressly provided for in the Arrangement Agreement, the Corporation agreed pursuant to the Arrangement Agreement that it shall not, and shall cause its subsidiaries not to, directly or indirectly, through any of its Representatives or affiliates, or otherwise, and shall not permit any such Person to:

(a) solicit, assist, initiate, knowingly encourage or otherwise knowingly facilitate, (including by way of furnishing or providing copies of, access to, or disclosure of, any confidential information, properties, facilities, books or records of the Corporation or any Subsidiary or entering into any form of agreement, arrangement or understanding) any inquiry, proposal or offer (whether public or otherwise) that constitutes or may reasonably be expected to constitute or lead to, an Acquisition Proposal;

(b) enter into, engage in, continue or otherwise participate in any discussions or negotiations with any Person (other than the Purchaser and its affiliates) regarding any inquiry, proposal or offer that constitutes or may reasonably be expected to constitute or lead to, an Acquisition Proposal;

(c) make a Change in Recommendation;

(d) accept, approve, endorse or recommend or publicly propose to accept, approve, endorse or recommend, or take no position or remain neutral with respect to, any Acquisition Proposal (it being understood that publicly taking no position or a neutral position with respect to a publicly announced, or otherwise publicly disclosed, Acquisition Proposal for a period of no more than five (5) Business Days following such public announcement or public disclosure will not be considered to be in violation of the non-solicitation covenants in the Arrangement Agreement, (or in the event that the Meeting is scheduled to occur within such five (5) Business Day period, prior to the third (3rd) Business Day prior to the date of the Meeting)); or

(e) accept or enter into, or publicly propose to accept or enter into, any agreement, understanding or arrangement with any Person in respect of an Acquisition Proposal, other than a
confidentiality and standstill agreement permitted by and in accordance with the terms of the Arrangement Agreement.

The Corporation shall, and shall cause its Subsidiaries and its and their respective Representatives to, immediately cease and terminate, and cause to be terminated, any solicitation, encouragement, discussion, negotiations, or other activities commenced prior to June 27, 2019, with any Person (other than the Purchaser and its affiliates) with respect to any inquiry, proposal or offer that constitutes, or may reasonably be expected to constitute or lead to, an Acquisition Proposal, and in connection with such termination shall:

(a) discontinue access to and disclosure of all information regarding the Corporation and its Subsidiaries, including any data room and any confidential information, properties, facilities and books and records of the Corporation or any of its Subsidiaries; and

(b) promptly request, and exercise all rights it has to require (i) the return or destruction of all copies of any confidential information regarding the Corporation or any of its Subsidiaries provided to any Person other than the Purchaser, its affiliates and their respective Representatives, and (ii) the destruction of all material including or incorporating or otherwise reflecting such confidential information regarding the Corporation or any of its Subsidiaries, in each case, to the extent that such information has not previously been returned or destroyed, and using its reasonable commercial efforts to ensure that such requests are fully complied with in accordance with the terms of such rights or entitlements.

The Corporation has covenanted and agreed that (a) the Corporation shall take all necessary action to enforce each confidentiality, standstill, non-disclosure, non-solicitation or similar agreement, restriction or covenant to which the Corporation or any Subsidiary is a party or may hereafter become a party in accordance the Arrangement Agreement, and (b) neither the Corporation, nor any Subsidiary nor any of their respective Representatives have released or will, without the prior written consent of the Purchaser (which may be withheld or delayed in the Purchaser’s sole and absolute discretion), release any Person from, or waive, amend, suspend or otherwise modify, such Person’s obligations respecting the Corporation or any of its Subsidiaries under any confidentiality, standstill, non-disclosure, non-solicitation or similar agreement, restriction or covenant to which the Corporation or any Subsidiary is a party (it being acknowledged by the Purchaser that the automatic termination or release of any such agreement, restriction or covenant as a result of entering into the Arrangement Agreement shall not be a violation of the foregoing), nor will the Corporation waive the application of the Rights Plan in favour of any third party (other than the Purchaser as necessary).

### Notification of Acquisition Proposals

If the Corporation or any of its Subsidiaries or any of their respective Representatives, receives or otherwise becomes aware of any inquiry, proposal or offer that constitutes or may reasonably be expected to constitute or lead to an Acquisition Proposal, or any request for copies of, access to, or disclosure of, confidential information relating to the Corporation or any of its Subsidiaries, including the information, access or disclosure relating to the properties, facilities, books and records of the Corporation or any of its Subsidiaries, the Corporation shall promptly notify the Purchaser, at first orally, and then promptly and in any event within twenty-four (24) hours in writing, of such Acquisition Proposal, inquiry, proposal, offer or request, including a description of its material terms and conditions, the identity of all Persons making the Acquisition Proposal, inquiry, proposal, offer or request, and
copies of all written documents, material or substantive correspondence or other material received in respect of, from or on behalf of any such Person.

The Corporation shall keep the Purchaser fully informed of the status of all material developments, and to the extent permitted by the provisions regarding responses to an Acquisition Proposal in the Arrangement Agreement, the discussions and negotiations with respect to such Acquisition Proposal, inquiry, proposal, offer or request, including any changes, modifications or other amendments to any such Acquisition Proposal, inquiry, proposal, offer or request and shall promptly provide to the Purchaser copies of all material correspondence if in writing or electronic form, and if not in writing or electronic form, a description of the material or substantive terms of such correspondence communicated to the Corporation by or on behalf of any Person making such Acquisition Proposal, inquiry, proposal, offer or request.

- **Responding to an Acquisition Proposal**

Notwithstanding the covenants regarding non-solicitation of the Arrangement Agreement or any other agreement between the Parties or between the Corporation and any other Person, including without limitation the Confidentiality Arrangements, if at any time, prior to obtaining the Required Shareholder Approval, the Corporation receives a *bona fide* unsolicited written Acquisition Proposal, the Corporation may (a) contact the Person making such Acquisition Proposal and its Representatives solely for the purpose of clarifying the terms and conditions of such Acquisition Proposal, and (b) engage in or participate in discussions or negotiations with such Person regarding such Acquisition Proposal, and may provide copies of, access to or disclosure of confidential information, properties, facilities, or books and records of the Corporation or any of its Subsidiaries, if and only if, in the case of clause (b):

(a) the Board first determines (based upon, amongst other things, the recommendation of the Special Committee) in good faith, after consultation with its financial advisors and its outside legal counsel, that such Acquisition Proposal constitutes, or could reasonably be expected to constitute or lead to a Superior Proposal;

(b) such Person making the Acquisition Proposal was not restricted from making such Acquisition Proposal pursuant to an existing confidentiality, standstill, non-disclosure, non-solicitation or similar agreement, restriction or covenant contained in any contract entered into with the Corporation or any of its Subsidiaries;

(c) the Corporation has been, and continues to be, in compliance with the covenants regarding non-solicitation of the Arrangement Agreement;

(d) prior to providing any such copies, access, or disclosure, the Corporation enters into a confidentiality and standstill agreement with such Person that contains a customary standstill provision and that is otherwise on terms that are no less favourable to the Corporation than those found in the Confidentiality Arrangements, and any such copies, access or disclosure provided to such Person shall have already been (or promptly be) provided to the Purchaser (by posting such information to the data room or otherwise); and

(e) prior to providing any such copies, access or disclosure, the Corporation promptly provides the Purchaser with a true, complete and final executed copy of the aforementioned confidentiality and standstill agreement.
The Parties have acknowledged that the furnishing of certain competitively sensitive information to certain competitors of the Corporation and of its Subsidiaries, including the Purchaser, would be materially prejudicial to the Corporation and its Subsidiaries and, accordingly, no such information shall be disclosed to any Person that the Special Committee, acting reasonably, determines (a) to be a competitor of the Corporation or of any of its Subsidiaries in some material respect, and (b) that such disclosure would be materially prejudicial to the Corporation and its Subsidiaries. Notwithstanding the foregoing, if competitively sensitive information with respect to the Corporation or its Subsidiaries ("Restricted Information") is not disclosed to the Purchaser on the basis of the foregoing restrictions and such Restricted Information is later disclosed to a Person (the "Restricted Information Recipient"), the Corporation shall promptly provide and make available such Restricted Information, on a confidential basis, through external advisors and experts retained by the Purchaser who enter into agreements reasonably satisfactory to the Corporation, providing that such information will not be provided or communicated to the Purchaser, its officers, directors, financing sources or other Representatives.

- **Right to Match**

If the Corporation receives an Acquisition Proposal that constitutes a Superior Proposal prior obtaining the Required Shareholder Approval, the Board may (based upon, amongst other things, the recommendation of the Special Committee), subject to compliance with the terms of the Arrangement Agreement concerning termination rights and the payment of termination fees, enter into a definitive agreement with respect to such Superior Proposal and make a Change in Recommendation, if and only if:

(a) the Person making the Superior Proposal was not restricted from making such Superior Proposal pursuant to an existing confidentiality, standstill, non-disclosure, non-solicitation or similar agreement, restriction or covenant contained in any contract entered into with the Corporation or any of its Subsidiaries;

(b) the Corporation has been, and continues to be, in compliance with the covenants regarding non-solicitation in the Arrangement Agreement;

(c) the Corporation has delivered to the Purchaser a written notice of the determination of the Board that such Acquisition Proposal constitutes a Superior Proposal and of the intention of the Board to enter into such definitive agreement and to make a Change in Recommendation with respect to such Superior Proposal (the "Superior Proposal Notice");

(d) the Corporation has provided the Purchaser a copy of the proposed definitive agreement for the Superior Proposal and all supporting materials, including any financing documents supplied to the Corporation in connection therewith, subject to, in the case of financing documents, customary confidentiality provisions with respect to fee letters or similar information;

(e) at least five (5) full Business Days (the "Matching Period") have elapsed from the date that is the later of the date on which the Purchaser received the Superior Proposal Notice and the date on which the Purchaser received a copy of the materials referred to in paragraph (d) above;
(f) during any Matching Period, the Purchaser has had the opportunity (but not the obligation), in accordance with the provisions of the Arrangement Agreement, to offer to amend the Arrangement Agreement and the Arrangement in order for such Acquisition Proposal to cease to be a Superior Proposal;

(g) after the Matching Period, the Board has (i) determined in good faith, after consultation with the Corporation's outside legal counsel and financial advisors, that such Acquisition Proposal continues to constitute a Superior Proposal (if applicable, compared to the terms of the Arrangement Agreement and the Arrangement as proposed to be amended by the Purchaser) and (ii) determined in good faith, after consultation with the Corporation's outside legal counsel that the failure by the Board to cause the Corporation to enter into a definitive agreement or make a Change in Recommendation with respect to such Superior Proposal would be inconsistent with its fiduciary duties; and

(h) prior to or concurrently with entering into such definitive agreement and making a Change in Recommendation, the Corporation terminates the Arrangement Agreement in the circumstances allowed for the acceptance of a Superior Proposal pursuant to the terms of the Arrangement Agreement, and pays the Termination Fee.

During the Matching Period, or such longer period as the Corporation may approve (in its sole discretion) in writing for such purpose: (a) the Purchaser shall have the opportunity (but not the obligation) to offer to amend the Arrangement and the Arrangement Agreement in order for such Acquisition Proposal to cease to be a Superior Proposal and the Board shall, in consultation with the Corporation's outside legal counsel and financial advisors, review any offer made by the Purchaser to amend the terms of the Arrangement Agreement in accordance with the right to match provisions of the Arrangement Agreement and the Arrangement in good faith in order to determine whether such proposal would, upon acceptance, result in the Acquisition Proposal previously constituting a Superior Proposal ceasing to be a Superior Proposal; and (b) the Corporation shall, and shall cause its Representatives to, negotiate in good faith with the Purchaser to make such amendments to the terms of the Arrangement Agreement and the Arrangement as would enable the Purchaser to proceed with the transactions contemplated by the Arrangement Agreement on such amended terms. If the Board (based upon, inter alia, the recommendation of the Special Committee) determines that such Acquisition Proposal would cease to be a Superior Proposal, the Corporation shall promptly so advise the Purchaser and the Corporation and the Purchaser shall amend the Arrangement Agreement to reflect such offer made by the Purchaser, and shall take and cause to be taken all such actions as are necessary to give effect to the foregoing.

Each successive amendment or modification to any Acquisition Proposal that results in an increase in, or modification of, the consideration (or value of such consideration) to be received by the Shareholders or other material terms or conditions thereof shall constitute a new Acquisition Proposal for the purposes of the right to match provisions of the Arrangement Agreement, and the Purchaser shall be afforded a new full five (5) Business Day Matching Period from the later of the date on which the Purchaser received the Superior Proposal Notice and the date on which the Purchaser received all of the materials referred to in the right to match provisions of the Arrangement Agreement with respect to each new Superior Proposal from the Corporation.

The Board shall promptly reaffirm the Board Recommendation (based upon, inter alia, the recommendation of the Special Committee) by press release after any Acquisition Proposal which the
Board has determined not to be a Superior Proposal is publicly announced or publicly disclosed or the Board determines that a proposed amendment to the terms of the Arrangement Agreement or the Arrangement as contemplated under the right to match provisions of the Arrangement Agreement would result in an Acquisition Proposal no longer being a Superior Proposal. The Corporation shall provide the Purchaser and its outside legal with a reasonable opportunity to review the form and content of any such press release and shall make all reasonable amendments to such press release as requested by the Purchaser and its outside legal counsel. Notwithstanding anything to the contrary in the Arrangement Agreement, in the event that the Board is permitted to enter into a definitive agreement with respect to a Superior Proposal and make a Change in Recommendation in accordance with the terms of the Arrangement Agreement, the Corporation shall have no obligation to consult with the Purchaser prior to making any disclosure related to such decision to enter into a definitive agreement and Change in Recommendation.

If the Corporation provides a Superior Proposal Notice to the Purchaser on a date that is less than ten (10) Business Days before the Meeting, the Corporation shall be entitled to and shall upon request from the Purchaser, postpone the Meeting to a date that is not more than fifteen (15) Business Days after the scheduled date of the Meeting, but in any event to a date that is less than five (5) Business Days prior to the Outside Date.

Notwithstanding anything to the contrary set forth in the Arrangement Agreement, (including the covenants regarding non-solicitation contained in the Arrangement Agreement) nothing shall prohibit the Board (or the Special Committee) from:

(a) responding through a directors’ circular or otherwise as required by Law to an Acquisition Proposal, provided that the Corporation shall provide the Purchaser and its outside legal counsel with a reasonable opportunity to review and comment on the form and content of such circular or other disclosure and shall give reasonable consideration to the comments made by the Purchaser and its outside legal counsel;

(b) calling or holding a meeting of Shareholders requisitioned by Shareholders in accordance with the CBCA; or

(c) taking any action to fulfill its disclosure or legal obligations to Shareholders prior to the Effective Time if the Board, after consultation with outside legal counsel and financial advisors, has determined in good faith that a failure to take such action or make such disclosure would reasonably be expected to be inconsistent with the Board’s exercise of its fiduciary duties or such action or disclosure is otherwise required under applicable Law or ordered or otherwise mandated by a court of competent jurisdiction in accordance with applicable Law, provided, however, that (i) except in circumstances where the Board is permitted to make a Change in Recommendation in accordance with the terms of the Arrangement Agreement, the Corporation shall provide the Purchaser and its outside legal counsel with a reasonable opportunity to review and comment on the form and content of any disclosure so to be made, and shall give reasonable consideration to comments made by the Purchaser and its outside legal counsel, and (ii) notwithstanding that the Board may be permitted to take any such action, the Board shall not be permitted to make a Change in Recommendation other than as set forth in the Arrangement Agreement.
• **Breach by Subsidiaries and Representatives**

The Corporation has agreed to advise its Subsidiaries and its and their Representatives of the prohibitions set out in the covenants regarding non-solicitation of the Arrangement Agreement and any violation thereof by the Corporation, its Subsidiaries or its or their respective Representatives will be deemed to be a breach of thereof by the Corporation. Furthermore, the Corporation shall be responsible for any breach the covenants regarding non-solicitation by its Subsidiaries and its and its Subsidiaries’ Representatives.

**REPRESENTATIONS AND WARRANTIES**

The Arrangement Agreement contains certain representations and warranties made by the Corporation to the Purchaser relating to the following: organization and qualification, corporate authorization, execution and binding obligation, governmental authorization, no conflict/non-contravention, capitalization, shareholders’ and similar agreements, rights plan, subsidiaries, securities law matters, U.S. securities law matters, financial statements, disclosure controls and internal controls over financial reporting, minute books, auditors, no undisclosed liabilities, transactions with directors, officers, employees, etc., no “collateral benefit”, absence of certain changes or events, compliance with laws, authorizations and licenses, opinion of financial advisor, brokers, board and special committee approval, material contracts, restrictions on conduct of business, no guarantees, real property, other assets, intellectual property, business systems, corporation software, litigation, environmental matters, employees, collective agreements, employee plans, insurance, taxes, non-arm’s length transactions, anti-terrorism laws, corrupt practices legislation, trade compliance, money laundering, privacy and anti-spam, franchise matters, Aircraft, Aircraft Engines, Spare Engines and Parts, Corporation Slots, investigations, Corporation Airports, major suppliers and disclosure.

The Arrangement Agreement contains certain representations and warranties made by the Purchaser relating to the following: organization and qualification; corporate authorization; execution and binding obligation; governmental authorization; no conflict/non-contravention; litigation; funds available, security ownership and Canadian status.

The representations and warranties were made solely for the purposes of the Arrangement Agreement and may, in some cases, be subject to important qualifications, limitations and exceptions agreed to by the Parties.

The representations and warranties of the Corporation contained in the Arrangement Agreement shall not survive the completion of the Arrangement and shall expire and be terminated on the earlier of the Effective Time and the date on which the Arrangement Agreement is terminated in accordance with its terms.

**CLOSING CONDITIONS**

• **Mutual Conditions Precedent**

Under the terms of the Arrangement Agreement, the Parties are not required to complete the Arrangement unless each of the following conditions is satisfied on or prior to the Effective Time, which conditions may only be waived, in whole or in part, by the mutual consent of each of the Parties:
the Arrangement Resolution shall have been approved and adopted by the Shareholders at the Meeting in accordance with the Interim Order;

(b) the Interim Order and the Final Order shall each have been obtained on terms consistent with the Arrangement Agreement, and not have been set aside or modified in a manner unacceptable to either the Corporation or the Purchaser, each acting reasonably, on appeal or otherwise;

(c) each of the Key Regulatory Approvals shall have been made, given or obtained and is in force and has not been rescinded or modified; and

(d) no Law is in effect that makes the consummation of the Arrangement illegal or otherwise prohibits or enjoins the Corporation or the Purchaser from consummating the Arrangement.

Additional Conditions Precedent to the Obligations of the Purchaser

The Purchaser is not required to complete the Arrangement unless each of the following conditions is satisfied on or before the Effective Time, which conditions are for the exclusive benefit of the Purchaser and may only be waived, in whole or in part, by the Purchaser in its sole discretion:

(a) (i) the representations and warranties of the Corporation concerning Corporate Authorization, Execution and Binding Obligation, Capitalization, and Subsidiaries (to some extent) in the Arrangement Agreement were true and correct in all respects (except for de minimis inaccuracies) as of the date of the Arrangement Agreement and true and correct in all respects (except for de minimis inaccuracies and inaccuracies which are the result of transactions, changes, conditions, events or circumstances specifically permitted thereunder), as of the Effective Time as if made at and as of such time, (ii) the representations and warranties of the Corporation concerning Organization and Qualification, No Conflict/Non Contravention, Rights Plan, Subsidiaries (to some extent), Compliance with Laws, Authorizations and Licenses, and Brokers in the Arrangement Agreement were true and correct in all material respects (disregarding any materiality, "material" or "Material Adverse Effect" qualification contained in any such representation or warranty) as of the date of the Arrangement Agreement and as of the Effective Time as if made at and as of such time (except that any such representation and warranty that by its terms speaks specifically as of the date of the Arrangement Agreement or another date shall be true and correct in all respects as of such date); and (iii) all other representations and warranties of the Corporation set forth in the Arrangement Agreement shall be true and correct in all respects (disregarding any materiality, "material" or "Material Adverse Effect" qualification contained in any such representation or warranty) as of the date of the Arrangement Agreement and as of the Effective Time as if made at and as of such time (except that any such representation and warranty that by its terms speaks specifically as of the date of the Arrangement Agreement or another date shall be true and correct in all respects as of such date), except where the failure to be so true and correct in all respects, individually or in the aggregate, has not had or would not reasonably be expected to have a Material Adverse Effect; and the Corporation shall have delivered a certificate confirming same to the Purchaser, executed by two (2) senior officers of the Corporation (in each case without personal liability) addressed to the Purchaser and dated the Effective Date;
(b) the Corporation shall have fulfilled or complied in all material respects with each of the covenants of the Corporation contained in the Arrangement Agreement to be fulfilled or complied with by it on or prior to the Effective Time, and the Corporation will have delivered a certificate confirming same to the Purchaser, executed by two (2) senior officers of the Corporation (each without personal liability) addressed to the Purchaser and dated the Effective Date;

(c) there are no proceedings pending or threatened by any Person (other than the Purchaser) in any jurisdiction that would: (i) cease trade, enjoin, prohibit, or impose any material limitations or conditions on, the Purchaser’s ability to acquire, hold, or exercise full rights of ownership over, any Voting Shares, including the right to vote the Voting Shares; (ii) impose terms or conditions on completion of the Arrangement or on the ownership or operation by the Purchaser of the business or assets of the Purchaser and its affiliates, or the Corporation or any of its Subsidiaries, or compel the Purchaser to dispose of or hold separate any portion of the business or assets of the Purchaser and its affiliates, the Corporation or any of its Subsidiaries as a result of the Arrangement, in each case beyond what the Purchaser is required to accept or agree to pursuant to the covenants regarding regulatory approvals; or (iii) impair, impede or prevent the consummation of the Arrangement;

(d) Dissent Rights have not been exercised (or, if exercised, remain outstanding) with respect to more than 10% of the issued and outstanding Voting Shares and the Corporation shall have delivered a certificate confirming same to the Purchaser, executed by two (2) senior officers of the Corporation (each without personal liability) addressed to the Purchaser and dated the Effective Date;

(e) each of the Other Regulatory Approvals that is required from an Aviation Authority to permit the Corporation and its Subsidiaries to operate their respective businesses in the Ordinary Course following the consummation of the transactions contemplated by the Arrangement Agreement has been made, given or obtained and is in force and has not been rescinded or modified, except for those Other Regulatory Approvals the failure to obtain of which would not, individually or in the aggregate, materially impair the operations of the business of the Corporation and its Subsidiaries on a consolidated basis; and

(f) since on June 27, 2019, there shall not have occurred a Material Adverse Effect and the Corporation shall have delivered a certificate confirming the same to the Purchaser, executed by two (2) senior officers of the Corporation (each without personal liability) addressed to the Purchaser and dated the Effective Date.

- Additional Conditions Precedent to the Obligations of the Corporation

The Corporation is not required to complete the Arrangement unless each of the following conditions is satisfied on or before the Effective Time, which conditions are for the exclusive benefit of the Corporation and may only be waived, in whole or in part, by the Corporation in its sole discretion:

(a) (i) the representations and warranties of the Purchaser set forth in the Arrangement Agreement are true and correct in all respects (disregarding any materiality or “material” qualification contained in any such representation or warranty) as of the Effective Time (except for representations and warranties made as of a specified date, the accuracy of which shall be
determined as of such specified date), except where the failure to be so true and correct in all respects would not, individually or in the aggregate, materially impede the completion of the Arrangement, and (ii) the Purchaser shall have delivered a certificate confirming same to the Corporation, executed by two (2) senior officers of the Purchaser (in each case, without personal liability), addressed to the Corporation and dated the Effective Date;

(b) the Purchaser shall have fulfilled or complied in all material respects with each of the covenants of the Purchaser contained in the Arrangement Agreement to be fulfilled or complied with by it on or prior to the Effective Time and will have delivered a certificate confirming same to the Corporation, executed by two (2) senior officers of the Purchaser (each without personal liability) addressed to the Corporation and dated the Effective Date; and

(c) subject to obtaining the Final Order and the satisfaction or waiver of the other conditions precedent contained in the Arrangement Agreement in its favour (other than those which by their terms cannot be until the Effective Time) unless another time or date is agreed to in writing by the Purchaser and Transat, the Purchaser shall have deposited or caused to be deposited with the Depositary in escrow (the terms and conditions of such escrow to be satisfactory to the Corporation and the Purchaser, acting reasonably) the funds required to effect payment in full of the aggregate Consideration to be paid pursuant to the Arrangement and the Depositary has confirmed receipt of such funds.

**TERMINATION**

The Parties have agreed that the Arrangement Agreement shall be effective from the date of the Arrangement Agreement until the earlier of the Effective Date and the termination of the Arrangement Agreement in accordance with its terms.

The Arrangement Agreement may be terminated and the Arrangement abandoned at any time prior to the Effective Time by:

(a) the mutual written agreement of the Parties;

(b) either the Corporation or the Purchaser if:

(i) the Arrangement Resolution is not approved by the Shareholders at the Meeting in accordance with the Interim Order provided that a Party may not terminate the Arrangement Agreement for this reason if the failure to obtain the Required Shareholder Approval has been caused by, or is a result of, a breach by such Party of any of its representations or warranties or the failure of such Party to perform any of its covenants or agreements under the Arrangement Agreement;

(ii) after the date of the Arrangement Agreement, any Law (including with respect to the Key Regulatory Approvals) is enacted, made, enforced or amended, as applicable, that makes the consummation of the Arrangement illegal or otherwise permanently prohibits or enjoins the Corporation or the Purchaser from consummating the Arrangement, and such Law has, if applicable, become final and non-appealable, provided that a Party may not terminate the Arrangement Agreement for this reason if the enactment, making, enforcement or amendment of such Law has been caused by, or is a result of, a breach by such Party of any of its representations or warranties or the
failure of such Party to perform any of its covenants or agreements under the Arrangement Agreement, and provided that the Party seeking to terminate the Arrangement Agreement as provided above, has used its best efforts (or, in respect of the Key Regulatory Approvals and the Other Regulatory Approvals, the efforts required by the covenants regarding regulatory approvals), to, as applicable, prevent, appeal or overturn such Law or otherwise have it lifted or rendered non-applicable in respect of the Arrangement; or

(iii) the Effective Time does not occur on or prior to the Outside Date, provided that a Party may not terminate the Arrangement Agreement for this reason if the failure of the Effective Time to so occur has been caused by, or is a result of, a breach by such Party of any of its representations or warranties or the failure of such Party to perform any of its covenants or agreements under the Arrangement Agreement.

(c) the Corporation if:

(i) a breach of any representation or warranty or failure to perform any covenant or agreement on the part of the Purchaser under the Arrangement Agreement occurs that would cause any condition relating to its representations and warranties or covenants not to be satisfied, and such breach or failure is incapable of being cured or is not cured in accordance with the terms of the Arrangement Agreement, provided that the Corporation is not then in breach under the terms of the Arrangement Agreement so as to directly or indirectly cause any condition related to its representations and warranties or covenants not to be satisfied; or

(ii) prior to obtaining the Required Shareholder Approval, the Board authorizes the Corporation, in accordance with and subject to the terms and conditions of the Arrangement Agreement, to enter into a written agreement (other than a confidentiality and standstill agreement permitted by and in accordance with the terms of the Arrangement Agreement) with respect to a Superior Proposal, provided that the Corporation is then in compliance with the covenants regarding non-solicitation in the Arrangement Agreement and that prior to or concurrent with such termination the Corporation pays the Termination Fee.

(d) the Purchaser if:

(i) a breach of any representation or warranty or failure to perform any covenant or agreement on the part of the Corporation under the Arrangement Agreement occurs that would cause any condition relating to its representations and warranties or covenants not to be satisfied, and such breach or failure is incapable of being cured or is not cured in accordance with the terms of the Arrangement Agreement, provided that the Purchaser is not then in breach under the terms of the Arrangement Agreement so as to directly or indirectly cause any condition related to its representations and warranties or covenants not to be satisfied;

(ii) prior to obtaining the Required Shareholder Approval, (A) the Board or any committee of the Board fails to unanimously recommend or withdraws, amends, modifies or in a manner adverse to the Purchaser, qualifies, or publicly proposes or states an intention...
to withdraw, amend, modify or, in a manner adverse to the Purchaser, qualify, the Board Recommendation, (B) the Board or any committee of the Board accepts, approves, endorses or recommends, or publicly proposes to accept, approve, endorse or recommend an Acquisition Proposal or takes no position or remains neutral with respect to a publicly announced, or otherwise publicly disclosed, Acquisition Proposal for more than five (5) Business Days (or beyond the third (3rd) Business Day prior to the date of the Meeting, if sooner), (C) the Board or any committee of the Board fails to publicly recommend or reaffirm by press release the Board Recommendation within five (5) Business Days after having been requested in writing by the Purchaser to do so (or in the event that the Meeting is scheduled to occur within such five (5) Business Day period, prior to the Business Day prior to the date of the Meeting) (in each of the cases set forth in (A), (B) or (C) above, a “Change in Recommendation”), (D) the Board or any committee of the Board accepts, approves, endorses, recommends or authorizes the Corporation to enter into a written agreement (other than a confidentiality and standstill agreement permitted by the covenants of the Arrangement Agreement regarding responses to Acquisition Proposals) concerning a Superior Proposal or (E) the Corporation breaches any of the covenants regarding non-solicitation of the Arrangement Agreement in any material respect; or

(iii) there has occurred a Material Adverse Effect.

**TERMINATION FEES**

- **Corporation Termination Fee**

Further to the occurrence of any of the following events (each a “Termination Fee Event”), the Corporation shall pay the Purchaser a termination fee in the amount of $15,000,000 (the “Termination Fee”):

(a) termination of the Arrangement Agreement by the Corporation in order to enter into a Superior Proposal in the circumstances permitted by the Arrangement Agreement;

(b) termination of the Arrangement Agreement by the Purchaser following a Change in Recommendation or Superior Proposal;

(c) termination of the Arrangement Agreement by any Party pursuant to any termination event described above under “Termination”, provided that at such time the Purchaser is entitled to terminate the Arrangement Agreement pursuant to a Change in Recommendation or Superior Proposal; or

(d) (A) termination of the Arrangement Agreement by the Corporation or the Purchaser pursuant to their right to termination of the Arrangement Agreement described above if the Required Shareholder Approval is not obtained or if the Effective Time does not occur on or prior to the Outside Date, or (B) termination of the Arrangement Agreement by the Purchaser pursuant to its right described above to terminate the Arrangement Agreement in the context of a breach of a representation or warranty or failure to perform any covenant or agreement on the part of the Corporation (due to a Willful Breach or fraud) if, in either of the cases set forth in (A) or (B) of this paragraph:
(i) prior to such termination, an Acquisition Proposal is made or publicly announced or otherwise publicly disclosed by any Person other than the Purchaser or any of its affiliates); and

(ii) within twelve (12) months following the date of such termination, (A) an Acquisition Proposal (whether or not such Acquisition Proposal is the same Acquisition Proposal referred to in (i) above) is consummated or effected, or (B) the Corporation and/or any of its Subsidiaries, directly or indirectly, in one or more transactions, enters into a contract (other than a confidentiality and standstill agreement permitted by and in accordance with the Arrangement Agreement), in respect of an Acquisition Proposal (whether or not such Acquisition Proposal is the same Acquisition Proposal referred to in (i) above) and such Acquisition Proposal is later consummated (whether or not within twelve (12) months after such termination).

For the purpose of the foregoing, the term “Acquisition Proposal” has the meaning assigned to such term in the “Glossary of Terms” of the present Circular, except that references to “20% or more” shall be deemed to be references to “50% or more”.

- **Purchaser Reverse Termination Fee**

  Further to the occurrence of any of the following events (each a "Reverse Termination Fee Event"), the Purchaser shall pay the Corporation a termination fee in the amount of (i) $20,000,000 if any Key Regulatory Approval that has not been made, given or obtained at the time of the Reverse Termination Fee Event could not have been made, given or obtained under the circumstances set forth in the Arrangement Agreement, and (ii) $40,000,000 in all other circumstances (the "Reverse Termination Fee"):

  (a) termination of the Arrangement Agreement by the Corporation or the Purchaser pursuant to its right to terminate if there is a Law in effect making the Arrangement illegal if (i) the termination results from a Law related to one or more of the Key Regulatory Approvals, and (ii) the enactment, making, enforcement or amendment of such Law has not been caused by, or is not a result of, a breach by the Corporation of any of its representations or warranties or the failure of the Corporation to perform any of its covenants or agreements relating to the Key Regulatory Approvals; or

  (b) termination of the Arrangement Agreement by the Corporation or the Purchaser if the Effective Time does not occur on or prior to the Outside Date, if, as of the time of termination, (i) the condition regarding the obtaining of the Key Regulatory Approvals is not satisfied (unless the failure of such condition to be satisfied has been caused by, or is a result of, a breach by the Corporation of any of its representations or warranties or the failure of the Corporation to perform any of its covenants or agreements under the Arrangement Agreement), and (ii) all of the other mutual conditions precedent and the additional conditions precedent to the obligations of the Purchaser have been satisfied or waived by the Purchaser other than (A) the conditions in the Arrangement Agreement that there be no Law in effect making the Arrangement illegal (only insofar as the Law creating such illegality is related to one or more of the Key Regulatory Approvals) and the condition that there be no proceeding against the Arrangement (only insofar as the proceeding is related to the Key Regulatory Approvals), and
(B) those conditions that by their terms are to be satisfied at the Effective Time and that are capable of being satisfied.

- **Outside Date**

The Outside Date provided in the Arrangement Agreement is June 27, 2020, provided that if one or more of the Key Regulatory Approvals has not been obtained, either Party may, in its sole discretion:

(i) extend such initial Outside Date by three (3) additional successive periods of one (1) month each; and

(ii) thereafter, further extend the Outside Date by three (3) additional successive periods of one (1) month each, provided that, at the time of each such additional extension, a suit, action, litigation or arbitration or other legal proceeding (including any civil, criminal, administrative or appellate proceeding) has commenced, been brought or is conducted or heard by or before any Governmental Entity in relation to a Key Regulatory Approval.

Any such extension in (i) and (ii) above shall be made by a Party by giving written notice to the other Party to such effect no later than 5:00 p.m. (Montréal time) on a date that is no less than five (5) Business Days prior to the initial Outside Date or any applicable subsequent Outside Date, provided that (i) notwithstanding the foregoing, a Party shall not be permitted to extend the applicable Outside Date if the failure to obtain one or more of the Key Regulatory Approvals is primarily the result of such Party’s failure to comply with its covenants relating to the obtaining of such Key Regulatory Approvals in the Arrangement Agreement, (ii) in the case of the notice extending the initial Outside Date for an initial additional period of one (1) month, such notice must be given no later than 5:00 p.m. (Montréal time) on a date that is no more than 30 days prior to the initial Outside Date, and (iii) for greater certainty, subject to the conditions set forth above being satisfied, either Party shall have the ability to initiate any subsequent extension pursuant to the terms above, irrespective of which Party initiated any earlier extension.

**EXPENSES**

Except as specifically otherwise provided for in the Arrangement Agreement, all out-of-pocket third party transaction expenses incurred in connection with the Arrangement, the Arrangement Agreement and the transactions contemplated thereby, including all costs, expenses and fees of the Corporation incurred prior to or after the Effective Date in connection with, or incidental to, the Plan of Arrangement, shall be paid by the Party incurring such expenses, whether or not the Arrangement is consummated.

**INJUNCTIVE RELIEF, SPECIFIC PERFORMANCE AND REMEDIES**

The Parties are entitled to injunctive and other equitable relief to prevent breaches or threatened breaches of the Arrangement Agreement and to enforce compliance with the specific terms of the Arrangement Agreement, this, subject to the paragraph that follows, being in addition to any other remedy to which the Parties may be entitled at law or in equity.

In the event the Termination Fee or the Reverse Termination Fee, as applicable, is paid in full to the applicable Party or as such Party directs, no other amounts will be due and payable as damages or
otherwise by the Party making such payment, and the Party to whom such payment is made accepts that such payment is its sole and exclusive remedy in connection with the Arrangement Agreement (and the termination thereof), the transactions contemplated by the Arrangement Agreement or any matter forming the basis for such termination and is the maximum aggregate amount that the Party making such payments shall be required to pay to it in lieu of any damages or any other payments or remedy which the Party to whom such payment is made may be entitled to in connection with the Arrangement Agreement (and the termination thereof), the transactions contemplated by the Arrangement Agreement or any matter forming the basis for such termination provided, however, that this limitation shall not apply (a) to any payments required to be made following a termination, which payments were incurred as a result of a Pre-Acquisition Reorganization, and (b) in the event of fraud or a Willful Breach by the Party making such payments or any of its Subsidiaries of its representations, warranties, covenants or agreements set forth in the Arrangement Agreement (which breach and liability therefore shall not be affected by termination of the Arrangement Agreement or any payment of the Termination Fee or the Reverse Termination Fee, as applicable). A Party to whom the Termination Fee or the Reverse Termination Fee, as applicable, is paid in full in the manner provided in the Arrangement Agreement shall not be entitled to bring or maintain any proceedings (including any proceedings to obtain an Order for specific performance) in connection with the Arrangement Agreement (and the termination hereof), the Arrangement or any of the other transactions contemplated thereby against the other Party.

AMENDMENT

The Arrangement Agreement and the Plan of Arrangement may, at any time and from time to time before or after the holding of the Meeting but not later than the Effective Time, be amended by mutual written agreement of the Parties and any such amendment may, without limitation:

(a) change the time for performance of any of the obligations or acts of the Parties;

(b) waive any inaccuracy or modify any representation or warranty contained in the Arrangement Agreement or in any document delivered pursuant to the Arrangement Agreement;

(c) waive compliance with or modify any of the covenants contained in the Arrangement Agreement and waive or modify performance of any of the obligations of the Parties; and

(d) waive compliance with or modify any mutual conditions contained in the Arrangement Agreement.

GOVERNING LAW

The Arrangement Agreement is governed by and interpreted and enforced in accordance with the laws of the Province of Québec and the federal laws of Canada applicable therein. Under the Arrangement Agreement, each Party irrevocably attorned and submitted to the non-exclusive jurisdiction of the Québec courts situated in the City of Montréal and waived objection to the venue of any proceeding in such court or that such court provides an inconvenient forum.
CERTAIN LEGAL MATTERS

IMPLEMENTATION OF THE ARRANGEMENT AND TIMING

The Arrangement will be implemented by way of a Court-approved plan of arrangement under the CBCA pursuant to the terms of the Arrangement Agreement. The following procedural steps must be taken in order for the Arrangement to become effective: (a) the Required Shareholder Approval must be obtained; (b) the Court must grant the Final Order approving the Arrangement; (c) all other conditions precedent to the Arrangement set forth in the Arrangement Agreement, including the receipt of the Key Regulatory Approvals, must be satisfied or waived by the appropriate party; and (d) the Final Order and Articles of Arrangement in the form prescribed by the CBCA must be filed with the Director.

Except as otherwise provided in the Arrangement Agreement, Transat will file the Articles of Arrangement with the Director as soon as reasonably practicable (and in any event not later than five (5) Business Days) after the satisfaction or, where permitted, waiver of the conditions set forth in the Arrangement Agreement (other than those which, by their nature, are only capable of being satisfied as of the Effective Time) unless another time or date is agreed to in writing by the Purchaser and Transat.

It is currently anticipated that the Arrangement will be completed early in 2020. However, completion of the Arrangement is dependent on many factors and it is not possible at this time to determine precisely when or if the Arrangement will become effective. See “Risk Factors” As provided under the Arrangement Agreement, the Arrangement cannot be completed later than the Outside Date (as such date may be extended as permitted under the Arrangement Agreement), without triggering termination rights under the Arrangement Agreement. See “Arrangement Agreement - Termination Fees - Outside Date”.

COURT APPROVAL AND COMPLETION OF THE ARRANGEMENT

- **Interim Order**

The Arrangement requires approval by the Court under Section 192 of the CBCA. Prior to the mailing of this Circular, Transat obtained the Interim Order providing for the calling and holding of the Meeting and other procedural matters, including, but not limited to: (a) the Required Shareholder Approval, (b) the Dissent Right to registered Shareholders, (c) the notice requirements with respect to the presentation of the application to the Court for the Final Order, (d) the ability of Transat to adjourn or postpone the Meeting from time to time in accordance with the terms of the Arrangement Agreement without the need for additional approval of the Court, and (e) unless required by Law or the Court, that the Record Date for the Shareholders entitled to notice of and to vote at the Meeting will not change in respect or as a consequence of any adjournment(s) or postponement(s) of the Meeting. A copy of the Interim Order is attached as Schedule E to this Circular.

- **Final Order**

Subject to the terms of the Arrangement Agreement, following the approval of the Arrangement Resolution by Shareholders, Transat will make an application to the Court for the Final Order. A motion for the Final Order approving the Arrangement is expected to be presented on August 28, 2019 before the Superior Court of Québec (Commercial Division), sitting in the District of Montréal, in room 16:12, of the Montréal Courthouse (or in such other room that the Court may determine), located at 1, Notre-
Dame Street East, Montréal, Québec, H2Y 1B7 (the “Final Hearing”). A copy of the Notice of Presentation for the Final Order is set forth in Schedule F to this Circular. Any Shareholder who wishes to appear and be heard at the Final Hearing must file an answer (notice of appearance) with the Court’s registry and serve same on Transat’s counsel c/o Mtre Alain Riendeau & Mtre Brandon Farber, Fasken Martineau DuMoulin LLP, Stock Exchange Tower, 800 Place Victoria, Suite 3700, Montréal, Québec H4Z 1E9, email: ariendeau@fasken.com & bfarber@fasken.com and on Purchaser’s counsel, c/o Mtre Stéphanie Lapierre, Stikeman Elliott LLP, 1155 René-Lévesque Boul. W., 41st floor, Montréal, Québec H3B 3V2, email: slapierre@stikeman.com, no later than 4:30 p.m. (Montréal time) on August 26, 2019. If such an answer (notice of appearance) is with a view to contesting the application for a Final Order, such answer (notice of appearance) must provide a summary of the grounds of contestation and be served on the Transat’s counsel and on Purchaser’s counsel (at the above addresses or email addresses), no later than 12:00 p.m. on August 27, 2019.

At the Final Hearing, the Court will consider, among other things, the fairness of the Arrangement. The Court may approve the Arrangement in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court deems fit. In the event that the Final Hearing is postponed, adjourned or rescheduled then, subject to any further order of the Court, only those persons having previously served a notice of appearance in compliance with the Notice of Presentation and the Interim Order will be given notice of the postponement, adjournment or rescheduled date.

REGULATORY MATTERS
The completion of the Arrangement is conditional on the Key Regulatory Approvals.

- Competition Act Approval

Part IX of the Competition Act requires that the Commissioner be notified of certain classes of transactions that exceed the thresholds set out in Sections 109 and 110 of the said Act (“Notifiable Transactions”) by the parties to the transaction.

Subject to certain limited exceptions, the parties to a Notifiable Transaction cannot complete the transaction until they have submitted the information prescribed pursuant to Subsection 114(1) of the Competition Act to the Commissioner and the applicable waiting period has expired or been terminated by the Commissioner. The waiting period is 30 calendar days after the day on which the parties to the transaction submit the prescribed information, provided that, before the expiry of this period, the Commissioner has not notified the parties that he requires additional information that is relevant to the Commissioner's assessment of the transaction pursuant to Subsection 114(2) of the Competition Act (a “Supplementary Information Request”). In the event that the Commissioner provides the parties with a Supplementary Information Request, the parties cannot complete their transaction until 30 calendar days after compliance with such Supplementary Information Request, provided that there is no order in effect prohibiting completion at the relevant time. A transaction may be completed before the end of the applicable waiting period if the Commissioner notifies the parties that he does not, at such time, intend to challenge the transaction by making an application under Section 92 of the Competition Act.

Alternatively, or in addition to filing the prescribed information, a party to a Notifiable Transaction may apply to the Commissioner for an advance ruling certificate (an “ARC”) or a “no-action” letter, which may be issued by the Commissioner in respect of a proposed transaction if he is satisfied that there are
not sufficient grounds on which to apply to the Competition Tribunal for an order challenging the transaction under Section 92 of the Competition Act.

At any time before a “merger” (as such term is defined under the Competition Act) is completed, even where the Commissioner has been notified under Subsection 114(1) of the Competition Act and the applicable waiting period has expired, the Commissioner may apply to the Competition Tribunal for an interim order under Subsection 100(1) of the Competition Act forbidding any person named in the application from doing any act or thing where it appears to the Competition Tribunal that such act or thing may constitute or be directed toward the completion or implementation of a proposed merger. The Competition Tribunal may issue such order for up to 30 calendar days where (a) the Commissioner has certified that an inquiry is being made under paragraph 10(1) (b) of the Competition Act and that, in his opinion, more time is required to complete the inquiry, and (b) the Competition Tribunal finds that, in the absence of an interim order, a party to the proposed merger or any other person is likely to take an action that would substantially impair the ability of the Competition Tribunal to remedy the effect of the proposed merger on competition under Section 92 of the Competition Act because that action would be difficult to reverse. The duration of such interim order may be extended for an additional period of up to 30 calendar days where the Competition Tribunal finds, on application made by the Commissioner, that the Commissioner is unable to complete the inquiry within the period specified in the order because of circumstances beyond the control of the Commissioner.

Whether or not a merger is subject to notification under Part IX of the Competition Act, the Commissioner can apply to the Competition Tribunal for a remedial order under Section 92 of the Competition Act at any time before the merger has been completed or, if completed, within one year after it was substantially completed, provided that the Commissioner did not issue an ARC in respect of the merger, or, if the Commissioner did issue an ARC in respect of the merger, provided that (a) the merger was completed more than one year from when the ARC was issued or (b) the merger was completed within one year from when the ARC was issued and the grounds upon which the Commissioner intends to apply to the Competition Tribunal for a remedial order are not the same or substantially the same as the information on the basis of which the ARC was issued. In conjunction with an application under Section 92 of the Competition Act, the Commissioner may also seek any interim order that the Competition Tribunal considers appropriate, having regard to the principles ordinarily considered by superior courts when granting interlocutory or injunctive relief. On application by the Commissioner under Section 92 of the Competition Act, the Competition Tribunal may, where it finds that the merger prevents or lessens, or is likely to prevent or lessen, competition substantially, order that the merger not proceed or, if completed, order its dissolution or the disposition of some of the assets or shares involved in such merger; in addition to, or in lieu thereof, with the consent of the person against whom the order is directed and the Commissioner, the Competition Tribunal can order a person to take any other action. The Competition Tribunal cannot, however, issue a remedial order where it finds that the merger or proposed merger has brought or is likely to bring about gains in efficiency that will be greater than, and will offset, the effects of any prevention or lessening of competition that will result or is likely to result from the merger and that the gains in efficiency would not likely be attained if the order were made. In addition, under Section 94 of the Competition Act, the Competition Tribunal cannot make an order under Section 92 of the Competition Act in respect of a merger approved under Subsection 53.2(7) of the CT Act.

The transactions contemplated by the Arrangement are a Notifiable Transaction and also constitute a "merger" for the purposes of the Competition Act. The Parties filed notifications pursuant to
Subsection 114(1) of the Competition Act with the Commissioner on July 17, 2019. The Parties also submitted a request for an ARC or "no-action" letter to the Commissioner on July 17, 2019. There can be no assurance that the Commissioner will not apply to the Competition Tribunal under Subsection 100(1) or Sections 104 and 92 of the Competition Act in respect of the transactions contemplated by the Arrangement Agreement, and if such application is made, there can be no assurance that the Competition Tribunal will not issue an order under Subsection 100(1) or Sections 104 or 92 of the Competition Act.

It is a condition to Closing that Competition Act Clearance be obtained. See "Risk Factors – Risks Relating to the Arrangement – Conditions Precedents and Required Approvals".

- **CT Act Approval**

Section 53.1(1)(a) of the CT Act requires that the Minister be notified of a Notifiable Transaction that involves a transportation undertaking (a "CT Transaction"). A CT Transaction is prohibited from closing until the Minister issues an opinion that the CT Transaction does not raise issues with respect to the public interest as it relates to national transportation under Section 53.1(4) of the CT Act, or, if the Minister is of the opinion that the CT Transaction raises issues with respect to the public interest as it relates to national transportation under Section 53.1(5) of the CT Act, the Governor in Council approves the CT Transaction under Section 53.2(7) of the CT Act.

If the Minister is of the opinion that a proposed transaction does not raise issues with respect to the public interest as it relates to national transportation, the Minister is obligated to issue an opinion to this effect under Section 53.1(4) of the CT Act within 42 calendar days after the date on which the notification was submitted to the Minister under the CT Act. If the Minister does not issue an opinion under Section 53.1(4) of the CT Act, the statutory prohibition on closing continues until the issuance of a decision by the Governor in Council, pursuant to which a CT Transaction may either be approved, not approved, or approved subject to such terms and conditions that the Governor in Council considers appropriate. There is no time period within which the Governor in Council must reach a decision.

In connection with the transactions contemplated by the Arrangement, on July 17, 2019 the Parties filed with the Minister a written application seeking CT Act Approval. The CT Act Approval will be obtained by either (a) the Minister giving notice under Section 53.1(4) of the CT Act, or (b) the Governor in Council approving the transactions under Section 53.2(7) of the CT Act.

It is a condition to Closing that CT Act Approval be obtained. See "Risk Factors – Risks Relating to the Arrangement – Conditions Precedents and Required Approvals".

- **Canadian Status Determination**

Section 53.1(1)(b) of the CT Act requires that the Canadian Transportation Agency (the “CTA”) be notified of a Notifiable Transaction that involves an air transportation undertaking (a "CTA Transaction").

It is a condition of Closing that the CTA determines that the CTA Transaction would result in an undertaking that is Canadian as defined in the CT Act. See "Risk Factors – Risks Relating to the Arrangement – Conditions Precedents and Required Approvals".
Approval Pursuant to the EU Merger Regulation (139/2004)

Both Transat and the Purchaser conduct business in member states of the EU, where the EU Merger Regulation (139/2004), as amended, and accompanying regulations require notification to and approval by the European Commission of specific mergers or acquisitions involving parties with worldwide sales and individual European Union sales exceeding specified thresholds before these mergers and acquisitions can be implemented. Because the transaction exceeds the specific EU thresholds, the European Commission will have exclusive jurisdiction over the 28 EU Member States. The antitrust clearance proceedings under the EU Merger Regulation are structured in three stages: Pre-notification contacts, Phase I and Phase II. Pre-notification contacts are important and standard practice for notifications with the European Commission. In the course of pre-notification contacts, a draft of the notification is submitted to the European Commission's case team to ensure that the notification can be considered complete. Following the formal notification to the European Commission, the European Commission has 25 working days following receipt of a complete notification form to issue a decision declaring the merger to be compatible with the common market, either unconditionally or conditionally upon satisfaction of commitments, or to open an in-depth investigation (Phase I). If the European Commission initiates an in-depth investigation, it must issue a final decision as to whether or not the merger is compatible with the common market, either unconditionally or conditionally upon satisfaction of commitments, no later than 90 working days after the initiation of the in-depth investigation (Phase II). These periods may be extended in certain circumstances. It is possible, although the parties consider it unlikely, that any Phase II investigation could result in a prohibition of the Arrangement. Based on its discussions to date with the Purchaser, Transat expects that a draft notification will be provided towards the end of August 2019. The further timing of the proceeding cannot be predicted.

Other Regulatory Approvals

In the event of a no-deal Brexit, if the European Commission’s review of the Arrangement is ongoing at the time of the UK’s departure from the European Union, the UK Competition and Markets Authority (“CMA”) may decide to assert jurisdiction to review the UK-relevant aspects of the Arrangement (which will no longer fall within the jurisdiction of the European Commission). Review by the CMA would involve pre-notification contacts during which a draft notification (“Merger Notice”) would be submitted to the CMA case team, followed by formal notification of a Merger Notice to the CMA. The CMA has 40 working days following formal notification to issue either a clearance decision or refer the Arrangement to an in-depth investigation (Phase II). The Parties may offer commitments in place of proceeding to Phase II, subject to the satisfaction of the CMA. Should the Parties not offer commitments or not offer commitments to the satisfaction of the CMA, a Phase II review would be initiated. A Phase II review would add an additional six to eight months review period on top of pre-notification and the Phase I review.

CANADIAN SECURITIES LAW MATTERS

This summary is of a general nature only and is not intended to be, and should not be construed to be, legal or business advice to any particular Shareholder. This summary does not include any information regarding securities law considerations for jurisdictions other than Canada. Shareholders who reside in a jurisdiction outside of Canada are urged to obtain independent advice in respect of the consequences to them of the Arrangement having regard to their particular circumstances.
The Corporation is a reporting issuer (or its equivalent) in all provinces of Canada and, accordingly, is subject to applicable Securities Laws of such provinces, including in Québec, Regulation 61-101 which regulates transactions which raise the potential for conflicts of interest, including issuer bids, insider bids, related party transactions and business combinations.

Regulation 61-101 is intended to regulate certain transactions to ensure equality of treatment among securityholders, generally by requiring enhanced disclosure, approval by a majority of securityholders excluding interested or related parties and, in certain instances, independent valuations and approval and oversight of the transaction by a special committee of independent directors. The protections of Regulation 61-101 generally apply to “business combinations” (as defined in Regulation 61-101) which are transactions that can result in the interests of securityholders being terminated.

Regulation 61-101 provides that, in certain circumstances, where a “related party” (as defined in Regulation 61-101) of an issuer is entitled to receive a “collateral benefit” (as defined in Regulation 61-101) in connection with an arrangement transaction (such as the Arrangement), such transaction may be considered a “business combination” for the purposes of Regulation 61-101 and subject to minority approval requirements. However, the minority approval requirements of Regulation 61-101 do not apply to related parties who have beneficial ownership or control or direction over less than 1% of the issuer’s outstanding equity securities at the time the transaction was agreed to and where collateral benefits are disclosed in the information circular. In assessing whether the Arrangement could be considered a “business combination” for the purposes of Regulation 61-101, the Corporation reviewed all benefits or payments which “related parties” of the Corporation (in the case of the Arrangement, the directors of Transat and the Executive Officers) are entitled to receive, directly or indirectly, in connection with the Arrangement, to determine whether any such benefits or payments could constitute a “collateral benefit” (as defined in Regulation 61-101).

A “collateral benefit”, as defined under Regulation 61-101, includes any benefit that a “related party” of the Corporation (which includes the directors and Executive Officers of the Corporation) is entitled to receive, directly or indirectly, as a consequence of the Arrangement, including, without limitation, an increase in salary, a lump sum payment, a payment for surrendering securities, or other enhancement in benefits related to past or future services as an employee, director or consultant of the Corporation. However, Regulation 61-101 excludes from the meaning of “collateral benefit” certain benefits to a related party received solely in connection with the “related party’s” services as an employee, director or consultant of an issuer or an affiliated entity of the issuer or a successor to the business of the issuer where, among other things, (i) the benefit is not conferred for the purpose, in whole or in part, of increasing the value of the consideration paid to the related party for securities relinquished under the transaction; (ii) the conferring of the benefit is not, by its terms, conditional on the related party supporting the transaction in any manner; (iii) full particulars of the benefit are disclosed in the disclosure document for the transaction; and (iv) either (A) at the time the transaction was agreed to, the related party and its associated entities beneficially own or exercise control or direction over less than 1% of the outstanding Voting Shares, or (B) (x) the “related party” discloses to an independent committee of the issuer the amount of consideration that the “related party” expects it will be beneficially entitled to receive, under the terms of the Arrangement, in exchange for the Voting Shares beneficially owned by the “related party”, (y) such independent committee, acting in good faith,
determines that the value of the benefit, net of any offsetting costs to the “related party”, is less than 5% of the value referred to in (x), and (z) such independent committee’s determination is disclosed in the information circular.

If a “related party” receives a “collateral benefit” in connection with the Arrangement, the Arrangement Resolution will require “minority approval” in accordance with Regulation 61-101. If “minority approval” is required, the Arrangement Resolution must be approved by a majority of the votes cast, excluding those votes beneficially owned, or over which control or direction is exercised, by the “related parties” of the Corporation who receive a “collateral benefit” in connection with the Arrangement. This approval is in addition to the requirement that the Arrangement Resolution must be approved by at least two thirds of the votes cast on the Arrangement Resolution by the Shareholders, voting together as a single class, present in person or represented by proxy at the Meeting and entitled to vote.

The various payments and benefits that each of the Executive Officers of Transat and also Shareholders, may receive as a result of the completion of the Arrangement (the “Employment Benefits”) may result in such payments being characterized as “collateral benefits” for purposes of Regulation 61-101. See “The Arrangement — Interests of Certain Persons in the Arrangement”. However, these Employment Benefits were not conferred for the purpose, in whole or in part, of increasing the value of the consideration paid to such individuals for securities relinquished under the Arrangement and the conferring of such benefits was not conditional on any of such individuals supporting the Arrangement.

In addition, certain of the directors and Executive Officers of Transat hold restricted Voting Shares, Options, DSUs, PSU and RSUs. If the Arrangement is completed, the vesting of all Voting Shares, Options, DSUs, PSU and RSUs is to be accelerated and such directors and Executive Officers are to receive cash payments in consideration for the surrender to the Corporation for cancellation of such Options, DSUs, PSU and RSUs in accordance with the Arrangement Agreement as well as the Consideration for the restricted Voting Shares. See “The Arrangement - Interest of certain persons in the Arrangement” for detailed information regarding the benefits and other payments to be received by such directors and Executive Officers of the Corporation in connection with the Arrangement.

Considering the number of Voting Shares held by each of the directors and Executive Officers and the benefits or payments that they expect to receive pursuant to the Arrangement, including the Employment Benefits if applicable, it has been determined that the aforementioned benefits or payments, except in the case of Jean-Marc Eustache, to the extent that they may constitute “collateral benefits” (as defined in Regulation 61-101), fall within an exception to the definition of collateral benefit for the purposes of Regulation 61-101, since such benefits are received solely in connection with the related parties’ services as employees or directors of the Corporation or of any affiliated entities of the Corporation, are not conferred for the purpose, in whole or in part, of increasing the value of the Consideration paid to the related parties for their Voting Shares, and are not conditional on the related parties supporting the Arrangement in any manner, and at the time of the entering into of the Arrangement Agreement, none of the related parties entitled to receive the benefits, aside from Jean-Marc Eustache, exercised control or direction over, or beneficially owned, more than 1% of the outstanding Voting Shares, as calculated in accordance with Regulation 61-101. Accordingly, such benefits, except those received by Mr. Eustache, are not “collateral benefits” for the purposes of Regulation 61-101.
Mr. Eustache beneficially owns more than 1% of the outstanding Class B voting shares. Furthermore, the value of the Employment Benefit to be received by Mr. Eustache, net of any offsetting costs, is more than 5% of the amount of the consideration that Mr. Eustache expects he will be beneficially entitled to receive under the terms of the Arrangement in exchange for the Class B voting shares that he beneficially owns.

Consequently, the Arrangement is a "business combination" under Regulation 61-101 because Jean-Marc Eustache, Chair of the Board, President and Chief Executive Officer and Chair of the Executive Committee of the Corporation, is a “related party” of Transat and may be entitled to receive a "collateral benefit" (as such term is defined in Regulation 61-101) as a consequence of the Arrangement.

Accordingly, all Class B voting shares beneficially owned, or over which control or direction is exercised by Jean-Marc Eustache (i.e. after reasonable enquiry, as at the Record Date, an aggregate of 427,202 Class B voting shares, representing approximately 1.13% of the issued and outstanding Voting Shares, on a non-diluted basis) will be excluded for the purposes of determining whether minority approval of the Arrangement Resolution has been obtained.

Given the relatively few Voting Shares excluded, it is very unlikely that the approval of at least two thirds of the votes cast on the Arrangement Resolution by the Shareholders, voting together as a single class, present in person or represented by proxy at the Meeting and entitled to vote, will not include the required "minority approval". However, to ensure complete compliance with all voting requirements under applicable Securities Laws, the Required Shareholder Approval for the Arrangement Resolution requires the approval of, among others, a simple majority of the votes cast on the Arrangement Resolution by the Shareholders, voting together as a single class, present in person or represented by proxy at the Meeting and entitled to vote, other than Mr. Jean-Marc Eustache as discussed above.

The Corporation has applied for and received from the applicable Securities Authorities an exemptive relief providing that the outstanding Class A variable voting shares and the outstanding Class B voting shares of the Corporation are to be considered as a single class of shares, voting together, for purposes of the simple majority of the votes cast by Shareholders on the Arrangement Resolution to be obtained in connection with the "minority approval" required per Regulation 61-101, as further described hereinabove.

- **Prior Valuations and Prior Offers**

Transat is not required to obtain a formal valuation under Regulation 61-101 as no “interested party” (as defined in Regulation 61-101) of the Corporation is, as a consequence of the Arrangement, directly or indirectly, acquiring Transat or its business or combining with the Purchaser and neither the Arrangement nor the transaction contemplated thereunder is a “related party transaction” (as defined in Regulation 61-101) for which Transat would be required to obtain a formal valuation. Furthermore, neither Transat nor any director or Executive Officer of Transat, after reasonably inquiry, has knowledge of any "prior valuation" (as defined in Regulation 61-101) in respect of the Corporation that has been made in the 24 months before the date of this Circular.
Stock Exchange De-Listing and Reporting Issuer Status

Transat expects that the Voting Shares will be de-listed from the TSX as promptly as practicable following the Effective Time. It is also expected that Transat will apply to cease to be a reporting issuer in all the provinces of Canada after the Effective Date.

RISK FACTORS

The following risk factors should be carefully considered by Shareholders in evaluating the approval of the Arrangement Resolution:

RISKS RELATING TO TRANSAT

If the Arrangement is not completed, Transat will continue to face the risks that it currently faces with respect to its affairs, business and operations and future prospects. Such risk factors are set forth and described in Transat’s Management’s Discussion and Analysis of Financial Condition and Results of Operations for the year ended October 31, 2018, which has been filed on SEDAR at www.sedar.com.

RISKS RELATED TO THE ARRANGEMENT

Conditions Precedent and Required Approvals

There can be no certainty, nor can Transat provide any assurance, that all conditions precedent to the Arrangement will be satisfied or waived, nor can there be any certainty of the timing of their satisfaction or waiver. Failure to complete the Arrangement could materially negatively impact the trading price of the Voting Shares.

The completion of the Arrangement is subject to a number of conditions precedent, some of which are outside Transat’s control, including receipt of the Final Order and receipt of the Key Regulatory Approvals. Other conditions precedent which are outside of Transat’s control include, without limitation, the receipt of the Required Shareholder Approval, holders of no more than 10% of the issued and outstanding Voting Shares having exercised Dissent Rights and the receipt of the Other Regulatory Approvals.

Concerning the Key Regulatory Approvals, due to the nature of the business operated by the Parties and the fact that they are both active in certain markets, the Arrangement is likely to be subject to careful review by the competition and transportation regulatory authorities who may seek certain remedies in connection with the Key Regulatory Approvals. However, the decision to propose or agree to any remedies remains with the Purchaser and will depend on the impact such remedies may have on the financial position, operations and business prospects of the Purchaser. If the Purchaser is not able to come to an agreement with the regulatory authorities and obtain the Key Regulatory Approvals before the Outside Date (as such date may be extended as permitted under the Arrangement Agreement), the Purchaser or the Corporation may terminate the Arrangement Agreement with the payment by the Purchaser of the Reverse Termination Fee (provided the other conditions required for such payment are otherwise met).
• **Restrictive Covenants of the Corporation until the Effective Time and Uncertainty may adversely affect the Corporation’s business**

From the date of the Arrangement Agreement until the Effective Time, the Corporation has agreed to certain restrictive covenants under the Arrangement Agreement as described herein, including with respect to investments relating to its hotel strategy. These restrictions may prevent the Corporation from pursuing attractive business opportunities that may arise prior to the completion of the Arrangement, and will delay the advancement of the Corporation’s hotel strategy. Moreover, the uncertainty regarding the satisfaction of all required conditions, including the Key Regulatory Approvals, may adversely affect the business and operations of the Corporation, regardless of whether the Arrangement is ultimately completed. Similarly, this uncertainty may adversely affect the Corporation’s ability to attract or retain key personnel. Given the length of time anticipated before the Key Regulatory Approvals are obtained, and the risks that such approvals may not be obtained, a termination of the Arrangement Agreement could materially and adversely affect the business of the Corporation and its ability to carry out its strategic plan as was contemplated prior to signing the Arrangement Agreement.

• **Termination in Certain Circumstances and Termination Fee**

Each of Transat and the Purchaser has the right, in certain circumstances, in addition to termination rights relating to the failure to satisfy the conditions of closing, to terminate the Arrangement Agreement. Accordingly, there can be no certainty, nor can Transat provide any assurance, that the Arrangement Agreement will not be terminated by either of Transat or the Purchaser prior to the completion of the Arrangement. Transat’s business, financial condition or results of operations could also be subject to various material adverse consequences, including that Transat would remain liable for significant costs relating to the Arrangement including, among others, financial advisory, legal, accounting and printing expenses. Under the Arrangement Agreement, Transat is required to pay to the Purchaser the Termination Fee in the event the Arrangement Agreement is terminated following the occurrence of a Termination Fee Event and the Purchaser is required to pay to Transat the Reverse Termination Fee in the event the Arrangement Agreement is terminated following the occurrence of a Reverse Termination Fee Event. See “Arrangement Agreement - Termination Fees”.

• **Occurrence of a Material Adverse Effect**

The completion of the Arrangement is subject to the condition that, among other things, on or after June 27, 2019 (the date the Arrangement Agreement was entered into), there shall not have occurred a Material Adverse Effect. Although a Material Adverse Effect excludes certain events, including events in some cases that are beyond the control of Transat, there can be no assurance that a Material Adverse Effect will not occur prior to the Effective Time. If such a Material Adverse Effect occurs and the Purchaser does not waive the same or terminates the Arrangement Agreement, the Arrangement would not proceed. See “Arrangement Agreement - Closing Conditions”.

• **Securityholders Will No Longer Hold an Interest in the Corporation Following the Arrangement**

Following the Arrangement, Shareholders will no longer hold any of the Voting Shares or other securities in the Corporation or its affiliates and Shareholders will forego any future increase in value
that might result from future growth and the potential achievement of the Corporation’s long-term plans.

- **Uncertainty Surrounding the Arrangement**

As the Arrangement is dependent upon satisfaction of a number of conditions precedent, its completion is uncertain. In response to this uncertainty, Transat’s clients may delay or defer decisions concerning Transat. Any delay or deferral of those decisions by clients could adversely affect the business and operations of Transat, regardless of whether the Arrangement is ultimately completed. Similarly, uncertainty may adversely affect Transat’s ability to attract or retain key personnel. In the event the Arrangement Agreement is terminated, the Corporation’s relationships with customers, suppliers, creditors, landlords, employees and other stakeholders may be adversely affected. Changes in such relationships could adversely affect the business and operations of the Corporation.

**CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

In the opinion of Fasken Martineau DuMoulin LLP, legal counsel to Transat, the following is a summary of the principal Canadian federal income tax consequences under the Tax Act relating to the disposition of Voting Shares under the Arrangement that generally apply to beneficial owners of Voting Shares who, for purposes of the Tax Act, and at all relevant times, hold their Voting Shares as capital property and deal at arm’s length with, and are not affiliated with, the Corporation, the Purchaser or any of their affiliates. Persons meeting such requirements are referred to as a “Holder” or as “Holders” herein, and this summary is only for Holders. The Voting Shares will generally be considered to be capital property of a Holder for purposes of the Tax Act unless such Voting Shares are held in the course of carrying on a business, or were acquired in one or more transactions considered to be an adventure or concern in the nature of trade.

This summary does not apply to a Holder: (i) that is a “financial institution” for the purposes of the mark-to-market rules in the Tax Act, (ii) an interest in which is a “tax shelter investment” as defined in the Tax Act, (iii) that is a “specified financial institution” as defined in the Tax Act, (iv) that has made or will make a “functional currency” election under section 261 of the Tax Act, (v) who received the Voting Shares upon exercise of a stock option or otherwise in connection with employment, (vi) that is a foreign affiliate of a taxpayer resident in Canada, (vii) who has entered into or will enter into, with respect to its Voting Shares, a “derivative forward agreement” as that term is defined in the Tax Act, (viii) that receives dividends on its Voting Shares as part of a “dividend rental arrangement” as that term is defined in the Tax Act, or (ix) that is generally exempt from taxation under the Part I of the Tax Act. Any such Holder should consult its own tax advisors with respect to the disposition of its Voting Shares pursuant to the Arrangement.

This summary is not applicable to holders of Options, and does not describe the Canadian federal income tax consequences of the Arrangement to holders of Options, or of holding, exercising, surrendering for cancellation or otherwise disposing of Options. Holders of Options should consult their own tax advisor having regard to their particular circumstances.

Additional considerations, not discussed herein, may be applicable to a Holder that is a corporation resident in Canada, and is (or does not deal at arm’s length for the purposes of the Tax Act with a corporation resident in Canada that is), or becomes as part of a transaction or event or series of transactions or events that includes the Arrangement, controlled by a non-resident person, or a group
of non-resident persons not dealing with each other at arm’s length (for purposes of the Tax Act), for
the purposes of the “foreign affiliate dumping” rules in section 212.3 of the Tax Act. Such Holders
should consult their own tax advisors to determine the particular Canadian federal income tax
consequences to them of the Arrangement.

This summary is based on the facts set out in this Circular, the current provisions of the Tax Act in force
on the date hereof and counsel’s understanding of the published administrative policies and assessing
practices of the Canada Revenue Agency (the “CRA”) publicly available prior to the date of this Circular.
This summary takes into account all proposed amendments to the Tax Act that have been publicly
announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “Proposed
Amendments”) and assumes that such Proposed Amendments will be enacted in the form proposed.
However, no assurance can be given that such Proposed Amendments will be enacted in the form
proposed, or at all. Except for the Proposed Amendments, this summary does not take into account or
anticipate any other changes in law or any changes in the CRA’s administrative policies and assessing
practices, whether by judicial, governmental or legislative action or decision, nor does it take into
account other federal or any provincial, territorial or foreign tax legislation or considerations, which may
differ significantly from the Canadian federal income tax considerations described herein.

This summary is of a general nature only and is not intended to be, and should not be construed
to be, legal, business or tax advice to any particular Holder. This summary is not exhaustive of all
possible Canadian federal income tax consequences applicable to the disposition of the Voting
Shares. Holders are urged to consult their own tax advisors for advice regarding the income tax
consequences to them of disposing of their Voting Shares under the Arrangement, having regard
to their own particular circumstances, and any other consequences to them of such transaction
under Canadian federal, provincial, local and foreign tax laws.

In general, for the purposes of the Tax Act, all amounts relating to the acquisition, holding or
disposition of the Voting Shares (including, without limitation, dividends, adjusted cost base and
proceeds of disposition) must be expressed in Canadian dollars. Amounts denominated in foreign
currency must be converted into Canadian dollars using appropriate exchange rate determined in
accordance with the detailed rules contained in the Tax Act in that regard.

HOLDERS RESIDENT IN CANADA

The following section of the summary applies to a Holder who for purposes of the Tax Act and any
applicable income tax treaty or convention, and at all relevant times is resident or deemed to be
resident in Canada (a “Resident Holder”).

Certain Resident Holders whose Voting Shares might not otherwise qualify as capital property, may, in
certain circumstances, be entitled to make, or may already have made, an irrevocable election in
accordance with subsection 39(4) of the Tax Act to have their Voting Shares, and every “Canadian
security” (as defined in the Tax Act) owned by such Resident Holders in the taxation year of the election
and in all subsequent taxation years, deemed to be capital property. Any Resident Holder
contemplating making a subsection 39(4) election should consult its tax advisors for advice as to
whether the election is available or advisable in its particular circumstances.
**Sale of Voting Shares**

A Resident Holder who disposes of Voting Shares pursuant to the Arrangement will generally realize a capital gain (or capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Voting Shares immediately before the disposition.

For this purpose, a Resident Holder’s proceeds of disposition will be equal to the Consideration received by the Resident Holder pursuant to the Arrangement.

Generally one-half of any capital gain (a "taxable capital gain") realized by a Resident Holder will be included in the Resident Holder’s income for the year of disposition. One-half of any capital loss (an "allowable capital loss") realized by a Resident Holder in a taxation year is required to be deducted by the Resident Holder against taxable capital gains in that year (subject to and in accordance with the rules in the Tax Act). Any excess of allowable capital losses over taxable capital gains of the Resident Holder realized in a taxation year may be carried back up to three taxation years or forward indefinitely and deducted against net taxable capital gains realized in such years, to the extent and under the circumstances provided in the Tax Act.

If the Resident Holder is a corporation, the amount of any capital loss arising from a disposition of Voting Shares may be reduced by the amount of dividends received or deemed to have been received by it on the Voting Shares to the extent and under the circumstances prescribed by the Tax Act. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns Voting Shares, or where a trust or partnership of which a corporation is a beneficiary or is a member of a partnership or a beneficiary of a trust that owns any such Voting Shares. Resident Holders to which these rules may be relevant should consult their own tax advisors.

**Dissenting Resident Holders**

For Canadian federal income tax purposes, Resident Holders that receive payment for their Voting Shares pursuant to the exercise of Dissent Rights will be considered to have disposed of their Voting Shares for proceeds of disposition equal to the amount received by the dissenting Resident Holder (less any interest awarded by a court). As a result, such dissenting Resident Holder will realize a capital gain (or a capital loss) equal to the amount by which the aggregate proceeds of disposition received exceed (or are less than) the aggregate of (i) the adjusted cost base to the dissenting Resident Holder of the Voting Shares immediately before such disposition; and (ii) any reasonable costs of disposition. See "Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Sale of Voting Shares".

Interest awarded to a dissenting Resident Holder by the Court will be included in the dissenting Resident Holder’s income for the purposes of the Tax Act.

A Resident Holder that exercises Dissent Rights but that is not ultimately determined to be entitled to be paid fair value for the Voting Shares held by such Resident Holder will be deemed to have participated in the Arrangement. In such an event, the income tax consequences as discussed above under the heading “Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Sale of Voting Shares” will generally apply.
Alternative Minimum Tax

Capital gains realized by a Resident Holder who is an individual, including certain trusts, may give rise to alternative minimum tax under the Tax Act. Resident Holders are urged to consult their own tax advisor with respect to the potential application of alternative minimum tax.

Additional Refundable Tax

A Resident Holder that is throughout the relevant year a “Canadian-controlled private corporation” (as defined in the Tax Act) may be liable to pay an additional tax on its “aggregate investment income” (as defined in the Tax Act), including interest and taxable capital gains. Such additional tax may be refundable in certain circumstances. Resident Holders are urged to consult their own tax advisor with respect to this additional tax.

HOLDERS NOT RESIDENT IN CANADA

The following section of the summary applies to a Holder that, (i) for the purposes of the Tax Act and any applicable income tax treaty and at all relevant times, is not, and is not deemed to be, a resident of Canada, (ii) does not, and is not deemed to, use or hold its Voting Shares in or in the course of carrying on a business in Canada, and (iii) is not an insurer who carries on an insurance business or is deemed to carry on an insurance business in Canada and elsewhere and (iv) is not an “authorized foreign bank” (as defined in the Tax Act) (in this section, a “Non-Resident Holder”).

- Sale of Voting Shares

A Non-Resident Holder that sells Voting Shares pursuant to the Arrangement will not be subject to tax under the Tax Act on any capital gain realized on the sale unless such Voting Shares are, or are deemed to be, “taxable Canadian property” (as defined in the Tax Act) of the Non-Resident Holder at the time of sale and the gain is not exempt from tax pursuant to the terms of an applicable tax treaty.

Generally, a Voting Share will not be taxable Canadian property of a Non-Resident Holder at the time of disposition provided that the particular share is listed on a “designated stock exchange” for the purposes of the Tax Act (which currently includes the TSX), unless at any time during the 60 month period immediately preceding the disposition,

(a) 25% or more of the issued shares of any class of the capital stock of the Corporation were owned by or belonged to any combination of (i) the Non-Resident Holder, (ii) persons with whom the Non-Resident Holder did not deal at arm’s length, and (iii) partnerships in which the Non-Resident Holder or a person described in (ii) holds a membership interest directly or indirectly through one or more partnerships; and

(b) more than 50% of the fair market value of the applicable Voting Shares was derived, directly or indirectly, from one or any combination of real or immovable property situated in Canada, “Canadian resource property” (as defined in the Tax Act), “timber resource property” (as defined in the Tax Act), or options in respect of, interests in, or for civil law rights in such properties, whether or not such property exists.

A Voting Share may be deemed to be “taxable Canadian property” in certain other circumstances. Non-Resident Holders should consult their own tax advisors in this regard. The Board however believes that
the value threshold in (b) above should not be met and that, as such, the Voting Shares should not constitute “taxable Canadian property”.

Even if the Voting Shares are taxable Canadian property to a Non-Resident Holder, a taxable capital gain resulting from the disposition of Voting Shares will not be included in computing the Non-Resident Holder’s income for the purposes of the Tax Act if the Voting Shares constitute “treaty-protected property”. Voting Shares owned by a Non-Resident Holder will generally be treaty-protected property if the gain from the disposition of such Voting Shares would, because of an applicable income tax treaty or convention, be exempt from tax under the Tax Act. In the event that Voting Shares constitute taxable Canadian property but not treaty-protected property to a particular Non-Resident Holder, any capital gain that would be realized on the sale of the Voting Share generally will be subject to the same Canadian income tax consequences discussed above for a Resident Holder under the headings “Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Sale of Voting Shares”.

- Dissenting Non-Resident Holders

A Non-Resident Holder who disposes of its Voting Shares to the Purchaser upon the exercise of Dissent Rights in consideration for a cash payment from the Purchaser will not be subject to tax under the Tax Act on any capital gain realized on the disposition unless such Voting Shares are, or are deemed to be, “taxable Canadian property” (as defined in the Tax Act) of the Non-Resident Holder at the time of disposition and the gain is not exempt from tax pursuant to the terms of an applicable tax treaty. The same general considerations apply as discussed above under the heading “Certain Canadian Federal Income Tax Considerations – Holders Not Resident in Canada – Sale of Voting Shares” in determining whether a capital gain will be subject to tax under the Tax Act.

Any interest paid or credited to a dissenting Non-Resident Holder who deals at arm’s length with the Purchaser for purposes of the Tax Act should not be subject to withholding tax under the Tax Act.

**DISSENTING SHAREHOLDERS’ RIGHTS**

If you are a registered Shareholder, you are entitled to dissent from the Arrangement Resolution in the manner provided in Section 190 of the CBCA, as modified by the Interim Order and the Plan of Arrangement.

The following description of the Dissent Rights of Shareholders is not a comprehensive statement of the procedures to be followed by a Dissenting Shareholder who seeks payment of the “fair value” of his, her or its Voting Shares, as applicable, and is qualified in its entirety by the reference to the full text of the Interim Order which is attached as Schedule E to this Circular, the full text of the Plan of Arrangement which is attached as Schedule B to this Circular and the full text of Section 190 of the CBCA which is attached as Schedule G to this Circular. A Shareholder who intends to exercise Dissent Rights should carefully consider and strictly comply with the provisions of Section 190 of the CBCA, as modified by the Interim Order and the Plan of Arrangement. Failure to strictly comply with the provisions of that section, as modified by the Interim Order and the Plan of Arrangement, and to adhere to the procedures established therein may result in the loss of all rights thereunder. It is suggested that Shareholders wishing to avail themselves of their rights under those provisions seek their own legal advice, as failure to comply strictly with them may prejudice their right of dissent.
The Court hearing the application for the Final Order has the discretion to alter the Dissent Rights described herein based on the evidence presented at such hearing.

Under the Interim Order, a registered Shareholder who fully complies with the dissent procedures in Section 190 of the CBCA, as modified by the Interim Order and the Plan of Arrangement, is entitled, when the Arrangement becomes effective, to dissent and to be paid the fair value of his, her or its Voting Shares, determined as of the close of business on the last Business Day before the day on which the Arrangement Resolution is adopted. A registered Shareholder may exercise Dissent Rights only with respect to all of the Voting Shares held by such Shareholder or on behalf of any one beneficial owner and registered in the Dissenting Shareholder’s name.

Persons who are beneficial owners of Voting Shares registered in the name of an Intermediary who wish to dissent, should be aware that only the registered holder of such Voting Shares is entitled to dissent. Accordingly, a beneficial owner of Voting Shares desiring to exercise Dissent Rights must make arrangements for the Voting Shares beneficially owned by such beneficial owner to be registered in such beneficial owner’s name prior to the time the Dissent Notice is required to be received by Transat or, alternatively, make arrangements for the registered holder of his, her or its Voting Shares to dissent on such beneficial owner’s behalf.

A registered Shareholder wishing to exercise Dissent Rights with respect to the Arrangement must send to Transat a Dissent Notice, which Dissent Notice must be received by Transat at Place du Parc, 300 Léon-Pariseau Street, Suite 600, Montréal, Québec, H2X 4C2, Attention: Bernard Bussières, Vice-President, General Counsel and Corporate Secretary, with a copy to (i) Fasken Martineau DuMoulin LLP, 800 Square-Victoria, Suite 3700, Montréal, Québec, Canada, H4Z 1E9, Attention: Mtre Alain Riendeau & Mtre Brandon Farber, email: ariendeau@fasken.com & bfarber@fasken.com, (ii) Stikeman Elliott LLP, 1155 René-Lévesque Blvd. W., 41st Floor, Montréal Québec, H3B 3V2, Attention: Mtre Stéphanie Lapierre, email: slapierre@stikeman.com, and (iii) AST Trust Company (Canada), 1 Toronto Street, Suite 1200, Toronto, Ontario, M5C 2V6, Attention: Proxy Department, or at 2001 Robert-Bourassa Blvd., Suite 1600, Montréal, Québec, H3A 2A6, Attention: Proxy Department. by no later than 5:00 p.m. (Montréal time) on August 21, 2019 (or 48 hours, excluding Saturdays, Sundays and statutory holidays, prior to the commencement of the reconvened Meeting if the Meeting is adjourned or postponed), and must otherwise strictly comply with the dissent procedures described in this Circular, the Interim Order, the Plan of Arrangement and section 190 of the CBCA, as modified by the Interim Order and the Plan of Arrangement. No Shareholder who has voted in favour of the Arrangement, in person or by proxy, shall be entitled to dissent with respect to the Arrangement.

Registered Shareholders who validly exercise Dissent Rights as set out in the CBCA, as modified by the Interim Order and the Plan of Arrangement, will be deemed to have transferred their Voting Shares free and clear of any Liens, as of the Effective Date, and if they: (a) ultimately are entitled to be paid fair value for their Voting Shares will be entitled to be paid the fair value of such Voting Shares which fair value notwithstanding anything to the contrary in Part XV of the CBCA, shall be determined as of the close of business on the last Business Day before the day on which the Arrangement Resolution was adopted, and will not be entitled to any other payment or consideration (including any payment that would be payable under the Arrangement had they not exercised their Dissent Rights), or (b) are ultimately not entitled, for any reason, to be paid fair value for their Voting Shares, will be deemed to have participated in the Arrangement on the same basis as a non-dissenting Shareholder.
The filing of a Dissent Notice does not deprive a registered Shareholder of the right to vote at the Meeting; however, a registered Shareholder who has submitted a Dissent Notice and who votes in favour of the Arrangement Resolution will no longer be considered a Dissenting Shareholder with respect to the Voting Shares voted in favour of the Arrangement Resolution. If such Dissenting Shareholder votes in favour of the Arrangement Resolution in respect of a portion of the Voting Shares registered in such Dissenting Shareholder’s name or held by same on behalf of any one beneficial owner, such vote approving the Arrangement Resolution will be deemed to apply to the entirety of the Voting Shares held by such Dissenting Shareholder in such Dissenting Shareholder’s name or in the name of that beneficial owner, given that section 190 of the CBCA provides there is no right of partial dissent. **A vote against the Arrangement Resolution will not constitute a Dissent Notice.**

Within 10 days after the approval of the Arrangement Resolution, Transat is required to notify each Dissenting Shareholder that the Arrangement Resolution has been approved. Such notice is not required to be sent to a registered Shareholder holding Voting Shares who voted for the Arrangement Resolution or who has, or was deemed to have, withdrawn a Dissent Notice previously filed. A Dissenting Shareholder must, within 20 days after the Dissenting Shareholder receives notice that the Arrangement Resolution has been approved or, if the Dissenting Shareholder does not receive such notice, within 20 days after the Dissenting Shareholder learns that the Arrangement Resolution has been approved, send a Demand for Payment containing the Dissenting Shareholder’s name and address, the number of Voting Shares held by the Dissenting Shareholder, and a Demand for Payment of the fair value of such Dissent Shares. Within 30 days after sending a Demand for Payment, the Dissenting Shareholder must send to Transat at Place du Parc, 300 Léo-Pariseau Street, Suite 600, Montréal, Québec, H2X 4C2 Attention: Bernard Bussières, Vice-President, General Counsel and Corporate Secretary, with a copy to (i) Fasken Martineau DuMoulin LLP, 800 Square-Victoria, Suite 3700, Montréal, Québec, Canada, H4Z 1E9, Attention: Mtre Alain Riendeau & Mtre Brandon Farber, email: ariendeau@fasken.com & bfarber@fasken.com, and (ii) Stikeman Elliott LLP, 1155 René-Lévesque Blvd. W., 41st Floor, Montréal Québec, H3B 3V2, Attention: Mtre Stéphanie Lapierre, email: slapierre@stikeman.com, the certificates representing the Dissent Shares. A Dissenting Shareholder who fails to send the certificates representing the Dissent Shares has no right to make a claim under section 190 of the CBCA. Transat will endorse on certificates received from a Dissenting Shareholder a notice that the holder is a Dissenting Shareholder under section 190 of the CBCA and will forthwith return the certificates to the Dissenting Shareholder.

On the filing of a Demand for Payment (and in any event upon the Effective Date), a Dissenting Shareholder ceases to have any rights in respect of its Dissent Shares, other than the right to be paid the fair value of its Dissent Shares as determined pursuant to section 190 of the CBCA, as modified by the Interim Order and the Plan of Arrangement, except where, prior to the date at which the Arrangement becomes effective: (i) the Dissenting Shareholder withdraws, or is deemed to have withdrawn, its Demand for Payment before Transat makes an Arrangement to Pay to the Dissenting Shareholder, (ii) an Arrangement to Pay is not made and the Dissenting Shareholder withdraws, or is deemed to have withdrawn, its Demand for Payment, or (iii) the Board revokes the Arrangement Resolution, in which case Transat will reinstate the Dissenting Shareholder’s rights in respect of its Dissent Shares as of the date the Demand for Payment was sent. Pursuant to the Plan of Arrangement, in no case will Transat, the Purchaser or any other Person be required to recognize any Dissenting Shareholder as a Shareholder after the Effective Date, and the names of such Shareholders will be deleted from the list of registered Shareholders at the Effective Date. In addition to any other restrictions under section 190 of the CBCA, none of the following shall be entitled to exercise Dissent
Rights: (i) holders of Options, RSUs, PSUs and DSUs, (ii) holders of Voting Shares who vote or have instructed a proxy holder to vote such Voting Shares in favour of the Arrangement Resolution, and (iii) other Shareholders who entered into Support and Voting Agreements.

No later than seven days after the later of the Effective Date and the date on which a Demand for Payment of a Dissenting Shareholder is received, each Dissenting Shareholder who has sent a Demand for Payment must be sent a written Arrangement to Pay for its Dissent Shares in an amount considered by the Board to be the fair value thereof, accompanied by a statement showing how the fair value was determined. Every Arrangement to Pay in respect of Voting Shares must be on the same terms.

Payment for the Dissent Shares of a Dissenting Shareholder must be made within 10 days after an Arrangement to Pay has been accepted by a Dissenting Shareholder, but any such Arrangement to Pay lapses if a written acceptance thereof is not received within 30 days after the Arrangement to Pay has been made. If an Arrangement to Pay for the Dissent Shares of a Dissenting Shareholder is not made, or if a Dissenting Shareholder fails to accept an Arrangement to Pay that has been made, an application to the Court to fix a fair value for the Dissent Shares of Dissenting Shareholders may be made by Transat within 50 days after the Effective Date or within such further period as the Court may allow. If no such application is made, a Dissenting Shareholder may apply to the Court for the same purpose within a further period of 20 days or within such further period as the Court may allow. A Dissenting Shareholder is not required to give security for costs in such an application.

Upon an application to the Court, all Dissenting Shareholders whose Dissent Shares have not been purchased will be joined as parties and bound by the decision of the Court, and each affected Dissenting Shareholder shall be notified of the date, place and consequences of the application and of their right to appear and be heard in person or by counsel. Upon any such application to the Court, the Court may determine whether any other Person is a Dissenting Shareholder who should be joined as a party, and the Court will then fix a fair value for the Dissent Shares of all such Dissenting Shareholders. The Final Order of the Court will be rendered against the Purchaser in favour of each Dissenting Shareholder joined as a party and for the amount of the Dissent Shares as fixed by the Court. The Court may, in its discretion, allow a reasonable rate of interest on the amount payable to each such Dissenting Shareholder from the Effective Date until the date of payment. Any judicial determination of fair value will result in delay of receipt by a Dissenting Shareholder of consideration for such Dissenting Shareholder’s Dissent Shares.

The above is only a summary of the provisions of the CBCA pertaining to Dissent Rights, as modified by the Interim Order and the Plan of Arrangement, which are technical and complex. If you are a Shareholder holding Voting Shares and wish to directly or indirectly exercise Dissent Rights, you should seek your own legal advice as failure to strictly comply with the provisions of the CBCA, as modified by the Interim Order and the Plan of Arrangement, may prejudice your Dissent Rights. We urge any Shareholder who is considering dissenting to the Arrangement to consult their own tax advisors with respect to the income tax consequences to them of such action. For a general summary of certain income tax consequences to a Dissenting Shareholder, see: “Certain Canadian Federal Income Tax Considerations - Holders Resident in Canada - Dissenting Resident Holders of Voting Shares” and “Certain Canadian Federal Income Tax Considerations - Holders Not Resident in Canada - Dissenting Non-Resident Holders”.
DEPOSITARY

AST will act as the Depositary for the receipt of share certificates or DRS Advices representing Voting Shares and related Letters of Transmittal and the payments to be made to Shareholders pursuant to the Arrangement. The Depositary will receive reasonable and customary compensation for its services in connection with the Arrangement, will be reimbursed for certain out-of-pocket expenses and will be indemnified by Transat against certain liabilities under applicable Securities Laws and expenses in connection therewith.

No fee or commission is payable by any Shareholder who transmits its Voting Shares directly to the Depositary. Except as set forth above or elsewhere in this Circular, Transat will not pay any fees or commissions to any broker or dealer or any other person for soliciting deposits of Voting Shares pursuant to the Arrangement.

AUDITOR, TRANSFER AGENT AND REGISTRAR

Ernst & Young LLP is the external auditor of the Corporation at its Montréal office and has confirmed to the Corporation that it is independent within the meaning of the Rules of Professional Conduct of the Ordre des comptables professionnels agréés du Québec, and AST is the transfer agent and registrar for the Voting Shares at its principal office in Montréal.

INTEREST OF EXPERTS

The following persons and companies have prepared certain sections of this Circular and/or schedules attached hereto as described below, or are named as having prepared or certified a report, statement or opinion in or incorporated by reference in this Circular.

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<tr>
<th>Name of Expert(1)</th>
<th>Nature of Relationship</th>
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<tr>
<td>NBF</td>
<td>Authors responsible for the preparation of the NBF Fairness Opinion</td>
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<td>BMO</td>
<td>Authors responsible for the preparation of the BMO Fairness Opinion</td>
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<td>Authors of the opinion under &quot;Certain Canadian Federal Income Tax Considerations&quot;</td>
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(1) To the knowledge of the Corporation, none of the experts so named (or any of the designated professionals thereof) held, each as a group, securities representing more than 1% of all issued and outstanding Voting Shares as at the date of the statement, report or valuation in question, and none of the persons above is or is expected to be elected, appointed or employed as a director, officer or employee of the Corporation or of any associate or affiliate of the Corporation.
ADDITIONAL DISCLOSURE

CORPORATE DISCLOSURE POLICY

The Corporation follows a disclosure policy setting out the process by which it discloses its corporate information. The policy is implemented by the disclosure committee. Its members include most Executive Officers of the Corporation responsible for, amongst other things, earnings announcements, reviewing analyst reports, conference calls and meetings with analysts, selective disclosure of information, the use of forward-looking information, dealing with rumours and blackout periods. The policy provides for a disclosure compliance system and procedures to ensure that material information concerning Transat’s affairs is brought to the attention of the disclosure committee members in a timely and accurate manner.

The disclosure policy is reviewed on a regular basis by the disclosure committee, in order to update it in relation to the Corporation’s practices concerning disclosure within the Corporation.

ADDITIONAL INFORMATION

More information on the Corporation is available on the SEDAR website at www.sedar.com or the Corporation’s website at www.transat.com. Copies of our annual information form, management information circular, financial statements and management’s discussion and analysis may be obtained upon delivery of a written request addressed to: Bernard Bussières, Vice-President, General Counsel and Corporate Secretary at Place du Parc, 300 Léo Pariseau Street, Suite 600, Montréal, Québec, H2X 4C2. Transat’s financial information can be found in the comparative financial statements and the management’s discussion and analysis for our last fiscal year.

Transat is a reporting issuer in all Canadian provinces, and we must file our financial statements and management information circular with each of the Canadian Securities Administrators. We also file an annual information form with these same administrators.

APPROVAL OF THE MANAGEMENT PROXY CIRCULAR

The content and the sending of this Circular have been approved by the Board of the Corporation.

Made at Montréal, Québec, on July 19, 2019.

BY ORDER OF THE BOARD

Transat A.T. Inc.

Bernard Bussières
Vice-President, General Counsel and Corporate Secretary
GLOSSARY OF TERMS

“2018 Initial Air Canada Proposal” has the meaning ascribed thereto under “The Arrangement - Background to the Arrangement”.

“Acquisition Proposal” means, other than the transactions contemplated by the Arrangement Agreement and other than any transaction involving only the Corporation and/or one or more of its wholly-owned Subsidiaries, any offer, proposal or inquiry (written or oral) from any Person or group of Persons other than the Purchaser (or any affiliate of the Purchaser) after the date of the Arrangement Agreement relating to (a) any direct or indirect sale, disposition, alliance or joint venture (or any lease, license, long-term supply agreement or other arrangement having the same economic effect as a sale), in a single transaction or a series of related transactions, of assets (including shares of Subsidiaries) representing 20% or more of the consolidated assets or contributing 20% or more of the consolidated revenue of the Corporation and its Subsidiaries; (b) direct or indirect takeover bid, tender offer, exchange offer treasury issuance or other transaction, in a single transaction or a series of related transactions, that, if consummated, would result in such Person or group of Persons beneficially owning, or exercising control or direction over, 20% or more of any class of voting or equity securities (including securities convertible into or exchangeable for such voting or equity securities) of the Corporation then outstanding (assuming, if applicable, the conversion, exchange or exercise of such securities convertible into or exchangeable or exercisable for such voting or equity securities); (c) any arrangement, merger, amalgamation, consolidation, share exchange, business combination, reorganization, recapitalization, liquidation, dissolution, winding up or exclusive license, in a single transaction or series of related transactions involving the Corporation or any of its Subsidiaries whose assets or revenues, individually or in the aggregate, respectively constitute 20% or more of the consolidated revenues or constitute 20% or more of the consolidated assets of the Corporation and its Subsidiaries; or (d) any other similar transaction or series of related transactions involving the Corporation or any of its Subsidiaries whose assets or revenues, individually or in the aggregate, respectively constitute 20% or more of the consolidated revenues or constitute 20% or more of the consolidated assets of the Corporation and its Subsidiaries.

“Ad Hoc Charters” means (i) short term wet or dry leasing of Aircraft for periods of less than one month to deal with situations of over or under capacity, or (ii) chartering of Corporation Aircraft or Seasonal Aircraft by third parties on an ad hoc basis for periods of less than one month.

“affiliate” has the meaning specified in Regulation 45-106.

“Aircraft” means an aircraft consisting of an airframe together with any engines installed thereon from time to time or associated therewith (provided that, for greater certainty, an airframe without one or more engines installed thereon or associated therewith shall nonetheless be considered an Aircraft for purposes of this definition) and all parts incorporated or contained in, attached or appurtenant to, such airframe and engines and which form part or shall be deemed to form part of the aircraft.

“Aircraft Contract” means a contract pursuant to which the Corporation and/or any of its Subsidiaries has an obligation, a commitment, right or option relating to the purchase, sale, lease, sublease or use of any (a) Aircraft, (b) Aircraft Engine, (c) Spare Engine, (d) flight simulator or (e) Parts (where the value for such Parts under the applicable contract and any other reasonably related contract is in excess of (i) $10,000,000 in the aggregate when this term is used with respect to the covenants regarding the
conduct of the business of the Corporation, either directly or indirectly through the use therein of the term Material Contract, or (ii) $5,000,000 in the aggregate when this term is used elsewhere in the Arrangement Agreement).

“Aircraft Engine” means an aircraft engine together with all parts installed on, incorporated or contained in, attached or appurtenant to, such engine and which form part or shall be deemed to form part of the engine, and which engine was acquired by the Corporation or one of its Subsidiaries as part of an Aircraft, regardless of whether such engine is installed on such Aircraft or any other Aircraft at any given time.

“Aircraft Finance Contract” means a contract pursuant to which the Corporation and/or any of its Subsidiaries has financed, or has commitments to finance or refinance the purchase of any (a) Aircraft, (b) Aircraft Engine, (c) Spare Engine, (d) flight simulator, or (e) Parts (where the value for such Parts under the applicable contract and any other reasonably related contract is in excess of (i) $10,000,000 in the aggregate when this term is used with respect to the covenants regarding the conduct of the business of the Corporation, either directly or indirectly through the use therein of the term Material Contract, or (ii) $5,000,000 in the aggregate when this term is used elsewhere in the Arrangement Agreement).

“Air Transat” has the meaning ascribed thereto under Question 3 of “Information Regarding the Meeting ‐ Your Questions and our Answers on Proxy Voting”.

“allowable capital loss” has the meaning ascribed thereto under “Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Sale of Voting Shares”.

“Amended June 2019 Mach Letter” has the meaning ascribed thereto under “The Arrangement - Background to the Arrangement”.

“AMF” means the Autorité des marchés financiers (Québec).

“ARC” has the meaning ascribed thereto under “Certain Legal Matters - Regulatory Matters - Competition Act Approval”.

“Arrangement” means an arrangement under Section 192 of the CBCA in accordance with the terms and subject to the conditions set out in the Plan of Arrangement, subject to any amendments or variations to the Plan of Arrangement made in accordance with the terms of the Arrangement Agreement or made at the direction of the Court in the Final Order with the prior written consent of the Corporation and the Purchaser, each acting reasonably.

“Arrangement Agreement” means the arrangement agreement dated June 27, 2019, among the Purchaser and the Corporation (including the Schedules thereto) as it may be amended, modified or supplemented from time to time in accordance with its terms.

“Arrangement Resolution” means the special resolution approving the Plan of Arrangement to be considered at the Meeting, substantially in the form attached hereto as Schedule A to this Circular.

“Arrangement to Pay” means a written offer to a Dissenting Shareholder to pay the fair value for the number of Voting Shares in respect of which that Shareholder exercises Dissent Rights.
“Articles of Arrangement” means the articles of arrangement of Transat in respect of the Arrangement, required by the CBCA to be sent to the Director after the Final Order is made, which shall include the Plan of Arrangement and otherwise be in a form and content satisfactory to Transat and the Purchaser, each acting reasonably.

“AST” means AST Trust Company (Canada).

“Authorization” means, with respect to any Person, any order, permit, approval, certification, accreditation, consent, waiver, registration, licence or similar authorization of, or agreement with, any Governmental Entity, whether by expiry or termination of an applicable waiting period or otherwise, that is binding upon or applicable to such Person, or its business, assets or securities.

“Aviation Authorities” means any Governmental Entity in respect of the regulation of commercial aviation, air navigation or the registration, airworthiness or operation of civil aircraft and having jurisdiction over the Corporation or any of its Subsidiaries, including Transport Canada Civil Aviation, the CTA, the U.S. Federal Aviation Administration, the United States Department of Transportation and the European Aviation Safety Agency.

“BMO” means BMO Nesbitt Burns Inc.

“BMO Engagement Letter” has the meaning ascribed thereto under “The Arrangement - Fairness Opinions - BMO Fairness Opinion”.

“BMO Fairness Opinion” means the opinion delivered by BMO to the Special Committee and the Board to the effect that, as at June 26, 2019 (after market close), and subject to the assumptions, qualifications and limitations set forth therein, the Consideration to be received by the Shareholders pursuant to the Arrangement is fair, from a financial point of view, to such Shareholders.

“Board” means the board of directors of Transat as constituted from time to time.

“Board Recommendation” means the unanimous recommendation of the Board that the Shareholders vote in favour of the Arrangement Resolution.

“Breaching Party” has the meaning ascribed to it under “Arrangement Agreement – Covenants - Notice and Cure Provisions”.

“Business Day” means any day of the year, other than a Saturday, Sunday or any day on which major banks are closed for business in Montréal, Québec or Winnipeg, Manitoba.

“CBCA” means the Canada Business Corporations Act and the regulations made thereunder, as promulgated or amended from time to time.

“Certificate of Arrangement” means the certificate of arrangement giving effect to the Arrangement, to be issued by the Director pursuant to subsection 192(7) of the CBCA in respect of the Articles of Arrangement.

“Change in Recommendation” has the meaning ascribed thereto under “Arrangement Agreement - Termination”.
“Circular” means this management proxy circular of Transat, including all schedules hereto, to be sent by Transat to the Shareholders in connection with the Meeting.

“Class A variable voting shares” means the class A variable voting shares in the capital of the Corporation.

“Class B voting shares” means the class B voting shares in the capital of the Corporation.

“CMA” has the meaning ascribed thereto under “Certain Legal Matters - Regulatory Matters - Other Regulatory Approvals”.

“Commissioner” means the Commissioner of Competition appointed pursuant to Section 7 of the Competition Act and includes any person designated by the Commissioner to act on his behalf.

“Competition Act” means the Competition Act (Canada) and includes the regulations promulgated thereunder.

“Competition Act Approval” means (a) the issuance to the Purchaser of an advance ruling certificate by the Commissioner of Competition under Subsection 102(1) of the Competition Act to the effect that the Commissioner of Competition is satisfied that he would not have sufficient grounds upon which to apply to the Competition Tribunal for an order under Section 92 of the Competition Act with respect to the transactions contemplated by the Arrangement Agreement; or (b) the waiting period, including any extension of such waiting period, under Section 123 of the Competition Act shall have expired or been terminated or the obligation to provide a pre-merger notification in accordance with Part IX of the Competition Act shall have been waived in accordance with paragraph 113(c) of the Competition Act, and either (i) unless waived by the Purchaser in its discretion, the Purchaser shall have received a letter from the Commissioner of Competition indicating that he does not, as of the date of the letter, intend to make an application under Section 92 of the Competition Act in respect of the transactions contemplated by the Arrangement Agreement, or (ii) the Governor in Council shall have approved the transactions contemplated by the Arrangement Agreement pursuant to Section 53.2(7) of the CT Act on terms and conditions acceptable to the Purchaser, acting reasonably.

“Confidential Party” has the meaning ascribed thereto under “The Arrangement - Background to the Arrangement”.

“Confidentiality Arrangements” means the mutual confidentiality and standstill agreement entered into between the Corporation and the Purchaser on February 1, 2019 (as amended in accordance with the Corporation Disclosure Letter) and the clean team agreement entered into between the Corporation and the Purchaser as of May 21, 2019.

“Consideration” means $13.00 in cash per Voting Share, without interest.

“Consortia” means those Canadian and United States fuel consortia and de-icing consortia among the Corporation and/or its Subsidiaries and certain other airlines, as may be in force and effect from time to time.

“Corporation” or “Transat” means Transat A.T. Inc., a corporation existing under the Laws of Canada.
“Corporation Aircraft” means all Aircraft owned, leased or subleased by the Corporation or one of its Subsidiaries (excluding any wet lease where the Corporation or one of its Subsidiaries is the wet lessee) or otherwise operated by or on behalf of the Corporation or one of its Subsidiaries, including all Seasonal Aircraft that are not subject to a wet lease where the Corporation or one of its Subsidiaries is the wet lessee.

“Corporation Airport” means any airport at, into or out of which the Corporation or any of its Subsidiaries conducts, directly or indirectly (including through a third party ground handler or any other representative acting on behalf of the Corporation or any of its Subsidiaries), its operations, holds any assets or has any leased property.

“Corporation Disclosure Letter” means the disclosure letter dated the date of the Arrangement Agreement and delivered by the Corporation to the Purchaser with the execution of the Arrangement Agreement.

“Corporation Engines” means all Aircraft Engines and Spare Engines owned, leased or used by the Corporation or one of its Subsidiaries (excluding, for greater certainty, any Aircraft Engine relating to an Aircraft that is subject to a wet lease where the Corporation or one of its Subsidiaries is the wet lessee).

“Corporation Slots” means all takeoff and landing slots, gate rights and bridge rights granted to the Corporation or any of its Subsidiaries by an airport authority or other air carriers, and any applicable operating Authorizations from Transport Canada, or any other applicable Governmental Entity and other similar airport access rights held by the Corporation or any of its Subsidiaries in respect of any Material Corporation Airport.

“Court” means the Québec Superior Court.

“CRA” has the meaning ascribed thereto under “Certain Canadian Federal Income Tax Considerations”.

“CT Act” means the Canada Transportation Act (S.C. 1996, c. 10) and includes the regulations promulgated thereunder.

“CT Act Approval” means notification of the transactions contemplated by the Arrangement Agreement shall have been provided to the Minister of Transport pursuant to Section 53.1(1) of the CT Act and: (a) the Minister of Transport within 42 days of receiving notification of the transactions contemplated by the Arrangement Agreement has given notice pursuant to Section 53.1(4) of the CT Act of his opinion that the transactions contemplated by the Arrangement Agreement do not raise issues with respect to the public interest as it relates to national transportation; or (b) the Governor in Council has approved the transactions contemplated by the Arrangement Agreement pursuant to Section 53.2(7) of the CT Act on terms and conditions acceptable to the Purchaser, acting reasonably.

“CTA” has the meaning ascribed thereto under " Certain Legal Matters – Regulatory Matters – Canadian Status Determination”.

“CTA Transaction” has the meaning ascribed thereto under “Certain Legal Matters – Regulatory Matters – Canadian Status Determination”. 
“DCF” has the meaning ascribed thereto under “The Arrangement - Fairness Opinions - BMO Fairness Opinion”.

“Demand for Payment” means a written notice containing a Dissenting Shareholder’s name and address, the number and type of Voting Shares in respect of which that Dissenting Shareholder dissents and a demand for payment of the fair value of such Voting Shares.

“Depository” means AST, in its capacity as depositary for the Arrangement, or such other person as the Corporation and Purchaser agree to engage as depositary for the Arrangement.

“Director” means the Director appointed pursuant to Section 260 of the CBCA.

“Dissent Notice” means a written objection to the Arrangement Resolution provided by a Dissenting Shareholder in accordance with the dissent procedure set out under Section 190 of the CBCA.

“Dissent Rights” means the rights of dissent granted in favour of registered Shareholders in respect of the Arrangement pursuant to and in the manner set forth in Section 190 of the CBCA, as modified by the Interim Order and the Plan of Arrangement.

“Dissent Shares” means those Voting Shares in respect of which Dissent Rights have been exercised by the registered Shareholders in accordance with Section 190 of the CBCA, as modified by the Interim Order and the Plan of Arrangement.

“Dissenting Shareholder” means a registered holder of Voting Shares who (i) dissents in respect of the Arrangement Resolution in strict compliance with the Dissent Rights, (ii) does not withdraw, or is not deemed to have withdrawn, such dissent prior to the Effective Time, and (iii) who is ultimately entitled to be paid the fair value for its Voting Shares.

“DRS Advice” has the meaning ascribed thereto under Question 6 of “Information Regarding the Meeting - Your Questions and our Answers on Proxy Voting”.


“DSUs” means all outstanding deferred share units issued under the DSU Plans.

“Effective Date” means the date shown on the Certificate of Arrangement.

“Effective Time” means 12:01 (Montréal Time) on the Effective Date, or such other time as the Parties may agree to in writing before the Effective Date.

“Employee Plans” means all health, welfare, supplemental unemployment benefit, fringe benefit, bonus, profit sharing, savings, insurance, incentive (including the Incentive Plans and the ESPPs), the Employee Retention Policy, individual retirement agreements, incentive compensation, deferred compensation, death benefits, termination, retention, change in control, severance, security purchase,
security compensation, disability, capital accumulation plans, defined benefit pension plans, registered and non-registered pension plans, funded and unfunded pension plans, multi-employer plans, supplemental retirements plans and other employee, independent contractor, consultant or director compensation or benefit plans, policies, trusts, funds, agreements or arrangements for the benefit of employees, consultants, agents or independent contractors of the Corporation or any of its Subsidiaries, or any other Person, whether written or unwritten, which are maintained by or binding upon the Corporation or any of its Subsidiaries or in respect of which the Corporation or any of its Subsidiaries has any actual or potential liability, but does not include (a) individual offer letters or employment contracts with employees, consultants, agents or independent contractors of the Corporation or any of its Subsidiaries (in each case as amended, modified or supplemented) or collective agreements, and (b) any statutory plans administered by a Governmental Entity, including the Canada Pension Plan, Québec Pension Plan and plans administered pursuant to applicable federal, state or provincial health, worker’s compensation or employment insurance legislation.

“Employee Retention Policy” means the Corporation’s Politique de rémunération en cas de changement de contrôle approved by the Board on February 12, 2019, in connection with the Arrangement, and disclosed in the Corporation Disclosure Letter.

“ESPPs” means, collectively, (a) the Permanent Stock Ownership Incentive Plan for Senior Managers adopted effective as of November 1, 2004, and last amended on December 13, 2017; (b) the Stock Ownership and Capital Accumulation Incentive Plan for the Non-Unionized Employees adopted effective as of January 13, 2016, and amended on December 13, 2017; and (c) the Employee Share Purchase Plan for the Benefit of all Employees or Executives adopted effective as of January 1, 2015, and last amended December on 13, 2017.

“EU” means the European Union.


“Executive Officers” refers to the officers holding Level 1 to 6 positions in Transat’s salary classification. For information purposes, there were twelve (12) executive officers as at June 27, 2019: Joseph Adamo, Michèle Barre, Bernard Bussières, Jean-Marc Eustache, Daniel Godbout, Annick Guérard, Grant Elder, Christophe Hennebelle, Bruno Leclaire, Jean-François Lemay Denis Pétrin and Jordi Solé.

“Existing Business” has the meaning ascribed thereto under “The Arrangement - Fairness Opinions - BMO Fairness Opinion”

“Fairness Opinions” means, collectively, the BMO Fairness Opinion and the NBF Fairness Opinion.

“Fasken” means Fasken Martineau DuMoulin LLP.

“Final Air Canada Proposal” has the meaning ascribed thereto under “The Arrangement - Background to the Arrangement”.

“Final Hearing” has the meaning ascribed thereto under “Certain Legal Matters – Court Approval and Completion of the Arrangement – Final Order”.

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“Final Order” means the final order of the Court in a form acceptable to the Corporation and the Purchaser, each acting reasonably, approving the Arrangement, as such order may be amended by the Court (with the consent of both the Corporation and the Purchaser, each acting reasonably) at any time prior to the Effective Date or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or as amended (provided that any such amendment is acceptable to both the Corporation and the Purchaser, each acting reasonably) on appeal.

“Gide” has the meaning ascribed thereto under “The Arrangement - Background to the Arrangement”.

“Governmental Entity” means (a) any international, multinational, national, federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, commissioner, cabinet, board, bureau, minister, ministry, agency or instrumentality, domestic or foreign; (b) any subdivision, agent or authority of any of the foregoing; (c) any quasi-governmental or private body including any tribunal, commission, regulatory agency or self-regulatory organization exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing, including authorities and agencies having regulatory powers in respect of transportation and aviation matters such as the Aviation Authorities; or (d) any Securities Authority or stock exchange, including the TSX.

“Groupe MACH” has the meaning ascribed thereto under “The Arrangement - Background to the Arrangement”.

“Holder” has the meaning ascribed thereto under “Certain Canadian Federal Income Tax Considerations”.

“Hotel Plan” has the meaning ascribed thereto under “The Arrangement - Fairness Opinions - BMO Fairness Opinion”.

“IFRS” means generally accepted accounting principles as set out in the CPA Canada Handbook – Accounting for an entity that prepares its financial statements in accordance with International Financial Reporting Standards.

“Incentive Plans” means (i) the Stock Option Plans, (ii) the DSU Plans, (iii) the PSU Plan; and (iv) the RSU Plan.

“Incentive Securities” means, collectively, the Options, the DSUs, the PSUs and the RSUs.

“Indebtedness” means, with respect to any Person, without duplication: (a) all obligations of such Person for borrowed money, or with respect to deposits or advances of any kind to such Person; (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments; (c) all Aircraft leases and conditional sale agreements and all other contracts relating to the purchase, sale, lease, sublease or financing of Aircraft, Aircraft Engines, Spare Engines or Parts; (d) all capitalized leases or purchase money obligations of such Person; (e) all obligations under credit card processing arrangements, (f) all monetary obligations of such Person owing under swap contracts or similar financial instruments (which amount shall be calculated based on the amount that would be payable by such Person if the relevant contract or instrument were terminated on the date of determination), (g) all guarantees, indemnities or financial assistance of, or in respect of, any Indebtedness of any other
Person; (h) all reimbursement obligations with respect to letters of credit and letters of guarantee; and
(i) all obligations in respect of bankers' acceptances.

“Interim Order” means the interim order of the Court in a form acceptable to the Corporation and the
Purchaser, each acting reasonably, providing for, among other things, the calling and holding of the
Meeting, as such order may be amended by the Court with the consent of the Corporation and the
Purchaser, each acting reasonably.

“Intermediary” has the meaning ascribed thereto under Question 6 of “Information Regarding the
Meeting - Your Questions and our Answers on Proxy Voting”.

“Joint Venture Subsidiary” means Desarrollo Transimar S.A. de C.V.

“June 2019 MACH Expression of Interest” has the meaning ascribed thereto under “The Arrangement
- Background to the Arrangement”.

“June 2019 Mach Letter” has the meaning ascribed thereto under “The Arrangement - Background to the
Arrangement”.

“Key Regulatory Approvals” means the Competition Act Approval, CT Act Approval and the approval
of the Arrangement pursuant to the EU Merger Regulation (139/2004).

“Kingsdale Advisors” means the Corporation's strategic shareholder advisor and proxy solicitation
agent.

“Law” means, with respect to any Person, any and all applicable national, federal, provincial, state,
municipal or local law (statutory, common, civil or otherwise), constitution, treaty, convention,
ordinance, code, rule, regulation, Order, injunction, judgment, award, decree, ruling or other similar
requirement, whether domestic or foreign, enacted, adopted, promulgated or applied by a
Governmental Entity that is binding upon or applicable to such Person or its business, undertaking,
property or securities (including for greater certainty the Transportation Modernization Act upon its
coming into force), and to the extent that they have the force of law or are binding on or affecting the
Person to which they purport to apply, policies, guidelines, bulletins and enforcement advisories,
standards, notices and protocols of any Governmental Entity, as amended.

“Letter of Transmittal” means the letter of transmittal sent to the Shareholders for use in connection
with the Arrangement.

“Lien” means any mortgage, charge, pledge, hypothec, security interest, international interest prior
claim, encroachments, option, right of first refusal or first offer, occupancy right, covenant, assignment,
lien (statutory or otherwise), defect of title, or restriction or adverse right or claim, or other third party
interest or encumbrance of any kind, in each case, whether contingent or absolute, including any right
of a lessor under a capital or financing lease and any other lease financing.

“MACH Proposal” has the meaning ascribed thereto under “The Arrangement - Background to the
Arrangement”.

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"Matching Period" has the meaning ascribed to it under "Arrangement Agreement – Covenants Regarding Non-Solicitation – Right to Match".

"Material Adverse Effect" means any change, event, occurrence, effect, state of facts and/or circumstance that, individually or in the aggregate with other such changes, events, occurrences, effects, states of facts or circumstances is or would reasonably be expected to be material and adverse to the business, operations, results of operations, assets, properties, financial condition, liabilities (contingent or otherwise) of the Corporation and its Subsidiaries, taken as a whole, except any such change, event, occurrence, effect, state of facts or circumstance resulting from or arising in connection with:

(a) any change, event, occurrence, effect, state of facts or circumstance affecting generally the airline industry or the segments of the travel, hotel and tourism industries in which the Corporation and its Subsidiaries operate;

(b) changes, events or occurrences in general economic, political, or financial conditions in any jurisdiction in which the Corporation or its Subsidiaries operate, including changes in currency exchange rates;

(c) any change in Law, IFRS (including with respect to the implementation of IFRS 16) or changes in regulatory accounting or tax requirements, or in the interpretation, application or non-application of the foregoing by any Governmental Entity;

(d) increases in the price of fuel (it being understood that the causes underlying such increase may, to the extent not otherwise excluded from the definition of Material Adverse Effect, be taken into account in determining whether a Material Adverse Effect has occurred);

(e) any natural disasters, acts of war (whether declared), uprisings and civil unrest, acts of terrorism or sabotage and outbreaks of disease, including in each of the aforementioned cases, any escalation or worsening thereof;

(f) any action taken (or omitted to be taken) by the Corporation or any of its Subsidiaries to the extent required by the Arrangement Agreement (it being understood that the causes underlying any action required by applicable Law or in order to take commercially reasonable steps to respond to emergency-type occurrences involving the preservation of business systems or Corporation data (including with respect to data and privacy breaches), may to the extent not otherwise excluded from the definition of Material Adverse Effect, be taken into account in determining whether a Material Adverse Effect has occurred) or with the prior written consent or at the written direction of the Purchaser;

(g) any change in the market price or trading volume of the Voting Shares (it being understood that the causes underlying such change in market price or trading volume may, to the extent not otherwise excluded from the definition of Material Adverse Effect, be taken into account in determining whether a Material Adverse Effect has occurred);

(h) any failure by the Corporation to meet any internal forecasts, projections or earnings guidance or expectations, or any external forecasts, projections or earnings guidance or expectations provided or publicly released by the Corporation or equity analysts for any period (it being
understood that the causes underlying such matters may, to the extent not otherwise excluded from the definition of Material Adverse Effect, be taken into account in determining whether a Material Adverse Effect has occurred);

(i) any proceeding or threatened proceeding relating to the Arrangement Agreement or the Arrangement; or

(j) the execution, announcement or performance of the Arrangement Agreement or the Arrangement or the implementation of the Arrangement, including any loss or threatened loss of, or adverse change or threatened adverse change in, the relationship of the Corporation or any of its Subsidiaries with any Governmental Entity or any of its or their current or prospective employees, customers, Securityholders, financing sources, vendors, distributors, suppliers, partners, licensors or lessors;

but, in the case of (a) through to and including (e) above, only to the extent that any such change, event, occurrence, effect, state of facts or circumstances does not have a materially disproportionate effect on the Corporation and its Subsidiaries, taken as a whole, relative to other entities operating in the airline industry or the segments of the travel, hotel and tourism industries in which the Corporation and its Subsidiaries operate; and references in certain sections of the Arrangement Agreement to dollar amounts are not intended to be, and shall not be deemed to be, illustrative or interpretative for purposes of determining whether a Material Adverse Effect has occurred.

"Material Contract" means any contract:

(a) that is an Aircraft Contract or an Aircraft Finance Contract or that is a material ancillary agreement related to an Aircraft Contract or an Aircraft Finance Contract or any software, data or other license agreement required to operate and/or maintain the Corporation Aircraft and the Corporation Engines;

(b) that is a shareholders agreement or a similar type of contract or that is otherwise relating to any joint venture, partnership or alliance, including any contract entered into between the Corporation or any of its Subsidiaries, on the one hand, and a shareholder, partner or manager (or any of their respective affiliates) of a Subsidiary that is not wholly-owned directly or indirectly by the Corporation, on the other hand;

(c) that is an interline, code-share, charter, wet lease, franchise, capacity purchase, regional carrier, co-brand, frequent flyer or similar contract that is material to the business and operations of the Corporation and its Subsidiaries on a consolidated basis or that is outside the Ordinary Course;

(d) with any airport authority in relation to the operation of air services to, use of airport facilities and equipment at, or the lease or license of premises, in each case, at any Material Corporation Airport or that is otherwise material to the business and operations of the Corporation and its Subsidiaries on a consolidated basis or that is outside the Ordinary Course;

(e) relating to the provision of ground baggage handling services (including terminal services, customer services, baggage handling services, ramp services, de-icing services and lounge services), contracts respecting the participation in Consortia, fuel purchase and supply, in each
case that is material to the business and operations of the Corporation and its Subsidiaries on a consolidated basis or that is outside the Ordinary Course;

(f) relating to Aircraft, airframe, Aircraft Engine or Spare Engine maintenance repair, overhaul or exchange services or relating to Parts supply or maintenance, repair, overhaul or exchange services that, in each case, is material to the Corporation and its Subsidiaries and that cannot be terminated by the Corporation or any of its Subsidiaries, as applicable, without penalty on sixty (60) days’ notice or in respect of which the counterparty is the sole source of supply or has an exclusivity;

(g) relating to the delivery of statutory services such as air navigation and transportation security, in each case that is material to the business and operations of the Corporation and its Subsidiaries on a consolidated basis or that is outside of the Ordinary Course;

(h) relating to the distribution and sale of tickets, travel packages, travel services (including ground transportation and destination booking services), airfares and other products and services with distribution systems and third-party vendors and suppliers, in each case that is material to the business and operations of the Corporation and its Subsidiaries on a consolidated basis or that is outside of the Ordinary Course;

(i) providing for material rights in relation to Corporation Slots;

(j) relating to Indebtedness (currently outstanding or which may become outstanding) of the Corporation or any of its Subsidiaries in excess of a principal outstanding amount of (i) $10,000,000 in the aggregate when this term is used with respect to the covenants of the Corporation regarding the conduct of the business of the Corporation in the Arrangement Agreement, or (ii) $5,000,000 in the aggregate when this term is used elsewhere in the Arrangement Agreement), excluding guarantees or intercompany liabilities or obligations between two or more Persons each of whom is a Subsidiary of the Corporation or between the Corporation and one or more Persons each of whom is a Subsidiary of the Corporation;

(k) restricting the incurrence of Indebtedness by the Corporation or any of its Subsidiaries (including by requiring the granting of an equal and rateable lien) or the incurrence of any liens on any properties or assets of the Corporation or any of its Subsidiaries, or restricting the payment of dividends by the Corporation;

(l) under which the Corporation or its Subsidiaries has received payment in excess of $5,000,000 during the fiscal year ended October 31, 2018, expects to receive payment in excess of $5,000,000 during the fiscal year ending October 31, 2019, or expects to receive in excess of $5,000,000 in any 12-month period over the life of the contract;

(m) under which the Corporation or its Subsidiaries have made payments in excess of $5,000,000 during the fiscal year ended October 31, 2018, is obligated to make payments in excess of $5,000,000 during the fiscal year ending October 31, 2019, or is obligated to make payment in excess of $5,000,000 in any 12-month period over the life of the contract;
(n) providing for the purchase, sale or exchange of, or option to purchase, sell or exchange (including any put, call or similar right), any property or asset where the purchase or sale price or agreed value of such property or asset exceeds $5,000,000;

(o) that (i) limits or restricts in any material respect the ability of the Corporation or any of its Subsidiaries to engage in any line of business or carry on business in any geographic area or the scope of Persons to whom the Corporation or any of its Subsidiaries may sell products or deliver services; or (ii) creates an exclusive dealing arrangement or “most favoured nation” obligation, or grants a third party a right of first offer or refusal in respect of material assets of the Corporation or any of its Subsidiaries;

(p) providing for any swap that is material to the Corporation and its Subsidiaries;

(q) that if terminated or modified or if it ceased to be in effect, would reasonably be expected to have a Material Adverse Effect;

(r) that is a collective agreement or contract with any union;

(s) with a Governmental Entity for a value in excess of (i) $10,000,000 in the aggregate when this term is used with respect to the covenants regarding the conduct of the business of the Corporation in the Arrangement Agreement, or (ii) $5,000,000 in the aggregate when this term is used elsewhere in the Arrangement Agreement;

(t) that contains any indemnification rights or obligations, or credit support relating to such indemnification rights or obligations, other than any of such indemnification rights or obligations incurred in the Ordinary Course;

(u) that obligates the Corporation or any of its Subsidiaries to make any capital investment or capital expenditure in excess of (i) $10,000,000 in the aggregate when this term is used with respect to the covenants regarding the conduct of the business of the Corporation in the Arrangement Agreement, or (ii) $5,000,000 in the aggregate when this term is used elsewhere in the Arrangement Agreement;

(v) providing for any payments that may become payable in connection with, or in relation to, a change of control;

(w) that is a sales agency, travel agency or tour operator contract (including contracts with air carriers and with respect to hotel bookings) under which the Corporation or any of its Subsidiaries is obligated to make or expects to receive payments in excess of $5,000,000 in any 12-month period over the life of the contract;

(x) that is a supply contract with respect to air, hotel or payment or credit card processing and that contains any minimum use, supply or display requirements or that requires the Corporation and its Subsidiaries to maintain certain levels of unrestricted cash;

(y) that is otherwise material to the Corporation and its Subsidiaries, taken as a whole; or
(2) any contract (other than contracts referred to in (a) through (y) above) that is still in force and which has been or would be required by Securities Laws to be filed by the Corporation with the Securities Authorities;

and includes each of the contracts listed in the applicable schedule of the Corporation Disclosure Letter, provided that, in each of the foregoing cases, if a contract has been amended, modified, supplemented or renewed, any reference to the contract shall refer to the contract as so amended, modified, supplemented or renewed.


"Meeting" means the special meeting of Shareholders, including any adjournment or postponement thereof, to be called and held in accordance with the Interim Order to consider the Arrangement Resolution.

"Merger Notice" has the meaning ascribed thereto under "Certain Legal Matters – Regulatory Matters – Other Regulatory Approvals".

"Minimum Cash Condition" has the meaning ascribed thereto under "The Arrangement - Background to the Arrangement".

"NBF" means National Bank Financial Inc.

"NBF Engagement Letter" has the meaning ascribed thereto under “The Arrangement - Fairness Opinions - NBF Fairness Opinion”.

"NBF Fairness Opinion" means the opinion delivered by NBF to the Special Committee and the Board to the effect that, as at June 26, 2019 (after market close), and subject to the assumptions, qualifications and limitations set forth therein, the Consideration to be received by the Shareholders pursuant to the Arrangement Agreement is fair, from a financial point of view, to such Shareholders.

"NRF" means Norton Rose Fulbright Canada LLP.

"NOBO" has the meaning ascribed thereto under Question 13 of "Information Regarding the Meeting – Your Questions and our Answers on Proxy Voting”.

"Non-Resident Holder" has the meaning ascribed thereto under “Certain Canadian Federal Income Tax Considerations – Holders Not Resident in Canada”.

"Notice of Meeting" means the notice of special meeting of Shareholders dated July 19, 2019, accompanying this Circular.

"Notice of Presentation" means the notice of presentation of the Final Order, a copy of which is attached as Schedule F to this Circular.
“Notifiable Transactions” has the meaning ascribed thereto under "Certain Legal Matters - Regulatory Matters – Competition Act Approval".

“OBO” has the meaning ascribed thereto under Question 13 of "Information Regarding the Meeting – Your Questions and our Answers on Proxy Voting”.

“Option” means all outstanding options to purchase Voting Shares issued pursuant to the Stock Option Plans.

“Order” means all judicial, arbitral, administrative, ministerial, departmental or regulatory judgments, injunctions, orders, decisions, rulings, determinations, awards, decrees, stipulations or similar actions taken or entered by or with, or applied by, any Governmental Entity (in each case, whether temporary, preliminary or permanent).

“Ordinary Course” means, with respect to an action taken by a Party or any of its Subsidiaries, that such action is consistent in nature and scope with the past practices of such Party or such Subsidiary and is taken in the ordinary course of the normal day-to-day operations of the business of such Party or such Subsidiary.

“Other Regulatory Approvals” means any Authorization, permit, exemption, review, Order, decision or approval of, or any registration and filing with, any Governmental Entity, or the expiry, waiver or termination of any waiting period imposed by Law or a Governmental Entity, in each case required to be obtained in connection with the transactions contemplated by the Arrangement Agreement, but excluding the Key Regulatory Approvals.

“Outside Date” means June 27, 2020, provided that if one or more of the Key Regulatory Approvals has not been obtained, either Party may, in its sole discretion:

(a) extend such initial Outside Date by three (3) additional successive periods of one (1) month each; and
(b) thereafter, further extend the Outside Date by three (3) additional successive periods of one (1) month each, provided that, at the time of each such additional extension, a suit, action, litigation or arbitration or other legal proceeding (including any civil, criminal, administrative or appellate proceeding) has commenced, been brought or is conducted or heard by or before any Governmental Entity in relation to a Key Regulatory Approval;

in each case, by giving written notice to the other Party to such effect no later than 5:00 p.m. (Montréal time) on a date that is no less than five (5) Business Days prior to the initial Outside Date or any applicable subsequent Outside Date, provided that (i) notwithstanding the foregoing, a Party shall not be permitted to extend the applicable Outside Date if the failure to obtain one or more of the Key Regulatory Approvals is primarily the result of such Party's failure to comply with its covenants relating to the obtaining of such Key Regulatory Approvals under the Arrangement Agreement, (ii) in the case of the notice extending the initial Outside Date for an initial additional period of one (1) month, such notice must be given no later than 5:00 p.m. (Montréal time) on a date that is no more than 30 days prior to the initial Outside Date, and (iii) for greater certainty, subject to the conditions set forth in this definition being satisfied, either Party shall have the ability to initiate any subsequent extension pursuant to the terms above, irrespective of which Party initiated any earlier extension.
“Ownership Restrictions” has the meaning ascribed thereto under Question 3 “Information Regarding the Meeting - Your Questions and our Answers on Proxy Voting”.

“Part” means any appliance, component, part, tool, instrument, auxiliary power unit, landing gear, navigational or communication equipment, appurtenance, attachment, accessory, furnishing or other good or equipment of whatever nature which is or may from time to time be installed on, incorporated or contained in, attached or appurtenant to, an Aircraft, an airframe, an Aircraft Engine or a Spare Engine. For greater certainty, Parts include spare parts.

“Parties” means, collectively, the Corporation and the Purchaser, and “Party” means any one of them.

“Person” includes any individual, partnership, association, body corporate, organization, trust, estate, trustee, executor, administrator, legal representative, government (including Governmental Entity), syndicate or other entity, whether or not having legal status.

“Plan of Arrangement” means the plan of arrangement substantially in the form set forth in Schedule B to this Circular, subject to any amendments or variations to such plan made in accordance with its terms, the terms of the Arrangement Agreement or made at the direction of the Court in the Final Order with the prior consent of the Purchaser and Transat, each acting reasonably.

“Proposed Amendments” has the meaning ascribed thereto under “Certain Canadian Federal Income Tax Considerations”.

“Proposed Price” has the meaning ascribed thereto under “The Arrangement - Background to the Arrangement”.

“Proposed Transaction” has the meaning ascribed thereto under “The Arrangement - Background to the Arrangement”.

“PSU Plan” means the Corporation’s Performance Share Units Plan adopted effective as of January 1, 2015, and last amended on December 13, 2017.

“PSUs” means all outstanding performance share units issued under the PSU Plan.

“Puerto Morelos Project” means the project related to the construction by the Corporation and/or one or more of its Subsidiaries of an oceanfront hotel in Puerto Morelos, Mexico (and includes the business systems related thereto, if any).

“Purchaser” means Air Canada.

“Record Date” means July 17, 2019.

“Regulation 45-106” means Regulation 45-106 respecting Prospectus Exemptions.

“Regulatory Approvals” means any Authorization, consent, waiver, permit, exemption, review, order, decision or approval of, or any registration and filing with, any Governmental Entity, or the expiry, waiver or termination of any waiting period imposed by Law or a Governmental Entity, in each case in connection with the Arrangement, and includes the Key Regulatory Approvals.

“Replacement Bonus” has the meaning ascribed thereto under “The Arrangement - Interest of Certain Persons in the Arrangement – Employee Retention Plans”.

“Representative” means, with respect to any Person, any officer, director, employee, representative (including any financial, legal or other advisor) or agent of such Person or of any of its Subsidiaries.

“Required Shareholder Approval” has the meaning ascribed thereto under “The Arrangement - Shareholders’ Approval of the Arrangement”.

“Resident Holders” has the meaning ascribed thereto under “Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada”.

“Reverse Termination Fee” has the meaning ascribed to it under “Arrangement Agreement – Termination Fees – Purchaser Reverse Termination Fee”.

“Reverse Termination Fee Event” has the meaning ascribed to it under “Arrangement Agreement – Termination Fees – Purchaser Reverse Termination Fee”.

“Revised Air Canada Proposal” has the meaning ascribed thereto under “The Arrangement - Background to the Arrangement”.

“Rights Plan” means the amended and restated shareholder rights plan agreement dated as of March 16, 2017, between the Corporation and CST Trust Company, as rights agent.

“RSU Plan” means the Corporation’s Restricted Share Unit Plan adopted effective as of November 1, 2016, and last amended on December 13, 2017.

“RSUs” means all outstanding restricted share units issued under the RSU Plan.

“Seasonal Aircraft” means, as of the date of the Arrangement Agreement, the Aircraft listed in the Corporation Disclosure Letter, and, thereafter, such other Aircraft as may be leased by the Corporation or one or more of its Subsidiaries for not more than one continuous period of up to six (6) months.

“Securities Authority” means the AMF and any other applicable securities commissions or securities regulatory authority of a province or territory of Canada and the TSX.

“Securities Laws” means the Securities Act (Québec) together with all other applicable securities Laws, rules, and regulations and published policies thereunder or under the securities Laws of any other province or territory of Canada, and the rules and policies of the TSX.

“SEDAR” means the System for Electronic Document Analysis and Retrieval maintained on behalf of the Securities Authorities.
“Second Revised Air Canada Proposal” has the meaning ascribed thereto under “The Arrangement - Background to the Arrangement”.

“Securityholders” means, collectively, the Shareholders and the holders of Incentive Securities.

“Senior Management” means the members of the executive leadership team of the Corporation, which is currently comprised of (i) the Co-founder, Chairman of the Board, President and Chief Executive Officer of the Corporation; (ii) the Chief Operating Officer of the Corporation; (iii) the President, Hotel Division of the Corporation; (iv) the President-General Manager of Air Transat; (v) the President, Transat Distribution Canada and Vice-President and Chief Distribution Officer of the Corporation; (vi) the Vice-President and Chief Information Officer of the Corporation; (vii) the Vice-President, General Counsel and Corporate Secretary of the Corporation; (viii) the Vice-President, Human Resources and Corporate Affairs of the Corporation; (ix) the Senior Vice President and Advisor to the President of the Corporation; and (x) the Vice-President, Finance and Administration and Chief Financial Officer of the Corporation.

“Shareholders” means the registered or beneficial holders of the Voting Shares, as the context requires.

“Spare Engine” means an Aircraft engine together with all parts installed on, incorporated or contained in, attached or appurtenant to, such engine and which form part or shall be deemed to form part of the engine, and which engine was acquired by the Corporation or one of its Subsidiaries as a spare engine, regardless of whether such engine is installed on an Aircraft at any given time.

“Special Committee” means the special committee of independent members of the Board formed in relation with the transactions contemplated by the Arrangement Agreement being comprised of independent directors, namely Jean-Yves Leblanc (Chair), Raymond Bachand, Jacques Simoneau, Philippe Sureau and W. Brian Edwards.

“Spring Door Threshold” has the meaning ascribed thereto under “The Arrangement - Background to the Arrangement”.

“Stikeman” has the meaning ascribed thereto under “The Arrangement - Background to the Arrangement”.

“Stock Option Plans” means (i) the Corporation’s 2016 Stock Option Plan adopted effective as of January 13, 2016, as amended, (ii) the Corporation’s 2009 Stock Option Plan adopted effective as of January 14, 2009, as amended, and (iii) the Corporation’s 1995 Stock Option Plan adopted effective as of December 5, 1995, as amended.

“Subject Securities” has the meaning ascribed to it under “The Arrangement - Support and Voting Agreements”.

“Subsidiary” has the meaning ascribed thereto in Regulation 45-106 - respecting Prospectus Exemptions as in effect on the date of the Arrangement Agreement. “Subsidiary”, when used in reference to the Corporation, shall also include the Joint Venture Subsidiary.
“Superior Proposal” means any unsolicited bona fide written Acquisition Proposal from a Person or group of Persons to acquire not less than all of the outstanding Voting Shares or all or substantially all of the assets of the Corporation on a consolidated basis that:

(a) complies with Securities Laws and did not result from or involve a breach of the covenants of the Corporation regarding non-solicitation in the Arrangement Agreement;

(b) is reasonably capable of being completed without undue delay, taking into account, all financial, legal, regulatory and other aspects of such proposal and the Person or group of Persons making such proposal and their respective affiliates;

(c) is made by a Person or group of Persons who has demonstrated to the satisfaction of the Board, acting in good faith (after receipt of advice from its financial advisors and its outside legal counsel), that it has (i) adequate cash on hand and/or (ii) fully committed financing from a bank or other recognized and reputable financial institution, fund or organization that makes debt or equity investments or financing as part of its usual activities, and that is not subject to any condition or contingency other than usual closing conditions, required to complete such Acquisition Proposal at the time and on the basis set out therein;

(d) is not subject to any due diligence or access condition;

(e) provides for a consideration payable in cash per Voting Share which is equal to or greater than $14.00; and

(f) the Board determines in its good faith judgment, after receiving the advice of its outside legal and financial advisors and after taking into account all the terms and conditions of the Acquisition Proposal, including all legal, financial, regulatory and other aspects of such Acquisition Proposal and the Person or group of Persons making such Acquisition Proposal and their respective affiliates, would, if consummated in accordance with its terms and taking into account the risk of non-completion and other factors deemed relevant by the Board (including the post-acquisition leverage level), result in a transaction which is (i) in the best interests of the Corporation and its stakeholders, and (ii) more favourable, from a financial point of view, to the Shareholders than the Arrangement (including any amendments to the terms and conditions of the Arrangement proposed by the Purchaser pursuant to its right to match under the Arrangement Agreement).

“Superior Proposal Notice” has the meaning ascribed to it under “Arrangement Agreement — Covenants Regarding Non-Solicitation — Right to Match”.

“Supplementary Information Request” has the meaning ascribed thereto under “Certain Legal Matters - Regulatory Matters – Competition Act Approval”.

“Support and Voting Agreements” means the support and voting agreements between the Purchaser and each director and Executive Officers.

“Tax Act” means the Income Tax Act (Canada), including the regulations promulgated thereunder, as amended from time to time.
“taxable capital gain” has the meaning ascribed thereto under “Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Sale of Voting Shares”.

“Tax Returns” means any and all returns, reports, declarations, elections, notices, forms, designations, filings, and statements (including estimated tax returns and reports, withholding tax returns and reports, and information returns and reports) filed or required to be filed in respect of Taxes.

“Taxes” means (a) any and all taxes, duties, fees, excises, premiums, assessments, imposts, levies and other charges or assessments of any kind whatsoever imposed by any Governmental Entity or Corporation Airport, whether computed on a separate, consolidated, unitary, combined or other basis, including those levied on, or measured by, or described with respect to, income, gross receipts, profits, gains, windfalls, capital, capital stock, production, volume, quantity, recapture, transfer, land transfer, license, gift, occupation, wealth, environment, net worth, Indebtedness, surplus, sales, goods and services, harmonized sales, use, value-added, fuel, carbon, Ticket Taxes, excise, special assessment, stamp, withholding, business, franchising, real, immovable or personal or movable property, health, employee health, payroll, workers’ compensation, employment or unemployment, severance, social services, social security, education, utility, surtaxes, customs, import or export, and including all license and registration fees and all employment insurance, health insurance and government pension plan premiums or contributions; (b) all interest, penalties, fines, additions to tax or other additional amounts imposed by any Governmental Entity on or in respect of amounts of the type described in clause (a) above or this clause (b); (c) any liability for the payment of any amounts of the type described in clause (a) or (b) as a result of being a member of an affiliated, consolidated, combined or unitary group for any period; and (d) any liability for the payment of any amounts of the type described in clause (a) or (b) as a result of any express or implied obligation to indemnify any other Person or as a result of being a transferee or successor in interest to any party.

“Terminating Party” has the meaning ascribed thereto under “Arrangement Agreement - Covenants - Notice and Cure Provisions”.

“Termination Fee” has the meaning ascribed thereto under “Arrangement Agreement- Termination Fees - Corporation Termination Fee”.

“Termination Fee Event” has the meaning ascribed thereto under “Arrangement Agreement - Termination Fees - Corporation Termination Fee”.

“Termination Notice” has the meaning ascribed thereto under “Arrangement Agreement - Covenants - Notice and Cure Provisions”.

“Ticket Taxes” means any and all taxes, fees and charges, for which a tax code is issued and defined by the International Air Transport Association, applicable to the sale, issuance or usage of a passenger transportation ticket as per any applicable Law or contract of any worldwide jurisdiction.

“Transaction Litigation” means any proceeding (other than a proceeding relating to any Key Regulatory Approval or Other Regulatory Approval) asserted or commenced by, on behalf of or in the name of, a third party against or otherwise involving the Purchaser, the Corporation, the Board, any committee thereof and/or any of the Corporation’s directors or officers relating directly or indirectly to the Arrangement, the Arrangement Agreement or any of the other transactions contemplated thereby (including any such proceeding based on allegations that the Corporation’s entry into the Arrangement
Agreement or the terms and conditions of the Arrangement, the Arrangement Agreement or any of the other transactions contemplated thereby constituted a breach of the fiduciary duties of any member of the Board or any officer of the Corporation).

“Transfer” has the meaning ascribed to it under “The Arrangement - Support and Voting Agreements”.

“TSX” means the Toronto Stock Exchange.

“UK” means United Kingdom.

“Voting Shares” means, collectively, the Class A variable voting shares and the Class B voting shares, and a “Voting Share” means any of a Class A variable voting share and a Class B voting share.

“Willful Breach” means with respect to any representation, warranty, agreement or covenant in the Arrangement Agreement, a breach of the Arrangement Agreement that is a consequence of an act or omission by the Breaching Party with the actual knowledge that the taking of such act or failure to act, as applicable, would, or would be reasonably expected to, cause a breach of the Arrangement Agreement.
CONSENT OF NATIONAL BANK FINANCIAL INC.

To the Special Committee of the Board of Transat A.T. Inc.

We refer to the fairness opinion of our firm dated June 26, 2019 (the "NBF Fairness Opinion") forming part of the management proxy circular dated July 19, 2019 (the "Circular") of Transat A.T. Inc. ("Transat") which we prepared for the Special Committee and the Board of Transat in connection with the Arrangement (as defined in the Circular). We hereby consent to the filing of text of the NBF Fairness Opinion with the securities regulatory authorities in the provinces of Canada and the inclusion of the NBF Fairness Opinion, and all references thereto, in the Circular.

National Bank Financial

Montréal, Québec

July 19, 2019
CONSENT OF BMO NESBITT BURNS INC.

To the Board of Directors (the “Board”) and the Special Committee of the Board of Directors of Transat A.T. Inc. (“Transat”)

We refer to the fairness opinion of our firm dated June 26, 2019 (the “BMO Fairness Opinion”) included as Schedule D of the management proxy circular dated July 19, 2019 (the “Circular”) of Transat which we prepared for the Board and the special committee of the Board of Transat in connection with the Arrangement (as defined in the Circular). We hereby consent to the filing of the text of the BMO Fairness Opinion with the securities regulatory authorities in the provinces of Canada, the inclusion of the BMO Fairness Opinion, and all references thereto, in the Circular, the inclusion of a summary of, and references to, the BMO Fairness Opinion in the Circular, and the use of our name in the Circular.

BMO Nesbitt Burns Inc.

Montréal, Québec

July 19, 2019
We have read the management proxy circular (the “Circular”) of Transat A.T. Inc. (“Transat”) dated July 19, 2019, relating to the special meeting of shareholders of Transat to approve an arrangement under the Canada Business Corporations Act between Transat and Air Canada. We consent to the inclusion in the Circular of our opinion contained under “Certain Canadian Federal Income Tax Considerations” and references to our firm’s name therein.

Montréal, Québec

July 19, 2019
SCHEDULE A

ARRANGEMENT RESOLUTION

BE IT RESOLVED THAT:

(1) The arrangement (the "Arrangement") under Section 192 of the Canada Business Corporations Act (the "CBCA") of Transat A.T. Inc. (the "Corporation"), pursuant to the arrangement agreement (as it may from time to time be amended, modified or supplemented, the "Arrangement Agreement") among the Corporation and Air Canada dated June 27, 2019, all as more particularly described and set forth in the management proxy circular of the Corporation dated July 19, 2019 (the "Circular") accompanying this notice of meeting and as it may from time to time be amended, modified or supplemented in accordance with the Arrangement Agreement, is hereby authorized, approved and adopted.

(2) The plan of arrangement (as it has been or may be amended, modified or supplemented in accordance with the Arrangement Agreement and its terms, the "Plan of Arrangement"), the full text of which is set out as schedule B to the Circular, is hereby authorized, approved and adopted.

(3) The (i) Arrangement Agreement and all transactions contemplated therein, (ii) actions of the directors of the Corporation in approving the Arrangement Agreement, and (iii) actions of the directors and officers of the Corporation in executing and delivering the Arrangement Agreement, and any amendments, modifications or supplements thereto, are hereby ratified and approved.

(4) Notwithstanding that this resolution has been passed (and the Arrangement adopted) by the shareholders of the Corporation or that the Arrangement has been approved by the Québec Superior Court (the "Court"), the directors of the Corporation are hereby authorized and empowered, at their discretion, without notice to or approval of the shareholders of the Corporation, (i) to amend, modify or supplement the Arrangement Agreement or the Plan of Arrangement to the extent permitted thereby, and (ii) subject to the terms of the Arrangement Agreement, not to proceed with the Arrangement and any related transactions.

(5) Any director or officer of the Corporation is hereby authorized and directed for and on behalf of the Corporation to make or cause to be made an application to the Court for an order approving the Arrangement and to execute and deliver or cause to be executed and delivered, for filing with the Director under the CBCA, articles of arrangement and all such other documents and instruments as are necessary or desirable to give effect to the Arrangement in accordance with the Arrangement Agreement, such determination to be conclusively evidenced by the execution and delivery of such articles of arrangement or any such other document or instrument.

(6) Any director or officer of the Corporation is hereby authorized and directed for and on behalf of the Corporation to execute and deliver or cause to be executed and delivered, all such other documents and instruments and to perform or cause to be performed all such other acts and things as such person determines may be necessary or desirable to give full force and effect to the foregoing resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such other document or instrument or the doing of any other such act or thing.
Section 1.1 Definitions

Unless indicated otherwise, where used in this Plan of Arrangement, capitalized terms used but not defined shall have the meanings specified in the Arrangement Agreement and the following terms shall have the following meanings (and grammatical variations of such terms shall have corresponding meanings):

"Arrangement" means the arrangement under Section 192 of the CBCA in accordance with the terms and subject to the conditions set out in this Plan of Arrangement, subject to any amendments or variations made to the Plan of Arrangement in accordance with its terms, the terms of the Arrangement Agreement or made at the direction of the Court in the Final Order with the prior written consent of the Corporation and the Purchaser, each acting reasonably.

"Arrangement Agreement" means the arrangement agreement dated as of June 27, 2019 among the Purchaser and the Corporation (including the schedules thereto) as it may be amended, modified or supplemented from time to time in accordance with its terms.

"Arrangement Resolution" means the special resolution approving this Plan of Arrangement to be considered at the Meeting, substantially in the form of Schedule B to the Arrangement Agreement.

"Articles of Arrangement" means the articles of arrangement of the Corporation in respect of the Arrangement required by the CBCA to be sent to the Director after the Final Order is made, which shall include the Plan of Arrangement and otherwise be in a form and content satisfactory to the Corporation and the Purchaser, each acting reasonably.

"Business Day" means any day of the year, other than a Saturday, Sunday or any day on which major banks are closed for business in Montreal, Québec or Winnipeg, Manitoba.

"CBCA" means the Canada Business Corporations Act.

"Certificate of Arrangement" means the certificate of arrangement to be issued by the Director pursuant to Subsection 192(7) of the CBCA in respect of the Articles of Arrangement.

"Circular" means the notice of the Meeting and accompanying management information circular, including all schedules, appendices and exhibits thereto, to be sent to each Shareholder and other Persons as required by the Interim Order and Law in connection with the Meeting, as amended, modified or supplemented from time to time in accordance with the terms of the Arrangement Agreement.

"Class A Variable Voting Shares" means the class A variable voting shares in the capital of the Corporation.

"Class B Voting Shares" means the class B voting shares in the capital of the Corporation.

"Consideration" means the consideration to be received by the Shareholders pursuant to this Plan of Arrangement, consisting of $13.00 in cash per Share, without interest.
"Corporation" means Transat A.T. Inc., a corporation existing under the laws of Canada.

"Court" means the Québec Superior Court.

"Depositary" means, in its capacity as depositary for the Arrangement, such Person as the Corporation and the Purchaser agree to engage as depositary for the Arrangement.

"Director" means the Director appointed pursuant to Section 260 of the CBCA.

"Dissent Rights" has the meaning specified in Section 3.1.

"Dissenting Holder" means a registered Shareholder who has validly exercised its Dissent Rights and has not withdrawn or been deemed to have withdrawn such exercise of Dissent Rights.


"DSUs" means all outstanding deferred share units issued under the DSU Plans.

"Effective Date" means the date shown on the Certificate of Arrangement giving effect to the Arrangement.

"Effective Time" means 12:01 a.m. (Montreal time) on the Effective Date, or such other time as the Parties agree to in writing before the Effective Date.

"Exchange" means the Toronto Stock Exchange.

"Final Order" means the final order of the Court in a form acceptable to the Corporation and the Purchaser, each acting reasonably, approving the Arrangement, as such order may be amended by the Court (with the consent of both the Corporation and the Purchaser, each acting reasonably) at any time prior to the Effective Date or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or as amended (provided that any such amendment is acceptable to both the Corporation and the Purchaser, each acting reasonably) on appeal.

"Governmental Entity" means (a) any international, multinational, national, federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, commissioner, cabinet, board, bureau, minister, ministry, agency or instrumentality, domestic or foreign; (b) any subdivision, agent or authority of any of the foregoing; (c) any quasi-governmental or private body including any tribunal, commission, regulatory agency or self-regulatory organization exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing, including authorities and agencies having regulatory powers in respect of transportation and aviation matters such as the Aviation Authorities; or (d) any Securities Authority or stock exchange, including the Exchange.

"Incentive Securities" means, collectively, the Options, the DSUs, the PSUs and the RSUs.

"Interim Order" means the interim order of the Court in a form acceptable to the Corporation and the Purchaser, each acting reasonably, providing for, among other things, the calling and holding of the Meeting, as such order may be amended by the Court with the consent of the Corporation and the Purchaser, each acting reasonably.
"Law" means, with respect to any Person, any and all applicable national, federal, provincial, state, municipal or local law (statutory, common, civil or otherwise), constitution, treaty, convention, ordinance, code, rule, regulation, Order, injunction, judgment, award, decree, ruling or other similar requirement, whether domestic or foreign, enacted, adopted, promulgated or applied by a Governmental Entity that is binding upon or applicable to such Person or its business, undertaking, property or securities (including for greater certainty the Transportation Modernization Act upon its coming into force), and to the extent that they have the force of law or are binding on or affecting the Person to which they purport to apply, policies, guidelines, bulletins and enforcement advisories, standards, notices and protocols of any Governmental Entity, as amended.

"Letter of Transmittal" means the letter of transmittal sent to the Shareholders for use in connection with the Arrangement.

"Lien" means any mortgage, charge, pledge, hypothec, security interest, international interest, prior claim, encroachments, option, right of first refusal or first offer, occupancy right, covenant, assignment, lien (statutory or otherwise), defect of title, or restriction or adverse right or claim, or other third party interest or encumbrance of any kind, in each case, whether contingent or absolute, including any right of a lessor under a capital or financing lease and any other lease financing.

"Meeting" means the special meeting of the Shareholders, including any adjournment or postponement of such special meeting in accordance with the terms of the Arrangement Agreement, to be called and held in accordance with the Interim Order to consider the Arrangement Resolution and for any other purpose as may be set out in the Circular and agreed to in writing by the Purchaser.

"Options" means all outstanding options to purchase Shares issued pursuant to the Stock Option Plans.

"Parties" means the Corporation and the Purchaser and "Party" means any one of them.

"Person" includes any individual, partnership, association, body corporate, organization, trust, estate, trustee, executor, administrator, legal representative, government (including Governmental Entity), syndicate or other entity, whether or not having legal status.

"Plan of Arrangement" means this plan of arrangement proposed under Section 192 of the CBCA, and any amendments or variations to this plan of arrangement made in accordance with its terms, the terms of the Arrangement Agreement or made at the direction of the Court in the Final Order with the prior written consent of the Corporation and the Purchaser, each acting reasonably.

"PSU Plan" means the Corporation's Performance Share Units Plan adopted effective as of January 1, 2015 and last amended on December 13, 2017.

"PSUs" means all outstanding performance share units issued under the PSU Plan.

"Purchaser" means Air Canada, a corporation existing under the laws of Canada or, in accordance with Section 8.12 of the Arrangement Agreement, any of its successors or permitted assigns.

"Rights Agent" means CST Trust Company.

"Rights Plan" means the amended and restated shareholder rights plan agreement dated as of March 16, 2017 between the Corporation and the Rights Agent, as rights agent.

"RSU Plan" means the Corporation's Restricted Share Unit Plan adopted effective as of November 1, 2016 and last amended on December 13, 2017.

"RSUs" means all outstanding restricted share units issued under the RSU Plan.
"Securities Authority" means the Autorité des marchés financiers (Québec) and any other applicable securities commissions or securities regulatory authority of a province or territory of Canada and the Exchange.

"Securityholders" means, collectively, the Shareholders and the holders of Incentive Securities.

"Shareholders" means the registered or beneficial holders of the Shares, as the context requires.

"Shares" means, collectively, the Class A Variable Voting Shares and the Class B Voting Shares, and a "Share" means any of a Class A Variable Voting Share and a Class B Voting Share.

"Stock Option Plans" means (i) the Corporation's 2016 Stock Option Plan adopted effective as of January 13, 2016, as amended, (ii) the Corporation’s 2009 Stock Option Plan adopted effective as of January 14, 2009, as amended, and (iii) the Corporation’s 1995 Stock Option Plan adopted effective as of December 5, 1995, as amended.

"Tax Act" means the Income Tax Act (Canada).

Section 1.2 Certain Rules of Interpretation

In this Plan of Arrangement, unless otherwise specified:

(1) **Headings, etc.** The division of this Plan of Arrangement into Articles and Sections and the insertion of headings are for convenient reference only and do not affect the construction or interpretation of this Plan of Arrangement.

(2) **Currency.** All references to dollars or to $ are references to Canadian dollars.

(3) **Gender and Number.** Any reference to gender includes all genders. Words importing the singular number only include the plural and vice versa.

(4) **Certain Phrases and References, etc.** The words (i) "including", "includes" and "include" mean "including (or includes or include) without limitation," (ii) "the aggregate of", "the total of", "the sum of", or a phrase of similar meaning means "the aggregate (or total or sum), without duplication, of," and (iii) unless stated otherwise, "Article" and "Section", followed by a number or letter mean and refer to the specified Article or Section of this Plan of Arrangement. The terms "Plan of Arrangement", "hereof", "herein" and similar expressions refer to this Plan of Arrangement (as it may be amended, modified or supplemented from time to time) and not to any particular article, section or other portion hereof and include any instrument supplementary or ancillary hereto.

(5) **Statutes.** Any reference to a Law refers to such statute and all rules and regulations made under it, as it or they may have been or may from time to time be amended or re-enacted, unless stated otherwise.

(6) **Computation of Time.** A period of time is to be computed as beginning on the day following the event that began the period and ending at 4:30 p.m. on the last day of the period, if the last day of the period is a Business Day, or at 4:30 p.m. on the next Business Day if the last day of the period is not a Business Day.

(7) **Date for Any Action.** If the date on which any action is required or permitted to be taken under this Plan of Arrangement by a Person is not a Business Day, such action shall be required or permitted to be taken on the next succeeding day which is a Business Day.

(8) **Time References.** References to time are to local time, Montreal, Québec.
ARTICLE 2
THE ARRANGEMENT

Section 2.1 Arrangement Agreement

This Plan of Arrangement constitutes an arrangement under Section 192 of the CBCA and is made pursuant to, and is subject to the provisions of, the Arrangement Agreement.

Section 2.2 Binding Effect

This Plan of Arrangement and the Arrangement, upon the filing of the Articles of Arrangement and the issuance of the Certificate of Arrangement, will become effective, and be binding on the Purchaser, the Corporation, all Shareholders (including Dissenting Holders), all holders of Incentive Securities, the registrar and transfer agent of the Corporation, the Depositary and the Rights Agent at and after the Effective Time, without any further act or formality required on the part of any Person, except as expressly provided in this Plan of Arrangement.

Section 2.3 Arrangement

Pursuant to the Arrangement, each of the following events shall occur and shall be deemed to occur sequentially as set out below without any further authorization, act or formality, in each case, unless stated otherwise, effective at five minute intervals starting at the Effective Time:

1. notwithstanding the terms of the Rights Plan, the Rights Plan shall be terminated, and all rights issued pursuant to the Rights Plan shall be cancelled without any payment in respect thereof;

2. each unvested Option, DSU, PSU and RSU shall, notwithstanding the terms of any Incentive Plan or any option, award or similar agreement pursuant to which any Incentive Securities were granted or awarded, as applicable, be deemed to have been vested, and the following transactions shall occur simultaneously:
   (a) each outstanding Option shall, without any further action by or on behalf of the holder thereof, be deemed to be assigned and surrendered by such holder to the Corporation in exchange for, in respect of each Option for which the Consideration exceeds the exercise price, an amount equal to the Consideration less the applicable exercise price in respect of such Option, less any applicable withholdings pursuant to Section 4.3, and such Option shall immediately be cancelled. For greater certainty, where the exercise price of any Option is greater than the Consideration, neither the Corporation nor the Purchaser shall be obligated to pay the holder of such Option the Consideration or any other amount in respect of such Option, and the Option shall be immediately cancelled and surrendered for no consideration;
   (b) each outstanding DSU, PSU and RSU shall, without any further action by or on behalf of the holder thereof, be deemed to be transferred by such holder to the Corporation in exchange for the Consideration, in each case, less any applicable withholdings pursuant to Section 4.3, and each such DSU, PSU or RSU shall immediately be cancelled;
   (c) (i) each holder of Incentive Securities shall cease to be a holder of such Incentive Securities, (ii) such holder's name shall be removed from each applicable register, (iii) the Incentive Plans and any and all option, award or similar agreements relating to the Incentive Securities shall be terminated and shall be of no further force and effect, and (iv) such holder shall thereafter have only the right to receive the consideration, if any, to which it is entitled pursuant to Section 2.3(2)(a) or Section 2.3(2)(b), as applicable, at the time and in the manner specified in such Section;
each outstanding Share held by a Dissenting Holder in respect of which Dissent Rights have been validly exercised shall be deemed to have been transferred without any further act or formality by the holder thereof to the Purchaser, and:

(a) such Dissenting Holder shall cease to be the holder of such Share and to have any rights as a Shareholder, other than the right to be paid the fair value of its Shares by the Purchaser in accordance with Section 3.1;

(b) such Dissenting Holder's name shall be removed from the register of holders of Shares maintained by or on behalf of the Corporation; and

(c) the Purchaser shall be recorded in the register of holders of Shares maintained by or on behalf of the Corporation as the holder of the Shares so transferred, and shall be deemed to be the legal and beneficial owner thereof; and

(4) concurrently with step (3) above, each outstanding Share (other than Shares held by Dissenting Holders who have validly exercised their respective Dissent Rights) shall be transferred without any further act or formality by the holder thereof to the Purchaser in exchange for the Consideration, less any applicable withholdings pursuant to Section 4.3, and:

(a) the holder of such Share shall cease to be the holder thereof and to have any rights as as a Shareholder other than the right to be paid the Consideration in accordance with this Plan of Arrangement;

(b) such holder's name shall be removed from the register of holders of Shares maintained by or on behalf of the Corporation; and

(c) the Purchaser shall be recorded in the register of holders of Shares maintained by or on behalf of the Corporation as the holder of the Shares so transferred, and shall be deemed to be the legal and beneficial owner thereof.

ARTICLE 3
DISSENT RIGHTS

Section 3.1 Dissent Rights

(1) Registered holders of Shares may exercise dissent rights ("Dissent Rights") in connection with the Arrangement pursuant to and in the manner set forth in Section 190 of the CBCA, as modified by the Interim Order, the Final Order and this Section 3.1, provided that, notwithstanding Subsection 190(5) of the CBCA, the written objection to the Arrangement Resolution referred to in Subsection 190(5) of the CBCA must be received by Corporation at its registered office no later than 5:00 p.m. (local time in place of receipt) two Business Days immediately preceding the date of the Meeting (as it may be adjourned or postponed from time to time).

(2) Dissenting Holders who duly exercise their Dissent Rights shall be deemed to have transferred the Shares held by them to the Purchaser, as provided in Section 2.3(3), and if they:

(a) are ultimately entitled to be paid fair value for such Shares, shall be entitled to be paid the fair value of such Shares by the Purchaser, less any applicable withholdings, which fair value, notwithstanding anything to the contrary in Part XV of the CBCA, shall be determined as of the close of business on the day before the Arrangement Resolution was adopted and will not be entitled to any other payment or consideration, including any payment that would be payable under the Arrangement had such holders not exercised their Dissent Rights in respect of such Shares; or
Section 3.2 Recognition of Dissenting Holders

(1) In no case shall the Corporation, the Purchaser or any other Person be required to recognize a Person exercising Dissent Rights unless such Person is the registered holder of those Shares in respect of which such rights are sought to be exercised.

(2) In no case shall the Corporation, the Purchaser or any other Person be required to recognize any holder of Shares who exercises Dissent Rights as a holder of such Shares after the Effective Time.

(3) Shareholders who withdraw, or are deemed to withdraw, their right to exercise Dissent Rights shall be deemed to have participated in the Arrangement, as of the Effective Time, and shall be entitled to receive the Consideration to which Shareholders who have not exercised Dissent Rights are entitled under Section 3.1 hereof, less any applicable withholdings.

(4) In addition to any other restrictions under Section 190 of the CBCA, none of the following shall be entitled to exercise Dissent Rights: (a) holders of Incentive Securities, and (b) Shareholders who vote or have instructed a proxyholder to vote Shares in favour of the Arrangement Resolution.

ARTICLE 4
CERTIFICATES AND PAYMENTS

Section 4.1 Payment of Consideration

(1) Prior to the filing of the Articles of Arrangement, the Purchaser shall deposit, or arrange to be deposited, for the benefit of Shareholders (other than the Dissenting Holders), cash with the Depositary in the aggregate amount as is required by this Plan of Arrangement, with the amount per Share in respect of which Dissent Rights have been exercised being deemed to be the Consideration for this purpose, net of any applicable withholdings for the benefit of the Shareholders.

(2) Upon surrender to the Depositary of a certificate which immediately prior to the Effective Time represented outstanding Shares that were transferred pursuant to Section 2.3(4), together with a duly completed and executed Letter of Transmittal and such additional documents and instruments as the Depositary may reasonably require, the Shareholders represented by such surrendered certificate shall be entitled to receive in exchange therefor, and the Depositary shall deliver to such holder, the cash payment which such holder has the right to receive under the Arrangement for such Shares, less any amounts withheld pursuant to Section 4.3, and any certificate so surrendered shall forthwith be cancelled.

(3) As soon as practicable after the Effective Time, the Corporation shall deliver to each holder of Incentive Securities (in accordance with Section 2.3(2)), the cash payment, if any, net of applicable withholdings pursuant to Section 4.3, that such holder is entitled to receive under the Arrangement, either (i) pursuant to the normal payroll practices and procedures of the Corporation, or (ii) in the event that payment pursuant to the normal payroll practices and procedures of the Corporation is not practicable for any such holder, by cheque (delivered to the address of such holder of Incentive Securities, as reflected on the register maintained by or on behalf of the Corporation in respect of the Incentive Securities).
Until surrendered as contemplated by this Section 4.1, each certificate that immediately prior to the Effective Time represented Shares shall be deemed after the Effective Time to represent only the right to receive upon such surrender the cash payment which the holder is entitled to receive in lieu of such certificate as contemplated in this Section 4.1, less any amounts withheld pursuant to Section 4.3. Any such certificate formerly representing Shares not duly surrendered on or before the sixth (6th) anniversary of the Effective Date shall cease to represent a claim by or interest of any former holder of Shares of any kind or nature against or in the Corporation or the Purchaser. On such date, all cash payments to which such former holder was entitled shall be deemed to have been surrendered to the Purchaser, and shall be paid over by the Depositary to the Purchaser or as directed by the Purchaser.

Any payment made by the Depositary (or the Corporation, if applicable) in accordance with this Plan of Arrangement that has not been deposited or has been returned to the Depositary (or the Corporation) or that otherwise remains unclaimed, in each case, on or before the sixth (6th) anniversary of the Effective Time, and any right or claim to payment hereunder that remains outstanding on the sixth (6th) anniversary of the Effective Time shall cease to represent a right or claim of any kind or nature and the right of the holder to receive the applicable consideration for the Shares and the Incentive Securities in accordance with this Plan of Arrangement shall terminate and be deemed to be surrendered and forfeited to the Purchaser or the Corporation, as applicable, for no consideration.

No holder of Shares or Incentive Securities shall be entitled to receive any consideration with respect to such Shares or Incentive Securities other than the cash payment, if any, which such holder is entitled to receive in accordance with Section 2.3 and this Section 4.1 and, for greater certainty, no such holder shall be entitled to receive any interest, dividends, premium or other payment in connection therewith, other than, in respect of Shares, any declared but unpaid dividends with a record date prior to the Effective Date. No dividend or other distribution declared or made after the Effective Time with respect to any securities of the Corporation with a record date on or after the Effective Date shall be delivered to the holder of any unsurrendered certificate which, immediately prior to the Effective Date, represented outstanding Shares.

Section 4.2 Lost Certificates

In the event any certificate which immediately prior to the Effective Time represented one or more outstanding Shares that were transferred pursuant to Section 2.3 shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such certificate to be lost, stolen or destroyed and who was listed immediately prior to the Effective Time as the registered holder thereof on the register of holders of Shares maintained by or on behalf of the Corporation, the Depositary shall deliver in exchange for such lost, stolen or destroyed certificate, the cash payment which such holder is entitled to receive for such Shares under this Plan of Arrangement in accordance with such holder's Letter of Transmittal. When authorizing such payment in exchange for any lost, stolen or destroyed certificate, the Person to whom such payment is to be delivered shall, as a condition precedent to the delivery of such payment, give a bond satisfactory to the Purchaser and the Depositary (each acting reasonably) in such sum as the Purchaser and the Depositary may direct, or otherwise indemnify the Corporation, the Depositary and the Purchaser in a manner satisfactory to the Corporation, the Depositary and the Purchaser (each acting reasonably), against any claim that may be made against the Corporation, the Depositary or the Purchaser with respect to the certificate alleged to have been lost, stolen or destroyed.

Section 4.3 Withholding Rights

Each of the Purchaser, the Corporation and the Depositary shall be entitled to deduct and withhold from any amount payable to any Person under this Plan of Arrangement, such amounts as the Corporation, the Purchaser or the Depositary determines, acting reasonably, are required or permitted to be deducted and withheld with respect to such payment under the Tax Act, the United States Internal Revenue Code of 1986 or any provision of any other Law and shall remit such deduction and withholding to the
appropriate Governmental Entity. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes hereof as having been paid to the Person in respect of which such withholding was made, provided that such amounts are actually remitted to the appropriate Governmental Entity.

**Section 4.4 Calculations**

All aggregate amounts of cash consideration to be received under this Plan of Arrangement will be calculated to the nearest cent ($0.01). All calculations and determinations made in good faith by the Corporation, the Purchaser or the Depositary, as applicable, for the purposes of this Plan of Arrangement shall be conclusive, final and binding.

**Section 4.5 No Liens**

Any exchange or transfer of securities, deemed or otherwise, in accordance with this Plan of Arrangement shall be free and clear of any Liens or other claims of third parties of any kind.

**Section 4.6 Paramountcy**

From and after the Effective Time: (a) this Plan of Arrangement shall take precedence and priority over any and all Shares and Incentive Securities issued or outstanding prior to the Effective Time, (b) the rights and obligations of the holders of Shares and Incentive Securities, the Corporation, the Purchaser, the Depositary, the Rights Agent and any registrar or transfer agent or other depositary therefor in relation thereto, shall be solely as provided for in this Plan of Arrangement, and (c) all actions, causes of action, claims or proceedings (actual or contingent and whether or not previously asserted) based on or in any way relating to any Shares or Incentive Securities shall be deemed to have been settled, compromised, released and determined without liability except as set forth in this Plan of Arrangement.

**ARTICLE 5 AMENDMENTS**

**Section 5.1 Amendments**

(1) The Corporation and the Purchaser may amend, modify and/or supplement this Plan of Arrangement at any time and from time to time prior to the Effective Time, provided that each such amendment, modification and/or supplement must (a) be set out in writing, (b) be approved by the Corporation and the Purchaser, each acting reasonably, and (c) be filed with the Court and, if made following the Meeting, approved by the Court.

(2) Notwithstanding Section 5.1(1), the Corporation and the Purchaser may amend, modify and/or supplement this Plan of Arrangement at any time and from time to time without the approval of the Court or the Securityholders, provided that each such amendment, modification and/or supplement (a) must concern a matter which, in the reasonable opinion of each of the Corporation and the Purchaser, is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement, and (b) is not adverse to the economic interests of any Securityholders.

(3) Subject to Section 5.1(2), any amendment, modification and/or supplement to this Plan of Arrangement may be proposed by the Corporation or the Purchaser at any time prior to or at the Meeting (provided that the Corporation or the Purchaser, as applicable, shall have consented thereto in writing) with or without any other prior notice or communication to the Shareholders, and if so proposed and accepted by the Persons voting at the Meeting (other than as may be required under the Interim Order), shall become part of this Plan of Arrangement for all purposes.
Subject to Section 5.1(2), the Corporation and the Purchaser may amend, modify and/or supplement this Plan of Arrangement at any time and from time to time after the Meeting and prior to the Effective Time with the approval of the Court, and, if and as required by the Court, after communication to the Shareholders.

Section 5.2 Termination

This Plan of Arrangement may be withdrawn prior to the Effective Time in accordance with the terms of the Arrangement Agreement.

ARTICLE 6
FURTHER ASSURANCES

Section 6.1 Further Assurances

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

NBF FAIRNESS OPINION

See attached.
June 26, 2019

The Special Committee of the Board of Directors and the Board of Directors of Transat A.T. Inc.
300 Léo-Pariseau, Bureau 600
Montréal, QC H2X 4C2

To the Board of Directors:

National Bank Financial Inc. (“National Bank Financial”, “we”, or “us”) understands that Transat A.T. Inc. (“Transat” or the “Company”) and Air Canada propose to enter into an arrangement agreement to be dated June 27, 2019 (the “Arrangement Agreement”). Under the terms of the Arrangement Agreement, Air Canada will acquire all of the issued and outstanding common shares of Transat (each a “Transat Share” and collectively the “Transat Shares”) and each holder of a Transat Share (the “Transat Shareholders”) will receive C$13.00 in cash, for each Transat Share held (the “Consideration”). The transaction contemplated by the Arrangement Agreement will be effected pursuant to a court-approved plan of arrangement under the Canada Business Corporations Act (the “Arrangement”) and will require the approval of at least 66 2/3% of the votes cast by Transat Shareholders.

National Bank Financial understands that Air Canada will enter into support and voting agreements with all Transat directors and senior officers (the “Supporting Shareholders”) with respect to the Transat Shares beneficially owned, controlled or directed by the Supporting Shareholders (the “Support Agreements”), whereby the Supporting Shareholders will commit to vote such securities in favour of the Arrangement, subject to the terms and conditions of the Support Agreements.

National Bank Financial further understands that the terms and conditions of the Arrangement will be more fully described in an information circular (the “Circular”) to be prepared by Transat and mailed to Transat Shareholders in connection with a shareholders’ special meeting to be called by Transat to seek shareholder approval of the Arrangement.

National Bank Financial also understands that a special committee (the “Special Committee”) of the board of directors (the “Board of Directors”) of Transat has been constituted to consider the Arrangement and make recommendations with respect thereto to the Board of Directors.

Engagement of National Bank Financial

Pursuant to an engagement agreement dated December 21, 2018 (the “Engagement Agreement”), the Board of Directors and the Special Committee retained the services of National Bank Financial as financial advisor to the Company, which services include providing advice and assistance to the Company and the preparation and delivery to the Special Committee and the Board of Directors of an opinion (the “Fairness Opinion”) as to the fairness, from a financial point of view, of the Consideration to be received by the Transat Shareholders pursuant to the Arrangement.

National Bank Financial understands that the Fairness Opinion and a summary thereof will be included in the Circular and, subject to the terms of the Engagement Agreement, National Bank Financial consents to such disclosure. National Bank Financial has not been engaged to prepare a formal
valuation of Transat or a valuation of any of the securities or assets of Transat and this Fairness
Opinion should not be construed as such.

National Bank Financial will be paid fees for its services as financial advisor to Transat, including for
the delivery of the Fairness Opinion. A substantial portion of the fees payable to National Bank
Financial are contingent on completion of the Arrangement or an alternative transaction. In the
Engagement Agreement, Transat has agreed to indemnify National Bank Financial in respect of certain
liabilities that might arise out of its engagement and to reimburse it for its reasonable expenses.

Relationship with Interested Parties

National Bank Financial is not an “associated” or “affiliated” entity or an “issuer insider” (as such
terms are used in Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special
Transactions (“MI 61-101”)) of Transat, nor is it a financial advisor to Air Canada in connection with the
Arrangement.

National Bank of Canada (“NBC”) is (i) a lead arranger, joint book runner, and lender to Transat in its
senior secured syndicated revolving credit facility, (ii) a lender to Transat for purpose of issuing letters
of credit and guarantees, and (iii) a provider of treasury management services such as foreign exchange
and interest rate hedging services to Transat.

National Bank Financial acts as a trader and dealer, both as principal and agent, in major financial
markets and, as such, may have had and may in the future have positions in the securities of Transat or
Air Canada and, from time to time, may have executed or may execute transactions for such companies
and clients from whom it received or may receive compensation. National Bank Financial, as an
investment dealer, conducts research on securities and may, in the ordinary course of its business,
provide research reports and investment advice to its clients on investment matters, including with
respect to Transat or Air Canada.

Credentials of National Bank Financial

National Bank Financial is a leading Canadian investment dealer whose businesses include corporate
finance, mergers and acquisitions, equity and fixed income sales and trading and investment research.
The Fairness Opinion is the opinion of National Bank Financial and the form and content herein has
been reviewed and approved for release by a group of managing directors of National Bank Financial,
each of whom is experienced in merger, acquisition, divestiture, valuation and fairness opinion
matters.

Scope of Review

In connection with rendering our Fairness Opinion, we have reviewed and relied upon, or carried out
(as the case may be), among other things, the following:

a) the letter of intent entered into between Transat and Air Canada dated May 15, 2019;
b) a draft of the Arrangement Agreement dated June 26, 2019;
c) a draft of the Support Agreement dated June 26, 2019;
d) the amended letter of intent submitted by Group Mach Inc. dated June 25, 2019;
e) publicly available documents regarding Transat, including annual and quarterly reports,
financial statements, annual information forms, management circulars and other filings
deemed relevant;
f) internal financial outlook prepared by Transat’s management for the fiscal year ended October 31, 2019;

g) internal strategic plan dated May 13, 2019 prepared by Transat’s management for the fiscal years ended October 31, 2019, 2020, 2021, and 2022;

h) presentations prepared by Transat’s management to the Board of Directors regarding the strategic orientation of the business, the financial outlook and strategic plan for the fiscal years ended October 31, 2019, 2020, 2021, and 2022;

i) a financial forecast with respect to Transat management’s hotel development plan for the fiscal years ended October 31, 2019 through October 31, 2029

j) various reports published by equity research analysts and industry sources regarding Transat, and other public companies, to the extent deemed relevant by us;

k) review of industry statistics on passenger data, flight capacity and utilization, tourism spend projections and other industry related drivers;

l) trading statistics and selected financial information of Transat and other selected public companies;

m) comparable acquisition transactions considered by us to be relevant;

n) in addition to the written information described above, National Bank Financial participated in discussions with Transat’s senior management team with regards to, among other things, the proposed Arrangement, as well as Transat’s business, operations, financial position, budget, key assets and prospects;

o) certain other non-public information prepared and provided to us by Transat’s management, primarily financial in nature, concerning the business, assets, liabilities and prospects;

p) consultation with legal advisors to the Board of Directors and legal advisor to the Special Committee of the Board of Directors;

q) such other information, discussions (including discussions with third parties) and analyses as National Bank Financial considered necessary or appropriate in the circumstances; and

r) a certificate addressed to National Bank Financial, from senior officers of Transat regarding the completeness and accuracy of the information upon which this Fairness Opinion is based.

National Bank Financial has not, to the best of its knowledge, been denied access by Transat to any information under the control of Transat that has been requested by National Bank Financial.

Prior Valuations

Management of Transat has represented to National Bank Financial that, to the best of their knowledge, there have been no prior valuations (as defined for the purposes of MI 61-101) of Transat or any of its material assets or subsidiaries prepared within the past twenty-four (24) months.

Assumptions and Limitations

National Bank Financial has relied upon the completeness, accuracy and fair presentation of all financial and other information, data, advice, opinions and representations obtained by us from public
sources, or provided to us by Transat, its subsidiaries or their respective directors, officers, associates, affiliates, consultants, advisors and representatives (collectively, the “Information”). Our Fairness Opinion is conditional upon such completeness, accuracy and fair presentation of the Information. We have not been requested to nor, subject to the exercise of professional judgment, have we attempted to verify independently the completeness, accuracy or fair presentation of the Information.

Senior officers of Transat have represented to National Bank Financial in a certificate delivered as of the date hereof, among other things, that (i) the Information provided orally by, or in the presence of, an officer or employee of Transat or in writing by Transat or any of its subsidiaries, associates or affiliates or their respective representatives, was, at the date the Information was provided to National Bank Financial, and is at the date hereof complete, true and correct in all material respects, and did not and does not contain any untrue statement of a material fact in respect of Transat, its subsidiaries or the Arrangement and did not and does not omit to state a material fact in respect of Transat, its subsidiaries or the Arrangement necessary to make the Information or any statement contained therein not misleading in light of the circumstances under which the Information was provided or any such statement was made; and that (ii) since the dates on which the Information was provided to National Bank Financial, there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of Transat or any of its subsidiaries and no material change has occurred in the Information or any part thereof which would have or which would reasonably be expected to have a material effect on the Fairness Opinion. With respect to any forecasts, projections, estimates and/or budgets provided to National Bank Financial and used in its analyses, National Bank Financial notes that projecting future results of any company is inherently subject to uncertainty. National Bank Financial has assumed, however, that such forecasts, projections, estimates and/or budgets were prepared using the assumptions identified therein and that such assumptions in the opinion of Transat, are (or were at the time) reasonable in the circumstances.

National Bank Financial has assumed that, in all respects material to its analysis, the Arrangement Agreement executed by the parties will be in substantially the form and substance of the draft provided to us, the representations and warranties of the parties to the Arrangement Agreement contained therein are complete, true and correct in all material respects, such parties will each perform all of the respective covenants and agreements to be performed by them under the Arrangement Agreement, and all conditions to the obligations of such parties as specified in the Arrangement Agreement will be satisfied or waived. National Bank Financial has also assumed that all material approvals and consents required in connection with the consummation of the Arrangement will be obtained.

We have also assumed that the Support Agreements will be entered into by the Supporting Shareholders, that all of the representations and warranties to be contained in the Support Agreements will be true, complete and correct as of the date hereof and that the Supporting Shareholders will vote all of their Transat Shares in favour of the Arrangement.

We are not legal, tax or accounting experts and we express no opinion concerning (i) any legal, tax or accounting matters concerning the Arrangement and (ii) the sufficiency of this Fairness Opinion for your purposes.

This Fairness Opinion is rendered as at the date hereof and on the basis of securities markets, economic and general business and financial conditions prevailing as at the date hereof and the conditions and prospects, financial and otherwise, of Transat as they are reflected in the Information and as they were represented to us in our discussions with the management and directors of Transat. In our analyses and in connection with the preparation of our Fairness Opinion, we made numerous assumptions with respect to industry performance, general business, market and economic conditions and other matters, many of which are beyond the control of National Bank Financial and any party involved in the Arrangement. This Fairness Opinion is provided to the Special Committee and to the Board of Directors for their respective use only and may not be relied upon by any other person.
National Bank Financial disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Fairness Opinion which may come or be brought to the attention of National Bank Financial after the date hereof. Without limiting the foregoing, in the event that there is any material change in any fact or matter affecting the Fairness Opinion after the date hereof, National Bank Financial reserves the right to change, modify or withdraw the Fairness Opinion. The preparation of a fairness opinion is a complex process and is not necessarily capable of being partially analyzed or summarized. National Bank Financial believes that its analyses must be considered as a whole and that selecting portions of the analyses or the factors considered by it, without considering all factors and analyses together, could create an incomplete view of the process underlying the Fairness Opinion. The Fairness Opinion should be read in its entirety.

This Fairness Opinion is addressed to and is for the sole use and benefit of the Special Committee and the Board of Directors and may not be referred to, summarized, circulated, publicized or reproduced or disclosed to or used or relied upon by any party without the express written consent of National Bank Financial. This Fairness Opinion is not to be construed or used as a recommendation to any holder of Transat Shares to vote in favour or against the Arrangement.

**Approach to Fairness**

In considering the fairness of the Consideration under the Arrangement, from a financial point of view, to the Transat Shareholders, National Bank Financial principally considered and relied upon the following approaches: (i) a comparison of the Consideration under the Arrangement to the results of a discounted cash flow analysis of Transat; (ii) a comparison of the selected financial multiples, to the extent publicly available, of selected precedent transactions to the multiples implied by the Consideration under the Arrangement; (iii) a comparison of the selected financial multiples of selected comparable companies whose securities are publicly traded plus a control premium, based on premiums paid to acquire Canadian companies historically to reflect the “en bloc” value, to the multiples implied by the Consideration under the Arrangement; (iv) a review of inbound third party interest in an acquisition of Transat; (v) a comparison of the Consideration under the Arrangement to the recent market trading prices of the Transat Shares; and (vi) such other factors and analyses as we considered appropriate.

**Conclusion**

Based upon and subject to the foregoing, it is our opinion, as of the date hereof, that the Consideration to be received by the Transat Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Transat Shareholders.

Yours very truly,

NATIONAL BANK FINANCIAL INC.
See attached.
June 26, 2019

The Special Committee of the Board of Directors and the Board of Directors
Transat A.T. Inc.
300 Léo-Pariseau, Bureau 600
Montréal, Québec
H2X 4C2

To the Special Committee of the Board of Directors and the Board of Directors:

BMO Nesbitt Burns Inc. (“BMO Capital Markets” or “we” or “us”) understands that Transat A.T. Inc. (the “Company”) and Air Canada (the “Acquiror”) propose to enter into an arrangement agreement to be dated as of June 27, 2019 (the “Arrangement Agreement”) pursuant to which, among other things, the Acquiror will acquire all of the outstanding shares of the Company (the “Shares”) for a price equal to $13.00 in cash per Share (the “Consideration”) by way of an arrangement under the Canada Business Corporations Act (the “Arrangement”). The terms and conditions of the Arrangement will be summarized in the Company’s management proxy circular (the “Circular”) to be mailed to holders of Shares (the “Shareholders”) in connection with a special meeting of the Shareholders to be held to consider and, if deemed advisable, approve the Arrangement.

We have been retained by the Special Committee (the “Special Committee”) of the Board of Directors of the Company (the “Board of Directors”), to provide our opinion (the “Opinion”) as to the fairness from a financial point of view of the Consideration to be received by the Shareholders pursuant to the Arrangement.

ENGAGEMENT OF BMO CAPITAL MARKETS

The Special Committee initially contacted BMO Capital Markets regarding a potential financial advisory assignment in May 2019. BMO Capital Markets was formally engaged by the Company pursuant to an agreement dated May 28, 2019 (the “Engagement Agreement”). Under the terms of the Engagement Agreement, BMO Capital Markets has agreed to provide the Special Committee and the Board of Directors with an Opinion in connection with the Arrangement.

BMO Capital Markets will receive a fixed fee for rendering the Opinion, no portion of which is contingent upon the conclusions reached in the Opinion or the successful completion of the Arrangement. The Company has also agreed to reimburse us for our reasonable out-of-pocket expenses and to indemnify us against certain liabilities that might arise out of our engagement.

This fairness opinion has been prepared in accordance with the Disclosure Standards for Formal Valuations and Fairness Opinions of Investment Industry Regulatory Organization of Canada (“IIROC”) but IIROC has not been involved in the preparation or review of this fairness opinion.
CREDENTIALS OF BMO CAPITAL MARKETS

BMO Capital Markets is one of North America’s largest investment banking firms, with operations in all facets of corporate and government finance, mergers and acquisitions, equity and fixed income sales and trading, investment research and investment management. BMO Capital Markets has been a financial advisor in a significant number of transactions throughout North America involving public and private companies in various industry sectors and has extensive experience in preparing fairness opinions.

The Opinion represents the opinion of BMO Capital Markets, the form and content of which have been approved for release by a committee of our officers who are collectively experienced in merger and acquisition, divestiture, restructuring, valuation, fairness opinion and capital markets matters.

INDEPENDENCE OF BMO CAPITAL MARKETS

Neither BMO Capital Markets, nor any of our affiliates, is an insider, associate or affiliate (as those terms are defined in the Securities Act (Ontario) or the rules made thereunder) of the Company, the Acquiror, or any of their respective associates or affiliates (collectively, the “Interested Parties”).

BMO Capital Markets has not been engaged to provide any financial advisory services nor has it participated in any financings involving the Interested Parties within the past two years, other than: (i) acting as financial advisor to the Special Committee and the Board of Directors pursuant to the Engagement Agreement; (ii) a syndicate member in Air Canada’s $200 million Canadian revolving credit facility which closed in December 2018; (iii) providing foreign exchange rate hedging services to Air Canada, and (iv) providing cash management services to Air Canada.

There are no understandings, agreements or commitments between BMO Capital Markets and any of the Interested Parties with respect to future business dealings. BMO Capital Markets may, in the future, in the ordinary course of business, provide financial advisory, investment banking, or other financial services to one or more of the Interested Parties from time to time.

BMO Capital Markets and certain of our affiliates act as traders and dealers, both as principal and agent, in major financial markets and, as such, may have had and may in the future have positions in the securities of one or more of the Interested Parties and, from time to time, may have executed or may execute transactions on behalf of one or more Interested Parties for which BMO Capital Markets or such affiliates received or may receive compensation. As investment dealers, BMO Capital Markets and certain of our affiliates conduct research on securities and may, in the ordinary course of business, provide research reports and investment advice to clients on investment matters, including with respect to one or more of the Interested Parties or the Arrangement. In addition, Bank of Montreal (“BMO”), of which BMO Capital Markets is a wholly-owned subsidiary, or one or more affiliates of BMO, may provide banking or other financial services to one or more of the Interested Parties in the ordinary course of business.
OVERVIEW OF TRANSAT A.T. INC.

The Company is a leading integrated international tourism company specializing in holiday travel. It offers vacation packages, hotel stays and air travel under the Transat and Air Transat brands to some 60 destinations in more than 25 countries in the Americas and Europe. Based in Montreal, the Company has approximately 5,000 employees.

SCOPE OF REVIEW

In connection with rendering the Opinion, we have reviewed and relied upon, or carried out, among other things, the following:

1. the letter of intent entered into between the Company and the Acquiror dated May 15, 2019;
2. a draft of the Arrangement Agreement dated June 25, 2019;
3. the amended letter of intent submitted by Group Mach Inc. dated June 25, 2019;
4. certain publicly available information relating to the business, operations, financial condition and trading history of the Company and other selected public companies we considered relevant;
5. certain internal financial, operating, corporate and other information prepared or provided by or on behalf of the Company relating to the business, operations and financial condition of the Company;
6. internal management forecasts, projections, estimates and budgets prepared or provided by or on behalf of management of the Company;
7. discussions with management of the Company relating to the Company’s current business, plans, financial condition and prospects;
8. discussions with the Special Committee relating to the Company’s current business, plans, financial condition and prospects;
9. discussions with legal counsel to the Special Committee;
10. public information with respect to selected precedent transactions we considered relevant;
11. various reports published by equity research analysts we considered relevant;
12. a letter of representation as to certain factual matters and the completeness and accuracy of certain information upon which the Opinion is based, addressed to us and dated as of the date hereof, provided by senior officers of the Company; and
13. such other information, investigations, analyses and discussions as we considered necessary or appropriate in the circumstances.
BMO Capital Markets has not, to the best of its knowledge, been denied access by the Company to any information under the Company’s control requested by BMO Capital Markets.

PRIOR VALUATIONS

Senior officers of the Company have represented to BMO Capital Markets that to the best of their knowledge, information and belief after due inquiry, there are no independent appraisals or valuations or material non-independent appraisals or valuations relating to the Company or any of its material subsidiaries or any of their respective securities, or any of the Company’s or any of its materials subsidiaries’ respective material assets or liabilities that have been prepared in the two years preceding the date hereof and which have not been provided to BMO Capital Markets.

ASSUMPTIONS AND LIMITATIONS

We have relied upon and assumed the completeness, accuracy and fair presentation of all financial and other information, data, advice, opinions, representations and other material obtained by us from public sources or provided to us by or on behalf of the Company or otherwise obtained by us in connection with our engagement (the “Information”). The Opinion is conditional upon such completeness, accuracy and fair presentation. We have not been requested to, and have not assumed any obligation to, independently verify the completeness, accuracy or fair presentation of any such Information. We have assumed that forecasts, projections, estimates and budgets provided to us and used in our analyses were reasonably prepared on bases reflecting the best currently available assumptions, estimates and judgments of management of the Company, having regard to the Company’s business, plans, financial condition and prospects.

Senior officers of the Company have represented to BMO Capital Markets in a letter of representation delivered as of the date hereof, among other things, that: (i) the Information provided to BMO Capital Markets orally by, or in the presence of, an officer or employee of, the Company, or in writing by the Company or any of its subsidiaries (as defined in National Instrument 45-106 – Prospectus Exemptions) or any of its or their representatives in connection with our engagement was, at the date the Information was provided to BMO Capital Markets, and is, as of the date hereof, complete, true and correct in all material respects, and did not and does not contain a misrepresentation (as defined in the Securities Act (Ontario)); and (ii) since the dates on which the Information was provided to BMO Capital Markets, except as disclosed to BMO Capital Markets, there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of the Company or any of its subsidiaries (on a consolidated basis), and no change has occurred in the Information or any part thereof which would have or which could reasonably be expected to have a material effect on the Opinion.

In preparing the Opinion, we have assumed that the executed Arrangement Agreement will not differ in any material respect from the draft that we reviewed, and that the Arrangement will be consummated in accordance with the terms and conditions of the Arrangement Agreement without waiver of, or amendment to, any term or condition that is in any way material to our analyses.
The Opinion is rendered on the basis of securities markets, economic, financial and general business conditions prevailing as of the date hereof and the condition and prospects, financial and otherwise, of the Company as they are reflected in the Information and as they have been represented to BMO Capital Markets in discussions with management of the Company and its representatives. In our analyses and in preparing the Opinion, BMO Capital Markets made numerous judgments and assumptions with respect to industry performance, general business, market and economic conditions and other matters, many of which are beyond our control or that of any party involved in the Arrangement.

The Opinion is provided to the Special Committee and the Board of Directors for their exclusive use only in considering the Arrangement and may not be used or relied upon by any other person or for any other purpose without our prior written consent. The Opinion does not constitute a recommendation as to how any Shareholder should vote or act on any matter relating to the Arrangement. Except for the inclusion of the Opinion in its entirety and a summary thereof (in a form acceptable to us) in the Circular, the Opinion is not to be reproduced, disseminated, quoted from or referred to (in whole or in part) without our prior written consent.

We have not been asked to prepare and have not prepared a formal valuation or appraisal of the securities or assets of the Company or of any of its affiliates, and the Opinion should not be construed as such. The Opinion is not, and should not be construed as, advice as to the price at which the securities of the Company may trade at any time. BMO Capital Markets was not engaged to review any legal, tax or regulatory aspects of the Arrangement and the Opinion does not address any such matters. We have relied upon, without independent verification, the assessment by the Company and its legal advisors with respect to such matters. In addition, the Opinion does not address the relative merits of the Arrangement as compared to any strategic alternatives that may be available to the Company. We were not requested to solicit, and did not solicit, interest from other parties with respect to an acquisition of, or other business combination transaction with, the Company or any other alternative transaction.

The preparation of the Opinion is a complex process and is not necessarily amenable to being partially analyzed or summarized. Any attempt to do so could lead to undue emphasis on any particular factor or analysis. BMO Capital Markets believes that our analyses must be considered as a whole and that selecting portions of the analyses or the factors considered by us, without considering all factors and analyses together, could create an incomplete or misleading view of the process underlying the Opinion. This opinion letter should be read in its entirety.

The Opinion is rendered as of the date hereof and BMO Capital Markets disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Opinion which may come or be brought to the attention of BMO Capital Markets after the date hereof. Without limiting the foregoing, if we learn that any of the information we relied upon in preparing the Opinion was inaccurate, incomplete or misleading in any material respect, BMO Capital Markets reserves the right to change or withdraw the Opinion.

APPROACH TO FAIRNESS

BMO Capital Markets performed various analyses in connection with rendering the Opinion. In arriving at our conclusion, we did not attribute any particular weight to any specific approach or
analysis, but rather developed qualitative judgements on the basis of our experience in rendering such opinions and on the Information considered as a whole.

In considering the fairness, from a financial point of view, of the Consideration to be received by Shareholders pursuant to the Arrangement, BMO Capital Markets considered whether the Consideration was consistent with ranges of share prices for the Company determined by applying a sum-of-the parts approach for the Company, taking into consideration the following components:

i. the existing activities and operations of the Company (the “Existing Business”);
ii. the Company’s business plan to develop hotels in Mexico and the Caribbean (the “Hotel Plan”);
iii. the value of the land owned by the Company in Puerto Morales;
iv. the estimated excess cash on the Company’s balance sheet;
v. the value of the Company’s investment in Rancho Banderas; and
vi. the value of the non-controlling interest in its Trafictours Canada Inc. subsidiary, as restated by management.

BMO Capital Markets’ financial analysis included the following methodologies for determining the values of the applicable components of the Company:

i. trading multiples and metrics of public companies we considered relevant;
ii. multiples paid in selected precedent transactions we considered relevant;
iii. a discounted cash flow (“DCF”) analysis of the Existing Business; and
iv. a DCF analysis of the Hotel Plan.

In addition to the foregoing, BMO Capital Markets reviewed but did not rely upon equity research analyst target prices for the Company.

**Comparable Company Trading Analysis**

BMO Capital Markets reviewed certain publicly available financial and stock market information of publicly traded companies in the Canadian airline industry. No company used in this analysis is identical or directly comparable to the Company. Accordingly, an evaluation of the results of this analysis is not entirely mathematical. Rather, this analysis involves complex considerations and judgments concerning differences in financial and operating characteristics and other factors that could affect the public trading or other values of the companies to which the Company was compared.

The Company’s annual EBITDA is almost exclusively generated through the sale of flights to Europe in the summer season, while the sale of vacation packages to South destinations in the winter season has historically been unprofitable. Given the significant contribution of airline activities to the Company’s annual EBITDA, BMO Capital Markets also reviewed, but did not rely upon, trading multiples and metrics of public companies involved in the Tour Operator industry.

The primary metric considered in analyzing the selected comparable companies was enterprise
value as a multiple of estimated earnings before interest, taxes, depreciation and amortization ("EBITDA") for the calendar year 2020. BMO Capital Markets also reviewed, among other information, adjusted enterprise values of the selected companies, calculated as enterprise value plus aircraft rents capitalized at 7.5x, as a multiple of calendar year 2020 estimated earnings before interest, taxes, depreciation, amortization and aircraft leasing expense ("EBITDAR"). The use of an EBITDAR multiple based on the selected companies as the primary metric considered would have resulted in a lower implied range of share prices for the Company than with the primary metric considered by BMO Capital Markets due to the preponderance of aircraft leasing expense in the composition of the Company’s EBITDAR for calendar year 2020.

In calculating enterprise value for the selected companies, BMO Capital Markets took into consideration an estimate of excess cash available on these companies’ respective balance sheets.

The following table summarizes the comparable companies reviewed by BMO Capital Markets:

<table>
<thead>
<tr>
<th>Company</th>
<th>EV / 2020 EBITDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air Canada</td>
<td>4.2x</td>
</tr>
<tr>
<td>WestJet (unaffected)</td>
<td>3.8x</td>
</tr>
</tbody>
</table>

1. Based on share price before Onex Corp. acquisition announcement as of 12-May-2019.

BMO Capital Markets concluded that the Consideration is consistent with the range of share prices for the Company determined based on multiples observed for the selected comparable companies when considering:

i. a range of values for the Existing Business based on the trading multiples of comparable companies, plus an estimate of the excess cash on the Company’s balance sheet, plus the book value of the Company’s investment in Rancho Banderas and the book value of its land in Puerto Morales, less the value of the non-controlling interest in its Trafictours Canada Inc. subsidiary, as restated by management; and

ii. a range of values for the Existing Business based on the trading multiples of comparable companies, grossed up by a premium of 30% to 40% applied to the Existing Business’ equity value plus an estimate of the excess cash on the Company’s balance sheet, plus the book value of the Company’s investment in Rancho Banderas and the book value of its land in Puerto Morales.

The range of premiums applied to the equity value of the Existing Business in paragraph (ii) is comparable to premiums implied by selected precedent transactions involving Canadian public companies.

**Precedent Transaction Analysis**

BMO Capital Markets reviewed certain publicly available information with respect to selected precedent transactions involving North American and international companies in the airline industry in the last five years. Given differences in size, nature of operations, geographic location, growth prospects, and economic and market conditions, BMO Capital Markets did not
consider any specific precedent transaction to be directly comparable to the Arrangement; however, additional emphasis was placed on the WestJet / Onex transaction as the most recent Canadian airline transaction.

The Company’s annual EBITDA is almost exclusively generated through the sale of flights to Europe in the summer season, while the sale of vacation packages to South destinations in the winter season has historically been unprofitable. Given the significant contribution of airline activities to the Company’s annual EBITDA, BMO Capital Markets also reviewed, but did not rely upon, multiples paid in selected precedent transactions in the Tour Operator industry.

The primary metric considered in analyzing the selected precedent transactions was enterprise value as a multiple of EBITDA for the last twelve month (“LTM”) period. The following table summarizes the precedent transactions reviewed by BMO Capital Markets:

<table>
<thead>
<tr>
<th>Announcement Date</th>
<th>Target</th>
<th>Acquirer</th>
<th>EV / LTM EBITDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>13-May-2019</td>
<td>WestJet Airlines Ltd.</td>
<td>Onex Corporation</td>
<td>7.3x</td>
</tr>
<tr>
<td>11-Jan-2019</td>
<td>Flybe Group</td>
<td>Connect Airways Limited</td>
<td>2.2x</td>
</tr>
<tr>
<td>2-Oct-2018</td>
<td>Omni Air International</td>
<td>Air Transport Services Group</td>
<td>6.8x</td>
</tr>
<tr>
<td>19-Jan-2016</td>
<td>Southern Air Holdings</td>
<td>Atlas Air Worldwide Holdings</td>
<td>5.3x</td>
</tr>
<tr>
<td>4-Apr-2016</td>
<td>Virgin America</td>
<td>Alaska Air Group</td>
<td>9.6x</td>
</tr>
<tr>
<td>19-Jun-2015</td>
<td>Aer Lingus Group DAC</td>
<td>International Consolidated Airlines</td>
<td>7.3x</td>
</tr>
<tr>
<td>12-Mar-2015</td>
<td>Voyageur Airways</td>
<td>Chorus Aviation</td>
<td>4.7x</td>
</tr>
<tr>
<td>12-Nov-2014</td>
<td>Provincial Aerospace</td>
<td>EIC</td>
<td>5.3x</td>
</tr>
</tbody>
</table>

BMO Capital Markets concluded that the Consideration is consistent with the range of share prices for the Company determined based on multiples paid in the precedent transactions reviewed when considering:

i. a range of values for the Existing Business based on precedents transactions, plus an estimate of the excess cash on the Company’s balance sheet, plus the book value of the Company’s investment in Rancho Banderas and the book value of its land in Puerto Morales, less the value of the non-controlling interest in its Trafictours Canada Inc. subsidiary, as restated by management; and

ii. a range of values for the Existing Business based on precedents transactions, plus an estimate of the excess cash on the Company’s balance sheet, plus the book value of the Company’s investment in Rancho Banderas, plus a range of values based on the Hotel Plan DCF (refer to Discounted Cash Flow Analysis – Hotel Plan for further detail), less the value of the non-controlling interest in its Trafictours Canada Inc. subsidiary, as restated by management.

**Discounted Cash Flow Analysis**

The DCF methodology reflects the growth prospects and risks inherent in the Company’s operations by taking into account the amount, timing and relative certainty of projected free cash flows expected to be generated by the Company. The DCF approach requires that certain
assumptions be made regarding, among other things, future free cash flows, discount rates and terminal values. The possibility that some of the assumptions will prove to be inaccurate is one factor involved in the determination of the discount rates to be used in establishing a range of values. BMO Capital Markets’ DCF analysis involved discounting to a present value the projected unlevered after-tax free cash flows for each of the Existing Business and the Hotel Plan during their respective forecast periods, including a terminal value, utilizing an appropriate weighted average cost of capital (“WACC”) as the discount rate for each respective DCF analysis.

**Discounted Cash Flow Analysis – Existing Business (“Existing Business DCF”)**

As a basis for the development of the projected free cash flows for its Existing Business DCF analysis, BMO Capital Markets reviewed projected financial and operational information for the Existing Business provided by management of the Company (the “Existing Business Management Forecast”). BMO Capital Markets reviewed the relevant underlying assumptions, compared the Existing Business Management Forecast to the Company’s actual historical performance and had detailed discussions with the Company’s senior management about the Existing Business Management Forecast.

Projected unlevered after-tax free cash flows for the Existing Business were discounted utilizing the Existing Business WACC. The assumed optimal capital structure was determined based on the Company’s current and historical capital structure and the observed capital structures of a selected group of comparable companies. BMO Capital Markets used the capital asset pricing model (“CAPM”) approach to determine the appropriate cost of equity. The CAPM approach calculates the cost of equity with reference to the risk-free rate of return, the volatility of equity prices relative to a benchmark (“beta”), the equity risk premium and, when and if applicable, a size premium and/or country risk premium. Based on this methodology, BMO Capital Markets determined the appropriate Existing Business WACC to be in the range of 10.00% to 11.00%.

BMO Capital Markets calculated the terminal value for the Existing Business by applying a perpetual free cash flow growth rate range of 1.50% to 2.00% to the unlevered after-tax free cash flow in the terminal year, which reflects an estimate of the run-rate EBITDA for the Existing Business. In selecting a range of perpetual growth rates, BMO Capital Markets took into account the outlook for long-term inflation and growth prospects for the Existing Business beyond the terminal year.

**Discounted Cash Flow Analysis – Hotel Plan (“Hotel Plan DCF”)**

As a basis for the development of the projected free cash flows for its Hotel Plan DCF analysis, BMO Capital Markets reviewed projected financial and operational information for the Hotel Plan provided by management of the Company (the “Hotel Management Forecast”). BMO Capital Markets reviewed the relevant underlying assumptions, including but not limited to the projected capital expenditures, timing of construction and launch of hotel properties, owned versus managed hotel revenue mix, and expected profitability of the new properties, and had detailed discussions with the Company’s senior management about the Hotel Management Forecast.
Projected unlevered after-tax free cash flows for the Hotel Plan were discounted utilizing the Hotel Plan WACC. The Hotel Plan WACC was calculated based upon the estimated Hotel Plan after-tax cost of debt and equity, weighted based upon an assumed optimal capital structure. The assumed optimal capital structure was determined based upon a review of the capital structures of a selected group of companies operating in the hotel ownership and hotel management industries. The cost of debt was calculated based on the risk-free rate of return and an appropriate borrowing spread to reflect credit risk at the assumed optimal capital structure. BMO Capital Markets used the CAPM approach to determine the appropriate cost of equity. The CAPM approach calculates the cost of equity with reference to the risk-free rate of return, the volatility of equity prices relative to a benchmark ("beta"), the equity risk premium and, when and if applicable, a size premium and/or country risk premium. Based on this methodology, BMO Capital Markets determined the appropriate Hotel Plan WACC to be in the range of 14.00% to 15.00%.

BMO Capital Markets calculated the terminal value for the Hotel Plan by applying a range of multiples to the EBITDA for the last year of the Hotel Management Forecast. These multiples were based on the observed EV / EBITDA trading multiples of selected companies operating in the hotel ownership and hotel management industries.

**Discounted Cash Flow Analysis – Sum-of-the Parts**

The Consideration is consistent with the range of share prices for the Company determined based on the Existing Business DCF value, plus the Hotel Plan DCF value, plus an estimate of the excess cash on the Company’s balance sheet, plus the book value of the Company’s investment in Rancho Banderas, less the value of the non-controlling interest in its Trafictours Canada Inc. subsidiary, as restated by management.

**CONCLUSION**

Based upon and subject to the foregoing, BMO Capital Markets is of the opinion that, as of the date hereof, the Consideration to be received by the Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Shareholders.

Yours truly,

BMO Nesbitt Burns Inc.
SCHEDULE E

INTERIM ORDER

See attached.
SUPERIOR COURT
(Commercial Division)

CANADA

PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL

No.: SOU-11-05648-191

DATE: July 17, 2019

IN THE PRESENCE OF THE HONOURABLE LOUIS J. GOUIN, J.S.C.

IN THE MATTER OF THE PROPOSED ARRANGEMENT PURSUANT TO
SECTION 192 OF THE CANADA BUSINESS CORPORATIONS ACT, R.C.S. 1985, c.
C-44 AS AMENDED (THE "CBCA")

TRANSAT A.T. INC.

Applicant

and

AIR CANADA

and

THE DIRECTOR

Imploded Parties

INTERIM ORDER¹

[1] ON READING Transat A.T. Inc.'s ("Transat" or the "Applicant") Application for
an Interim and a Final Order pursuant to the Canada Business Corporations Act,

¹ All capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the
Circular, which is communicated as Exhibit P-2 to the Application.
R.C.S. 1985, c. C-44 as amended (the “CBCA”), the exhibits, the sworn statement of Bernard Bussières filed in support thereof (the “Application”) and Transat’s Plan of Argument for the Issuance of an Interim Order;

[2] GIVEN that this Court is satisfied that the Director appointed pursuant to the CBCA has been duly served with the Application and has confirmed in writing that he would not appear or be heard on the Application;

[3] GIVEN the provisions of the CBCA;

[4] GIVEN the representations of counsel for Transat and for Air Canada;

[5] GIVEN that this Court is satisfied, at the present time, that the proposed transaction is an “arrangement” within the meaning of Section 192(1) of the CBCA;

[6] GIVEN that this Court is satisfied, at the present time, that it is not practicable for Transat to effect the arrangement proposed under any other provision of the CBCA;

[7] GIVEN that this Court is satisfied, at the present time, that Transat meets the requirements set out in Subsections 192(2)(a) and (b) of the CBCA and that Transat is not insolvent;

[8] GIVEN that this Court is satisfied, at the present time, that the arrangement is put forward in good faith and, in all likelihood, for a valid business purpose;

FOR THESE REASONS, THE COURT:

[9] GRANTS the Interim Order sought in the Application and DECLARES that the time for filing and service of the Application is abridged;

[10] DISPENSES Transat of the obligation, if any, to notify any person other than the Director appointed pursuant to the CBCA with respect to the Interim Order;

[11] ORDERS that all the holders of class A variable voting shares (the “Variable Voting Shares”) and class B voting shares (the “Common Voting Shares”, and together with the Variable Voting Shares, collectively the “Voting Shares”) (the holders of the Voting Shares are collectively the “Shareholders”), the holders of stock options whether vested or unvested (collectively the “Optionholders”), the holders of DSUs, RSUs or PSUs whether vested or unvested (collectively the “Unitholders” and together with the Shareholders and Optionholders, collectively the “Securityholders”) and Air Canada (“Purchaser”) be deemed parties, as Implicated Parties, to the present proceedings and be bound by the terms of any Order rendered herein;
The Meeting

[12] ORDERS that the Applicant may convene, hold and conduct a special meeting of the Shareholders (the “Meeting”) on August 23, 2019, commencing at 10:00 a.m. (Montréal time) at the following location: Sofitel Hotel, 1155 Sherbrooke West Street, Montréal, Québec, H3A 2N3, Canada, at which time the Shareholders will be asked, among other things, to consider and, if thought appropriate, to pass, with or without variation, a resolution approving the arrangement (the “Arrangement Resolution”) substantially in the form set forth in Schedule A of the Circular to, among other things, authorize, approve and adopt an arrangement (the “Arrangement”), and to transact such other business as may properly come before the Meeting, the whole in accordance with the terms, restrictions and conditions of the articles and by-laws of the Applicant, the CBCA, and this Interim Order, provided that to the extent there is any inconsistency between this Interim Order and the terms, restrictions and conditions of the articles and by-laws of the Applicant or the CBCA, this Interim Order shall govern;

[13] ORDERS that in respect of the vote on the Arrangement Resolution or any matter determined by the chairman of the Meeting (the “Chair of the Meeting”) to be related to the Arrangement, each registered Shareholder shall be entitled to cast one vote in respect of each Voting Share held;

[14] ORDERS that notwithstanding paragraph [13] of this Order, the votes cast by the holders of the Variable Voting Shares are subject to the Canadian ownership requirements stipulated in the Canada Transportation Act, (S.C. 1996, c. 10) and may be subject to the proration set forth in Transat's Articles of Incorporation, as amended on May 8, 2019;

[15] ORDERS that quorum shall be present at the Meeting if at least two Shareholders holding not less than 25% of the Voting Shares entitled to vote at the Meeting are present in person or represented by proxy, irrespective of the number of persons actually at the Meeting. If a quorum is present at the opening of the Meeting, the Shareholders present or represented by proxy may proceed with the business of the Meeting notwithstanding that a quorum is not present throughout the Meeting;

[16] ORDERS that the only persons entitled to attend, be heard or vote at the Meeting (as it may be adjourned or postponed) shall be the registered Shareholders at the close of business on the Record Date (July 17, 2019), their proxyholders, and the directors and advisors of the Applicant, provided however that such other persons having the permission of the Chair of the Meeting shall also be entitled to attend and be heard at the Meeting;

[17] ORDERS that for the purpose of the vote on the Arrangement Resolution, or any other vote taken by ballot at the Meeting, any spoiled ballots, ineligible ballots and defective ballots shall be deemed not to be votes cast by Shareholders and
further ORDERS that proxies that are properly signed and dated but which do not contain voting instructions shall be voted in favour of the Arrangement Resolution;

[18] ORDERS that the Applicant, if it deems it advisable or at the Purchaser's request, subject in each case to the terms of the Arrangement Agreement entered into with the Purchaser, be authorized to adjourn or postpone the Meeting on one or more occasions (whether or not a quorum is present), without the necessity of first convening the Meeting or first obtaining any vote of Shareholders respecting the adjournment or postponement; further ORDERS that notice of any such adjournment or postponement shall be given by press release, newspaper advertisement or by mail, as determined to be the most appropriate method of communication by the Applicant; further ORDERS that any adjournment or postponement of the Meeting will not change the Record Date, as defined hereunder, for Shareholders entitled to notice of, and to vote at, the Meeting and further ORDERS that any subsequent reconvening of the Meeting, all proxies will be voted in the same manner as the proxies would have been voted at the original convening of the Meeting, except for any proxies that have been effectively revoked or withdrawn prior to the subsequent reconvening of the Meeting;

[19] ORDERS that the Applicant and the Purchaser may amend, modify and/or supplement the Plan of Arrangement at any time and from time to time prior to the Effective Time, provided that each such amendment, modification and/or supplement must (a) be set out in writing, (b) be approved by the Applicant and the Purchaser, each acting reasonably, and (c) be filed with the Court and, if made following the Meeting, approved by the Court;

[20] ORDERS that notwithstanding paragraph [19] of this Order, the Applicant and the Purchaser may amend, modify and/or supplement the Plan of Arrangement at any time and from time to time without the approval of the Court or the Securityholders, provided that each such amendment, modification and/or supplement (a) must concern a matter which, in the reasonable opinion of each of the Applicant and the Purchaser, is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement, and (b) is not adverse to the economic interests of any Securityholders;

[21] ORDERS that subject to paragraph [20] of this Order, any amendment, modification and/or supplement to the Plan of Arrangement may be proposed by the Applicant or the Purchaser at any time prior to or at the Meeting (provided that the Applicant or the Purchaser, as applicable, shall have consented thereto in writing) with or without any other prior notice or communication to the Shareholders, and if so proposed and accepted by the Persons voting at the Meeting (other than as may be required under this Order), shall become part of this Plan of Arrangement for all purposes;
ORDERS that subject to paragraph [20] of this Order, the Applicant and the Purchaser may amend, modify and/or supplement the Plan of Arrangement at any time and from time to time after the Meeting and prior to the Effective Time with the approval of the Court, and, if and as required by the Court, after communication to the Shareholders;

ORDERS that the Applicant is authorized to use proxies at the Meeting; that each of Applicant and the Purchaser, as permitted by the Arrangement Agreement, are authorized, at the expense of the Applicant, to solicit proxies on behalf of the Applicant’s management, directly or through the Applicant’s or the Purchaser’s officers, directors and employees, and through such agents or representatives as the Applicant or the Purchaser may retain for that purpose, and by mail or such other forms of personal or electronic communication as the Applicant or the Purchaser may determine; and that the Applicant may waive, in its discretion, the time limits for the deposit of proxies by the Shareholders if it considers it advisable to do so;

ORDERS that the registered Shareholders at close of business (Montréal time) on the Record Date or their proxyholders shall be the only persons entitled to vote at the Meeting (as it may be adjourned or postponed);

ORDERS that, to be effective, the Arrangement Resolution, with or without variation, must be approved by the affirmative vote of: (i) at least two thirds of the votes cast by the Shareholders, voting together as a single class, present in person or represented by proxy at the Meeting and entitled to vote; and (ii) a simple majority of the votes cast by the Shareholders, voting together as a single class, present in person or represented by proxy at the Meeting and entitled to vote, excluding those Shareholders whose votes are required to be excluded in determining the minority approval pursuant to Regulation 61-101; and further ORDERS that such vote shall be sufficient to authorize and direct the Petitioner to do all such acts and things as may be necessary or desirable to give effect to the Arrangement and the Plan of Arrangement on a basis consistent with what has been disclosed to the Shareholders in the Notice Materials (as this term is defined below);

The Notice Materials

ORDERS that the Applicant shall give notice of the Meeting, and that service of the Application for a Final Order shall be made by mailing or delivering, in the manner hereinafter described and to the persons hereinafter specified, a copy of this Interim Order, together with the following documents, with such non-material amendments thereto as Applicant may deem to be necessary or desirable, provided that such amendments are not inconsistent with the terms of this Interim Order (collectively, the "Notice Materials");

(a) the Notice of Meeting substantially in the same form as contained in the draft Circular as Exhibit P-2;
(b) the Circular, its Schedules and Appendixes substantially in the same form as the draft contained in Exhibit P-2;

(c) Forms of Proxy substantially in the same form as contained in Exhibit P-3, which shall be finalized by inserting the relevant dates and other information;

(d) a Letter of Transmittal substantially in the same form as contained in Exhibit P-4;

(e) a notice substantially in the form of the draft, a copy of which is annexed as Schedule F of the Circular, filed as Exhibit P-2 providing, among other things, the date, time and room where the Application for a Final Order will be heard, and that a copy of the Interim Order can be found on SEDAR (www.sedar.com) (the “Notice of Presentation”);

[27] ORDERS that the Notice Materials shall be distributed:

(a) to the registered Shareholders by mailing the same to such persons in accordance with the CBCA and the Applicant’s by-laws at least twenty-one (21) days prior to the date of the Meeting;

(b) to the non-registered Shareholders, in compliance with National Instrument 54-101 – Communication with Beneficial Owners of Securities of a Reporting Issuer;

(c) to the Applicant’s directors and auditors, by delivering same at least twenty-one (21) days prior to the date of the Meeting in person or by recognized courier service or by email; and

(d) to the Director appointed pursuant to the CBCA, by delivering same at least twenty-one (21) days prior to the date of the Meeting in person by recognized courier service or by email;

[28] ORDERS that a copy of the Interim Order be posted on SEDAR (www.sedar.com) at the same time the Notice Materials are mailed;

[29] ORDERS that the Record Date for the determination of Shareholders entitled to receive the Notice Materials and to attend and be heard at the Meeting and vote on the Arrangement Resolution shall be the close of business (Montréal time) on July 17, 2019 (the "Record Date");

[30] ORDERS that the Applicant may make, in accordance with this Interim Order, such additions, amendments or revisions to the Notice Materials as it determines to be appropriate (the “Additional Materials”), which shall be distributed to the persons entitled to receive the Notice Materials pursuant to this Interim Order by the method and in the time determined by the Applicant to be most practicable in the circumstances;
[31] DECLARES that the mailing or delivery of the Notice Materials and any Additional Materials in accordance with this Interim Order as set out above constitutes good and sufficient notice of the Meeting upon all persons, and that no other form of service of the Notice Materials and any Additional Materials or any portion thereof, or of the Application need be made, or notice given or other material served in respect of the Meeting to any person;

[32] ORDERS that the Notice Materials and any Additional Materials shall be deemed, for the purposes of the present proceedings, to have been received and served upon:

(a) in the case of distribution by mail, three (3) business days after delivery thereof to the post office;

(b) in the case of delivery in person or by courier, upon receipt thereof at the intended recipient’s address; and

(c) in the case of delivery by facsimile transmission or by e-mail, on the day of transmission;

[33] DECLARES that the accidental failure or omission to give notice of the Meeting to, or the non-receipt of such notice by, one or more of the persons specified in the Interim Order shall not invalidate any resolution passed at the Meeting or the proceedings herein, and shall not constitute a breach of the Interim Order or defect in the calling of the Meeting, provided that if any such failure or omission is brought to the attention of the Applicant, it shall use reasonable efforts to rectify such failure or omission by the method and in the time it determines to be most reasonably practicable in the circumstances;

Dissenting Shareholders’ Rights

[34] ORDERS that in accordance with the dissenting shareholders’ rights set forth in the Plan of Arrangement (the “Dissent Rights”), any registered Shareholder who wishes to dissent must provide a dissent notice so that it is received by Mtre Bernard Bussières, Vice President, General Counsel and Corporate Secretary of Transat, email: bernard.bussieres@transat.com, with a copy to Fasken Martineau DuMoulin LLP, 800 Square-Victoria, Suite 3700, Montréal, Québec, Canada, H4Z 1E9, Attention: Mtre Alain Riendeau & Mtre Brandon Farber, email: ariendeau@fasken.com & bfarber@fasken.com, with a copy to Purchaser’s counsel, c/o Mtre Stéphanie Lapierre, Stikeman Elliott LLP, 1155 René-Lévesque Boul. W., 41st floor, Montréal, Québec H3B 3V2, email: slapierre@stikeman.com, by no later than 5:00 p.m. (Montréal time) on the second Business Day immediately preceding the date of the Meeting (as it may be adjourned or postponed from time to time) (the “Dissent Notice”);

[35] DECLARES that a dissenting shareholder who has submitted a dissent notice (the “Dissenting Shareholder”) and who votes in favor of the Arrangement Resolution shall no longer be considered a Dissenting Shareholder with respect
to the Voting Shares voted in favor of the Arrangement Resolution, and that a vote against the Arrangement Resolution or an abstention shall not constitute a Dissent Notice;

[36] **ORDERS** that any Dissenting Shareholder wishing to apply to a Court to fix a fair value for Voting Shares in respect of which Dissent Rights have been duly exercised must apply to the Superior Court of Québec and that for the purposes of the Arrangement contemplated in these proceedings, the “Court” referred to in Section 190 of the CBCA means the Superior Court of Québec;

**The Final Order Hearing**

[37] **ORDERS** that subject to the approval by the Shareholders of the Arrangement Resolution in the manner set forth in this Interim Order, the Applicant may apply for this Court to sanction the Arrangement by way of a final judgment (the “Application for a Final Order”);

[38] **ORDERS** that the Application for a Final Order be presented on August 28, 2019 before the Superior Court of Québec, sitting in the Commercial Division in and for the district of Montréal at the Montréal Courthouse, 1 Notre-Dame Street East in Montréal, Québec, at a room and time to be fixed by the Court or so soon thereafter as counsel may be heard, or at any other date this Court may see fit;

[39] **ORDERS** that the mailing or delivery of the Notice Materials constitutes good and sufficient service of the Application and good and sufficient notice of presentation of the Application for a Final Order to all persons, whether those persons reside within Québec or in another jurisdiction;

[40] **ORDERS** that the only persons entitled to appear and be heard at the hearing of the Application for a Final Order shall be the Applicant, the Purchaser and any person that:

(a) files an answer (notice of appearance) with this Court’s registry and serve same on the Applicant’s counsel, c/o Mtre Alain Riendeau & Mtre Brandon Farber, Fasken Martineau DuMoulin LLP, Stock Exchange Tower, 800 Place Victoria, Suite 3700, Montréal, Québec H4Z 1E9, email: ariendeau@fasken.com & bfarber@fasken.com and on Purchaser’s counsel, c/o Mtre Stéphanie Lapierre, Stikeman Elliott LLP, 1155 René-Lévesque Boul. W., 41st floor, Montréal, Québec H3B 3V2, email: slapierre@stikeman.com, no later than 4:30 p.m. (Montréal time) on August 26, 2019; and

(b) if such an answer (notice of appearance) is with a view to contesting the Application for a Final Order, such answer (notice of appearance) must provide a summary of the grounds of contestation and be served on the Applicant’s counsel and on Purchaser’s counsel (at the above address or email address), no later than 12:00 p.m. on August 27, 2019;
[41] ALLOWS the Applicant to file any further evidence it deems appropriate, by way of supplementary affidavits or otherwise, in connection with the Application for a Final Order;

Miscellaneous

[42] DECLARES that the Applicant shall be entitled to seek leave to vary this Interim Order upon such terms and such notice as this Court deems just;

[43] ORDERS provisional execution of this Interim Order notwithstanding any appeal therefrom and without the necessity of furnishing any security;

[44] THE WHOLE without costs.

The Honourable Louis J. Gouin, J.S.C.

Mtres Alain Riendeau and Brandon Farber
Fasken Martineau DuMoulin LLP
Attorneys for Transat A.T. Inc.

Mtret Stéphanie Lapierre
Stikeman Elliott LLP
Attorney for Air Canada

Date of hearing: July 17, 2019
SCHEDULE F

NOTICE OF PRESENTATION FOR THE FINAL ORDER

See attached.
SCHEDULE F

NOTICE OF PRESENTATION

(FINAL ORDER)

TAKE NOTICE that the present Application for an interim and a Final Order will be presented for adjudication of the final order before one of the honourable judges of the Superior Court, sitting in commercial division for the district of Montréal on August 28, 2019 at 9:00 a.m. or so soon thereafter as counsel may be heard, in room 16.12 of the Montréal courthouse, located at 1 Notre-Dame Street East, Montréal, Quebec, H2Y 1B6.

Pursuant to the Interim Order issued by the Superior Court of Québec on July 17, 2019, if you wish to make representations before the Court, you are required to file an answer (notice of appearance) at the Office of the Clerk of the Superior Court of the District of Montreal no later than 4:30 p.m. (Montreal time) on August 26, 2019 (Montreal time) and serve same Mtre Alain Riendeau & Mtre Brandon Farber, Fasken Martineau DuMoulin LLP, Stock Exchange Tower, 800 Place Victoria, Suite 3700, Montreal, Québec H4Z 1E9, email: ariendeau@fasken.com & bfarber@fasken.com and on Purchaser's counsel, c/o Mtre Stéphanie Lapierre, Stikeman Elliott LLP, 1155 René-Lévesque Boul. W., 41st floor, Montreal, Québec H3B 3V2, email: slapierre@stikeman.com, no later than 4:30 p.m. (Montreal time) on August 26, 2019.

If you wish to contest the issuance by the Court of the Final Order, you are required, pursuant to the terms of the Interim Order, to file an answer (notice of appearance), which provides a summary of the grounds of contestation, at the Office of the Clerk of the Superior Court of the District of Montreal no later than 12:00 p.m. (Montreal time) on August 27, 2019 and serve such appearance to Mtre Alain Riendeau and Mtre Brandon Farber of Fasken Martineau DuMoulin LLP, counsel for the Applicant, and on Mtre Stéphanie Lapierre of Stikeman Elliott LLP, at the above-mentioned address.

TAKE FURTHER NOTICE that, if you do not file an answer (notice of appearance) within the above-mentioned time limits, you will not be entitled to contest the Application for a Final Order or make representations before the Court, and the Applicant may be granted a judgment without further notice or extension.

If you wish to make representations or contest the issuance by the Court of the Final Order, it is important that you take action within the time limits indicated, either by retaining the services of an attorney who will represent you and act in your name, or by doing so yourself.

DO GOVERN YOURSELVES ACCORDINGLY.
SCHEDULE G

SECTION 190 OF THE CANADA BUSINESS CORPORATIONS ACT

See attached.
APPENDIX G

SECTION 190 OF THE CANADA BUSINESS CORPORATIONS ACT

“190. (1) Subject to sections 191 and 241, a holder of shares of any class of a corporation may dissent if the corporation is subject to an order under paragraph 192(4)(d) that affects the holder or if the corporation resolves to

(a) amend its articles under section 173 or 174 to add, change or remove any provisions restricting or constraining the issue, transfer or ownership of shares of that class;

(b) amend its articles under section 173 to add, change or remove any restriction on the business or businesses that the corporation may carry on;

(c) amalgamate otherwise than under section 184;

(d) be continued under section 188;

(e) sell, lease or exchange all or substantially all its property under subsection 189(3); or

(f) carry out a going-private transaction or a squeeze-out transaction.

(2) A holder of shares of any class or series of shares entitled to vote under section 176 may dissent if the corporation resolves to amend its articles in a manner described in that section.

(2.1) The right to dissent described in subsection (2) applies even if there is only one class of shares.

(3) In addition to any other right the shareholder may have, but subject to subsection (26), a shareholder who complies with this section is entitled, when the action approved by the resolution from which the shareholder dissents or an order made under subsection 192(4) becomes effective, to be paid by the corporation the fair value of the shares in respect of which the shareholder dissents, determined as of the close of business on the day before the resolution was adopted or the order was made.

(4) A dissenting shareholder may only claim under this section with respect to all the shares of a class held on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.

(5) A dissenting shareholder shall send to the corporation, at or before any meeting of shareholders at which a resolution referred to in subsection (1) or (2) is to be voted on, a written objection to the resolution, unless the corporation did not give notice to the shareholder of the purpose of the meeting and of their right to dissent.

(6) The corporation shall, within ten days after the shareholders adopt the resolution, send to each shareholder who has filed the objection referred to in subsection (5) notice that the resolution has been adopted, but such notice is not required to be sent to any shareholder who voted for the resolution or who has withdrawn their objection.

(7) A dissenting shareholder shall, within twenty days after receiving a notice under subsection (6) or, if the shareholder does not receive such notice, within twenty days after learning that the resolution has been adopted, send to the corporation a written notice containing

(a) the shareholder’s name and address;

(b) the number and class of shares in respect of which the shareholder dissents; and

(c) a demand for payment of the fair value of such shares.

(8) A dissenting shareholder shall, within thirty days after sending a notice under subsection (7), send the certificates representing the shares in respect of which the shareholder dissents to the corporation or its transfer agent.

(9) A dissenting shareholder who fails to comply with subsection (8) has no right to make a claim under this section.
(10) A corporation or its transfer agent shall endorse on any share certificate received under subsection (8) a notice that the holder is a dissenting shareholder under this section and shall forthwith return the share certificates to the dissenting shareholder.

(11) On sending a notice under subsection (7), a dissenting shareholder ceases to have any rights as a shareholder other than to be paid the fair value of their shares as determined under this section except where

(a) the shareholder withdraws that notice before the corporation makes an offer under subsection (12),

(b) the corporation fails to make an offer in accordance with subsection (12) and the shareholder withdraws the notice, or

(c) the directors revoke a resolution to amend the articles under subsection 173(2) or 174(5), terminate an amalgamation agreement under subsection 183(6) or an application for continuance under subsection 188(6), or abandon a sale, lease or exchange under subsection 189(9),

in which case the shareholder’s rights are reinstated as of the date the notice was sent.

(12) A corporation shall, not later than seven days after the later of the day on which the action approved by the resolution is effective or the day the corporation received the notice referred to in subsection (7), send to each dissenting shareholder who has sent such notice

(a) a written offer to pay for their shares in an amount considered by the directors of the corporation to be the fair value, accompanied by a statement showing how the fair value was determined; or

(b) if subsection (26) applies, a notification that it is unable lawfully to pay dissenting shareholders for their shares.

(13) Every offer made under subsection (12) for shares of the same class or series shall be on the same terms.

(14) Subject to subsection (26), a corporation shall pay for the shares of a dissenting shareholder within ten days after an offer made under subsection (12) has been accepted, but any such offer lapses if the corporation does not receive an acceptance thereof within thirty days after the offer has been made.

(15) Where a corporation fails to make an offer under subsection (12), or if a dissenting shareholder fails to accept an offer, the corporation may, within fifty days after the action approved by the resolution is effective or within such further period as a court may allow, apply to a court to fix a fair value for the shares of any dissenting shareholder.

(16) If a corporation fails to apply to a court under subsection (15), a dissenting shareholder may apply to a court for the same purpose within a further period of twenty days or within such further period as a court may allow.

(17) An application under subsection (15) or (16) shall be made to a court having jurisdiction in the place where the corporation has its registered office or in the province where the dissenting shareholder resides if the corporation carries on business in that province.

(18) A dissenting shareholder is not required to give security for costs in an application made under subsection (15) or (16).

(19) On an application to a court under subsection (15) or (16),

(a) all dissenting shareholders whose shares have not been purchased by the corporation shall be joined as parties and are bound by the decision of the court; and

(b) the corporation shall notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to appear and be heard in person or by counsel.

(20) On an application to a court under subsection (15) or (16), the court may determine whether any other person is a dissenting shareholder who should be joined as a party, and the court shall then fix a fair value for the shares of all dissenting shareholders.
(21) A court may in its discretion appoint one or more appraisers to assist the court to fix a fair value for the shares of the dissenting shareholders.

(22) The final order of a court shall be rendered against the corporation in favour of each dissenting shareholder and for the amount of the shares as fixed by the court.

(23) A court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective until the date of payment.

(24) If subsection (26) applies, the corporation shall, within ten days after the pronouncement of an order under subsection (22), notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.

(25) If subsection (26) applies, a dissenting shareholder, by written notice delivered to the corporation within thirty days after receiving a notice under subsection (24), may

(a) withdraw their notice of dissent, in which case the corporation is deemed to consent to the withdrawal and the shareholder is reinstated to their full rights as a shareholder; or

(b) retain a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.

(26) A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that

(a) the corporation is or would after the payment be unable to pay its liabilities as they become due; or

(b) the realizable value of the corporation’s assets would thereby be less than the aggregate of its liabilities.”
QUESTIONS? NEED HELP VOTING?

CONTACT US

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