



NOTICE OF MEETING AND MANAGEMENT PROXY CIRCULAR CONCERNING THE

2010 ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD AT THE CENTRE MONT-ROYAL, SALON CARTIER, 2200 MANSFIELD ST., MONTRÉAL, QUÉBEC, CANADA, H3A 3R8

ON MARCH 11, 2010 AT 10:00 A.M. (EASTERN TIME)

January 21, 2010



WHAT'S INSIDE THIS MANAGEMENT PROXY CIRCULAR

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NOTICE OF THE 2010 ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of the holders of Class A Variable Voting Shares and Class B Voting Shares (collectively the "voting shares") of Transat A.T. Inc. (the "Corporation" or "Transat") will be held at the Centre Mont-Royal, Salon Cartier, 2200 Mansfield St., Montréal, Québec, Canada, H3A 3R8, on **March 11, 2010 at 10:00 a.m. (Eastern Time)** (the "Meeting"), for the following purposes:

1. To receive the financial statements of the Corporation for the year ended October 31, 2009 and the auditors' report thereon;
2. To elect the directors;
3. To appoint the auditors for the ensuing year and to authorize the Board of Directors to determine their remuneration; and
4. To transact any other business which may properly come before the Meeting or any adjournment thereof.

We hope you will take the time to familiarize yourself with the information on these matters set out in the Circular. It is important that you exercise your vote, either in person at the Meeting or by completing and returning the proxy form. We invite you to join us at the Meeting, where you will have the opportunity to ask questions and meet with our management and Board of Directors as well as your fellow shareholders. **This Circular is furnished in connection with the solicitation, by the management of Transat, of proxies for use at the Meeting of the holders of voting shares of Transat.**

Made at Montréal, Québec, on January 21, 2010.

BY ORDER OF THE BOARD OF DIRECTORS



Transat A.T. Inc.
Bernard Bussières
Vice-President, General Counsel and Corporate Secretary

In order that the greatest possible number of voting shares may be represented and voted at the Meeting, registered shareholders who are unable to attend the Meeting should return their duly completed proxies to our transfer agent, CIBC Mellon Trust Company, before 5:00 p.m. (Eastern Time), Tuesday, March 9, 2010 or, in the event that the Meeting is adjourned or postponed, by no later than 5:00 p.m. (Eastern Time) two business days prior to the day fixed for the adjourned or postponed Meeting. The enclosed form of proxy must be completed, dated, signed and sent to CIBC Mellon Trust Company before the above-mentioned date and time either (i) by MAIL in the enclosed prepaid envelope provided for that purpose; (ii) by FAX at (416) 368-2502, Attention: Proxy Unit; or (iii) in person at 320 Bay Street, Banking Hall, Toronto, Ontario, M5H 4A6, Attention: Proxy Unit or at 2001 University Street, 16th Floor, Montréal, Québec, H3A 2A6, Attention: Proxy Unit. Please refer to the annexed Circular for details. If you are not a registered shareholder (i.e., if your voting shares are held through a bank, trust company, securities broker or other nominee), please refer to the sections entitled "How can a Non-Registered Shareholder Vote?" and "How can a Non-Registered Shareholder Vote in Person at the Meeting?" in the Circular, which explain how to vote your shares.



Management Proxy Circular

INFORMATION REGARDING THE MEETING

To ensure representation of your shares at the annual meeting of the holders of Class A variable voting shares (the "Variable Voting Shares") and Class B voting shares (the "Voting Shares" and collectively with the Variable Voting Shares, the "voting shares") of Transat A.T. Inc. ("Transat" or the "Corporation") (the "Meeting"), please select the most convenient way for you to express your voting instructions (by fax, by mail or in person) and follow the relevant instructions. Unless otherwise indicated, the information included herein is given as of January 21, 2010. In this Circular, any mention of "dollars" or "\$" refers to Canadian dollars, unless otherwise indicated. The following questions and answers provide guidance on how to vote your shares.

YOUR QUESTIONS AND OUR ANSWERS ON PROXY VOTING

1. **Q: WHO IS SOLICITING MY PROXY?**

A: The management of Transat is soliciting your proxy for use at the Annual Meeting scheduled to be held at the Centre Mont-Royal, 2200 Mansfield St., Salon Cartier, Montréal, Québec, Canada, H3A 3R8, on **Thursday, March 11, 2010 at 10:00 a.m. (Eastern Time)**.

2. **Q: WHAT WILL I BE VOTING ON?**

A: You will be voting on the following items:

- (i) The election of each of the directors of Transat; and
- (ii) The appointment of Ernst & Young LLP as Transat's auditors.

3. **Q: HOW WILL THESE MATTERS BE DECIDED AT THE MEETING?**

A: The election of each of the directors and the appointment of the auditors must be approved by a majority of the votes cast by all of our shareholders present or represented by proxy at the Meeting.

4. **Q: WHAT ARE THE RESTRICTIONS ON OWNERSHIP OF MY VOTING SHARES?**

A: The Articles of the Corporation include restrictions on the ownership and control of voting shares of the Corporation. The following is a summary of the restrictions set forth in our Articles.

Pursuant to the *Canada Transportation Act*, S.C. 1996, c. 10 (the "*Canada Transportation Act*"), Air Transat A.T. Inc. ("Air Transat"), a wholly owned subsidiary of the Corporation, must at all times be in a position to establish that it is "Canadian" within the meaning of such act (hereinafter, a "Qualified Canadian") in order 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". Currently, we must ensure that no more than 25% of voting rights attached to our shares are owned or controlled by non-Canadians.

In this respect, our Articles provide for Variable Voting Shares and Voting Shares. The Class A Variable Voting Shares can only be owned or controlled by persons who are not Canadian and carry one vote per share unless: (i) the number of issued and outstanding Variable Voting Shares exceeds 25% of all the issued and outstanding voting shares (or any greater percentage that the Governor in Council may specify pursuant to the *Canada Transportation Act*), or (ii) the total number of votes cast by or on behalf of holders of Variable Voting Shares at any meeting exceeds 25% (or any greater percentage that the Governor in Council may specify pursuant to the *Canada Transportation Act*) of the total number of votes that may be cast at such meeting. If either of the above-noted thresholds would otherwise be surpassed at any time, the vote attached to each Variable Voting Share will decrease proportionately such that (i) the Variable Voting Shares as a class do not carry more than 25% of the aggregate votes attached to all issued and outstanding voting shares of the Corporation and (ii) the total number of votes cast by or on behalf of holders of Variable Voting Shares at any meeting do not exceed 25%

of the votes that may be cast at such meeting. The Voting Shares can only be owned and controlled by Canadians and always carry one vote per share. All the other rights, privileges, conditions and restrictions for the two classes of shares are the same.

The holders of Variable Voting Shares and Voting Shares vote together at the Meeting, except if the holders of a given class are entitled to vote as a class, as provided in the *Canada Business Corporations Act*. Only votes attached to voting shares represented by shareholders present in person or represented by proxy at a meeting and legally entitled to be voted thereat can be exercised or cast at such meeting.

Pursuant to its powers under Transat By-law No. 1999-1 and the regulations under the *Canada Business Corporations Act*, and in accordance with the provisions of our Articles and the *Canada Transportation Act*, the Board of Directors of Transat (the "Board of Directors" or the "Board") has implemented a series of administrative measures to ensure that the Voting Shares are owned and controlled by Canadians and the Variable Voting Shares are owned or controlled by non-Canadians at all times (the "Ownership Restrictions"). The measures are notably reflected in the forms of declaration of ownership and control. Shareholders who wish to vote at the Meeting either by: (i) completing and delivering a proxy form 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 such declaration or if it is determined by Transat or its transfer agent, CIBC Mellon Trust Company ("CIBC Mellon"), that you indicated (through inadvertence or otherwise) that you owned or controlled the wrong class of shares, the automatic conversion provided for in our Articles shall be triggered. Where a statement made in a declaration appears inconsistent with the knowledge of Transat (through inadvertence or otherwise), we may take any action that we deem appropriate with a view to ensure compliance with the Ownership Restrictions. Further, if a declaration is not duly completed, executed and delivered to Transat through its transfer agent, CIBC Mellon, the vote attached to such declarant's voting shares will not be tabulated. 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).

Please note that certain legislative amendments concerning the current restrictions on foreign investment contained in the *Investment Canada Act* and the *Canada Transportation Act* are currently being examined. The proposed amendments include a possible increase from 25% to 49% in the limit applicable to foreign investments in Canadian airlines through bilateral negotiations with Canada's trading partners.

5. Q: HOW MANY SHARES CARRY VOTING RIGHTS AND MANY VOTES DO I HAVE?

A: As at January 21, 2010, 539,817 Class A Variable Voting Shares and 37,232,054 Class B Voting Shares of the share capital of Transat were issued and outstanding. You are eligible to receive notice of, and vote at the Meeting or at any adjournment thereof if you were a holder of voting shares on January 21, 2010, the record date for the Meeting.

The Variable Voting Shares may only be owned or controlled by persons who are not Canadians within the meaning of the *Canada Transportation Act*. The Variable Voting Shares carry one vote per share held, except where (i) the number of issued and outstanding Variable Voting Shares exceeds 25% of the total number of all issued and outstanding voting shares (or any greater percentage that the Governor in Council may specify pursuant to the *Canada Transportation Act*), or (ii) the total number of votes cast by or on behalf of the holders of Variable Voting Shares at any meeting exceeds 25% (or any greater percentage that the Governor in Council may specify pursuant to the *Canada Transportation Act*) of the total number of votes that may be cast at such meeting.

If either of the above-noted thresholds is surpassed at any time, the number of votes attached to each Variable Voting Share will decrease proportionally such that (i) the Variable Voting Shares as a class do not carry more than 25% of the total voting rights attached to the aggregate number of issued and outstanding Variable Voting Shares and Voting Shares of Transat and (ii) the total number of votes cast by or on behalf of holders of Variable Voting Shares at any meeting does not exceed 25% of the votes that may be cast at such meeting.

The Voting Shares may only be owned and controlled by Canadians within the meaning of the *Canada Transportation Act*. Each Voting Share carries one vote.

6. Q: WHO ARE OUR PRINCIPAL SHAREHOLDERS?

A: To the knowledge of our directors and officers, and based on publicly available information, as at January 21, 2010, the only person who beneficially owns and exercises control or direction over 10% or more of the outstanding Voting Shares, is:

- (i) **Fonds de solidarité des travailleurs du Québec (F.T.Q.)**, which held 3,673,226 Voting Shares representing approximately 9.87% of all issued and outstanding Voting Shares.

Moreover, as at January 21, 2010, the following persons beneficially own or exercise control or direction over 10% or more of the outstanding Variable Voting Shares:

- (ii) **Connor, Clark & Lunn Investment Management Ltd.**, which held 334,000 Variable Voting Shares representing approximately 61.87% of all issued and outstanding Variable Voting Shares; and
- (iii) **Wasatch Advisors Inc.**, which held 90,000 Variable Voting Shares for and on behalf of several separate investment funds managed by it, representing approximately 16.67% of all issued and outstanding Variable Voting Shares.

7. **Q: HOW DO I VOTE?**

A: If you are eligible to vote and your shares are registered in your name, you can vote your shares in person at the Meeting or by proxy. If you are voting by proxy, you may vote by completing and signing the enclosed proxy form and forwarding it to CIBC Mellon in one of following three ways: (i) by fax at (416) 368-2502, Attention: Proxy Unit; (ii) by mail, in the prepaid envelope provided; or (iii) in person at 320 Bay Street, Banking Hall, Toronto, Ontario, M5H 4A6, Attention: Proxy Unit or at 2001 University Street, 16th Floor, Montréal, Québec, H3A 2A6, Attention: Proxy Unit.

Please note that in order for your proxy form to be considered as duly completed and therefore, for your votes to be tallied, you must duly complete and return to CIBC Mellon, no later than March 9, 2010 at 5:00 p.m. (Eastern Time), the declaration of ownership and control included on the proxy form.

If your shares are held in the name of a nominee, please see the instructions below under the headings “HOW CAN A NON-REGISTERED SHAREHOLDER VOTE?” and “HOW CAN A NON-REGISTERED SHAREHOLDER VOTE IN PERSON AT THE MEETING?”.

8. **Q: CAN I VOTE BY PROXY?**

A: Whether or not you attend the Meeting, you can appoint a proxy holder to vote for you at the Meeting. You can use the enclosed proxy form, or any other proper form of proxy, to appoint your proxy holder. The persons named in the enclosed proxy form are directors or officers of Transat. **However, you can choose another person to be your proxy holder, including someone who is not a shareholder of Transat, by crossing out the names printed on the proxy form and inserting another person's name in the blank space provided, or by completing another proper form of proxy.**

9. **Q: HOW WILL MY PROXY BE VOTED?**

A: On the proxy form, you can indicate how you want your proxyholder to vote your shares, or you can let your proxyholder decide for you. If you have specified on the proxy form how you want your shares to be voted on a particular matter, then your proxyholder must vote your shares accordingly.

If you have not specified on the proxy form how you want your shares to be voted on a particular matter, your proxyholder can then vote in accordance with his or her judgment. **Unless contrary instructions are provided in writing, the shares represented by proxies received by management will be voted:**

- (i) **FOR the election as directors of each of the nominees listed under the heading “Nominees for Election as Directors” of this Circular; and**
- (ii) **FOR the appointment of Ernst & Young LLP as auditors of Transat.**

10. **Q: WHAT IF THERE ARE AMENDMENTS OR IF OTHER MATTERS ARE BROUGHT BEFORE THE MEETING?**

A: Subject to the foregoing noted in answer 8, the enclosed proxy form gives the persons named on it the authority to use their discretion in voting on amendments or variations to matters identified 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. If, however, any such amendments or other matters properly come before the Meeting, the persons named on the enclosed proxy form will vote on them in accordance with their judgment, pursuant to the discretionary authority conferred in writing by you pursuant to the proxy form.

11. Q: BY WHEN MUST I VOTE?

A: No later than 5:00 p.m. (Eastern Time) on March 9, 2010 (unless you intend to attend the Meeting in person). All shares represented by proper proxies accompanied by duly completed declarations received by CIBC Mellon prior to such date and time will be voted in accordance with your instructions as specified in the proxy form, on any ballot that may be called at the Meeting.

12. 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 this, you must clearly state, in writing, that you want to revoke your proxy and deliver this written notice to the attention of 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 business days before the Meeting, namely by March 9, 2010 at 5:00 p.m. (Eastern Time), or to the Chair of the Meeting on the day of the Meeting or any adjournment thereof, or in any other manner permitted by law.

13. Q: WHO COUNTS THE VOTES?

A: Proxies and votes are counted by duly authorized representatives of CIBC Mellon, the Corporation's Transfer Agent.

14. Q: HOW ARE PROXIES SOLICITED?

A: Our management requests that you sign and return the proxy form to ensure your votes are exercised at the Meeting. Proxies will be solicited primarily by mail or by any other means our management may deem necessary. Members of our management will receive no additional compensation for these services, but will be reimbursed for any transaction expenses they incurred in connection with these services. Arrangements will also be made with brokerage houses and other custodians, nominees and fiduciaries for the forwarding of solicitation material to the beneficial owners of shares registered in the names of these persons and Transat may reimburse them for their reasonable transaction and clerical expenses. We will pay for all costs related to this proxy solicitation, including printing, postage and delivery costs.

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

A: If your voting shares are not registered in your name, they are held in the name of a "nominee", which is usually a trust company, securities broker or other financial institution. Your nominee is required to seek your instructions as to how these shares are to be voted. Consequently, you will have received this Circular from your nominee, together with a voting instruction form. Each nominee has its own signing and return instructions, which you should follow carefully to ensure your shares are voted. If you are a non-registered shareholder who has voted by mail or by fax and want to change your mind and vote in person, contact your nominee to discuss whether this is possible and what procedure to follow.

16. Q: HOW CAN A NON-REGISTERED SHAREHOLDER VOTE IN PERSON AT THE MEETING?

A: Since we do not have access to the names of our non-registered shareholders, if you attend the Meeting, we will have no record of your shareholdings or of your entitlement to vote, unless your nominee has appointed you as proxyholder. Therefore, if you are a non-registered shareholder and wish to vote in person at the Meeting, please fill in your name in the space provided on the voting instruction form sent to you by your nominee. By doing so, you are instructing your nominee to appoint you as proxyholder. Then follow the signing and return instructions provided by your nominee.

17. 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 securities have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding these shares on your behalf.

By choosing to send these materials to you directly, Transat (and not the intermediary holding the 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.

GETTING TO THE BUSINESS OF THE MEETING

1. FINANCIAL STATEMENTS

The audited consolidated financial statements for the year ended October 31, 2009 and report of the auditors thereon, and the comparative financial statements for the years ended October 31, 2008 and 2009, which will be presented to our shareholders at the Meeting, are included in the Corporation's Annual Report that has been mailed to our shareholders or can be promptly provided upon written request and which are available at www.sedar.com. No vote is required on this matter.

2. NOMINEES FOR ELECTION AS DIRECTORS

Pursuant to the Articles of the Corporation, the Board of Directors must consist of a minimum of nine (9) and a maximum of fifteen (15) directors. The Board of Directors is presently composed of eleven (11) directors. In accordance with a resolution adopted by our Board of Directors on January 13, 2010, the number of directors of the Corporation to be elected at the Meeting has been set at ten (10).

Ten (10) directors will be put forward at the Meeting as nominees for election to the Board, of which seven (7) are independent from the Corporation. See section 6.4 "Independence of Directors and Attendance at Meetings" of this Circular for more information. As you will note in the enclosed proxy form or voting instruction form, the shareholders may vote for each director individually. Moreover, the Corporation has adopted a majority voting policy, which is described in section 2.1 below and is annexed to this Circular.

Our management does not anticipate that any of the nominees among the persons named below will be unable or unwilling to act as a director, but if such should be the case prior to his or her election at the Meeting, the persons named in the enclosed proxy form will vote in favour of the election as director(s) of any other person(s) whom the management of the Corporation may, upon the advice of the Corporate Governance and Nominating Committee, recommend to replace such nominee(s) among those named hereinafter, unless a shareholder indicates in his proxy form his intention to abstain from voting for the election of directors. Each director will remain in office until the next annual meeting of our shareholders or until his or her successor is elected or appointed.

Unless a shareholder indicates his intention to abstain from voting for the nominees, the voting rights attached to the shares represented by the proxy form enclosed herewith will be voted FOR the election of each of the ten (10) nominees described below.

The following tables set out the names of the proposed nominees for election as directors on our Board, together with their age, province and country of residence, year first elected as directors, current principal occupation and their biography, and whether the nominees are independent. Also indicated for each nominee is, among other things, the number and value of Voting Shares and deferred share units ("DSUs") beneficially owned, directly or indirectly, or over which control or direction is exercised as at January 21, 2010 (where applicable), the number of options to purchase Voting Shares held as at such date, the committees on which he or she serves, the number of committee meetings and Board meetings he or she attended during the year ended October 31, 2009, as well as information regarding compensation received as a director during such year. Information is based on the statements made by the persons concerned and updated on a yearly basis.

André Bisson, O.C.						
Age: 80 Québec, Canada Director since April 1995 Lead Director Independent ⁽¹⁾		André Bisson is Chairman of the Board of CIRANO (Center for Interuniversity Research and Analysis on Organizations) and of BV! Media Inc., an Internet media publisher quoted on the TSX Venture Exchange. Prior to 1988, Mr. Bisson was Senior Vice-President and General Manager, Québec, for the Bank of Nova Scotia. Until recently, he was also Chancellor and Chairman of the Board of the Université de Montréal. He also served on the boards of many corporations, including AXA Assurances, Power Financial Corporation, Donohue Inc., Julius Baer Advisory Canada, Logistec Corporation, Pirelli Cables and Systems North America, and Quebecor World Inc. Mr. Bisson currently serves on the board of many non-profit organizations in the cultural and charitable sectors. Mr. Bisson holds a M.B.A. from Harvard University, two honorary doctorates, and a Fellow honoris causa. He is Chancellor Emeritus of the Université de Montréal and was awarded the Order of Canada.				
Board/Committee membership		Attendance		Fees paid during FY 2009 ⁽²⁾	Value of equity compensation in FY 2009 ⁽²⁾	
Board of Directors		11 of 11	100%	\$44,000	\$12,000	
Executive Committee		N/A	N/A	–	–	
Audit Committee (Chairman)		6 of 6	100%	\$21,500	–	
Corporate Governance and Nominating Committee		7 of 7	100%	\$13,500	–	
Securities beneficially owned, directly or indirectly, or controlled or directed:						
Voting Shares	DSUs	Total of Voting Shares and DSUs	Total market value of Voting Shares and DSUs ⁽³⁾	Minimum equity ownership required ⁽⁴⁾	Compliance with requirement	Stock options
20,762	2,182	22,944	\$521,287	\$138,000	Yes	2,839

Lina De Cesare						
Age: 58 Québec, Canada Director since May 1989 Non-independent ⁽¹⁾ (ex-executive officer)		Lina De Cesare is Advisor to the President of the Corporation and one of its three founding members along with Messrs. Eustache and Sureau. Until just recently, she was also President of several active subsidiaries of the Corporation, namely: Cameleon Hotel Management Corporation, Cameleon Marival (Canada) Inc., Trafictours Canada Inc. and Transat Holidays USA, Inc. Mrs. De Cesare also serves as director on the board of Trafictours Canada Inc. and is a member of the board of directors of Cirque Éloize since April 2008 and of Société Solareh since August 2009.				
Board/Committee membership		Attendance		Fees paid during FY 2009 ⁽²⁾	Value of equity compensation in FY 2009 ⁽²⁾	
Board of Directors		11 of 11	100%	N/A	N/A	
Securities beneficially owned, directly or indirectly, or controlled or directed:						
Voting Shares	DSUs	Total of Voting Shares and DSUs	Total market value of Voting Shares and DSUs ⁽³⁾	Minimum equity ownership required ⁽⁴⁾	Compliance with requirement	Stock options
62,576	– ⁽⁷⁾	62,576	\$1,421,726	\$90,000	Yes	73,254

Jean Pierre Delisle						
Age: 65 Québec, Canada Director since September 2007 Independent ⁽¹⁾		Jean Pierre Delisle is a director and executor of a number of companies and estates. Mr. Delisle joined Ernst & Young in 1965 and became a partner in their tax group in 1974. From 1980 to 1986, he was in charge of the Montréal office's Entrepreneurial Services Group. He has been Vice-President of Groupe Soficorp Inc., where he advised a number of companies in their Initial Public Offering (IPO's) including Transat A.T. Inc. of which he was a director from April 1987 to October 1988 until his return to Ernst & Young in November 1988. Until his retirement in 2000, Mr. Delisle held a number of positions within Ernst & Young including that of Managing partner of the Montreal South Shore and Laval offices. From September to December 2001, Mr. Delisle joined Transat's senior management team as Advisor to the President in the context of the crisis facing the airline industry resulting from the events of September 11, 2001. Mr. Delisle obtained a Bachelor of Commerce degree from Concordia University (Loyola College) and became a member of the Ordre des comptables agréés du Québec in 1967. In 2009, he obtained the designation of "Certified Corporate Director" from Université Laval.				
Board/Committee membership		Attendance		Fees paid during FY 2009 ⁽²⁾	Value of equity compensation in FY 2009 ⁽²⁾	
Board of Directors		9 of 11	82%	\$42,000	\$12,000	
Audit Committee		6 of 6	100%	\$13,500	-	
Securities beneficially owned, directly or indirectly, or controlled or directed:						
Voting Shares	DSUs	Total of Voting Shares and DSUs	Total market value of Voting Shares and DSUs ⁽³⁾	Minimum equity ownership required ^{(4) (5)}	Compliance with requirement ⁽⁵⁾	Stock options
10,000	1,568	11,568	\$262,824	\$105,000	In progress	-

Jean-Marc Eustache						
Age: 62 Québec, Canada Director since February 1987 Non-independent ⁽¹⁾ (Executive officer)		Jean-Marc Eustache is Chairman of the Board, President and CEO, and Chairman of the Executive Committee of the Corporation, as well as one of its three founding members along with Mrs. Lina De Cesare and Mr. Philippe Sureau. Mr. Eustache is also Chairman of Transat Tours Canada Inc., a subsidiary of the Corporation. He also serves on the board of directors of many subsidiaries of the Corporation. Since 2005, Mr. Eustache sits on the board of directors of Quebecor Inc., a public company listed on the TSX. He is also a director of several non-profit organizations, such as the Cercle des présidents du Québec, Espace Go Theatre, UQAM Foundation (of which he is Chairman) and the Canadian Tourism Commission, on whose executive committee he also serves. He also sits on the board of directors of the Conference Board of Canada since November 2008. Mr. Eustache holds a B.A. in economics from UQAM (Université du Québec à Montréal).				
Board/Committee membership		Attendance		Fees paid during FY 2009 ⁽²⁾	Value of equity compensation in FY 2009 ⁽²⁾	
Board of Directors (Chairman)		11 of 11	100%	N/A	N/A	
Executive Committee (Chairman)		N/A	N/A	N/A	N/A	
Securities beneficially owned, directly or indirectly, or controlled or directed:						
Voting Shares	DSUs	Total of Voting Shares and DSUs	Total market value of Voting Shares and DSUs ⁽³⁾	Minimum equity ownership required ⁽⁶⁾	Compliance with requirement	Stock options
401,766	10,331	412,097	\$9,632,843	\$1,520,000	Yes	275,996

H. Clifford Hatch Jr.

Age: 67
 Ontario, Canada
 Director since March 2001
 Lead Director
 Independent⁽¹⁾

H. Clifford Hatch Jr. is President and CEO of Clifco Investments Limited, a management holding and venture capital company. He serves on the boards of several public and private corporations, including Consolidated HCI Holdings Corporation, a public company listed on the TSX for which he acts as non-executive Chairman of the Board, and also chairs its audit committee, Brookdale Treeland Nurseries Limited (BTN) of which he is a significant security holder, and Carrizuelo S.A. (Madrid, Spain). Mr. Hatch was director and Chairman of the audit committee of SMK Speedy International Limited from 1992 until the company was sold in 2004. From 1977 to 1980, Mr. Hatch was President and CEO of Corby Distilleries Limited; and from 1980 to 1984, he was Vice-President, Marketing of Hiram Walker & Gooderham & Worts and then its President and CEO from 1984 to 1987 as well as Executive Vice-President and a director of Hiram Walker Resources, the holding company for Hiram Walker Gooderham & Worts, Consumers Gas and Home Oil Limited. From 1987 to 1991, he was CFO of Allied-Lyons PLC (London, England). Mr. Hatch chairs The Gibbons-Daley Foundation and is a member of the executive committee of the Ontario chapter of the Institute of Corporate Directors. Mr. Hatch is also Chair of the independent review committee of Caldwell Securities Limited. He holds a B.A. (Honours) in economics and political sciences from McGill University, as well as a M.B.A. from Harvard University.

Board/Committee membership	Attendance		Fees paid during FY 2009 ⁽²⁾	Value of equity compensation in FY 2009 ⁽²⁾
Board of Directors	10 of 11	91%	\$38,750	\$15,750
Executive Committee	N/A	N/A	–	–
Corporate Governance and Nominating Committee (Chairman)	7 of 7	100%	\$21,875	\$1,625
Human Resources and Compensation Committee	8 of 8	100%	\$14,625	\$375

Securities beneficially owned, directly or indirectly, or controlled or directed:

Voting Shares	DSUs	Total of Voting Shares and DSUs	Total market value of Voting Shares and DSUs ⁽³⁾	Minimum equity ownership required ⁽⁴⁾	Compliance with requirement	Stock options
3,374	3,439	6,813	\$154,791	\$138,000	Yes	4,395

Jean-Yves Leblanc						
Age: 63 Québec, Canada Director since December 2008 Independent ⁽¹⁾		Jean-Yves Leblanc is a Corporate Director. He was President and Chief Executive Officer of Bombardier Transportation from 1986 to 2001, and Chairman of its board of directors from 2001 to 2004. Mr. Leblanc is currently a director and committee member of various corporations and organizations. Mr. Leblanc has been a member of the supervisory board of Kéolis S.A. (France) and Kuvera Développement S.A. (France) since 2007; for the two corporations, he is also Chairman of the audit and risk management committee, a member of the compensation committee and a member of the railway safety committee. He has also been a member of the board of directors, of the audit committee and risk management committee and of the human resources and governance committee of Pomerleau Inc. He has been a member of the board of directors of Desjardins Securities since 2004, as well as Chairman of its audit, risk management and ethics committee and a member of its compensation committee. He has been a member of the board of directors of IPL Inc. since 2006, and Chairman of its human resources and governance committee. Since 2005, he is also a member of the board of directors of Premier Tech Inc. and a member of its audit and risk management committee, acquisitions committee and innovation committee. He was also a member of the board of directors of ADS Inc. from June 2004 to February 2009, a member of its audit and risk management committee and Chairman of its human resources and governance committee. Mr. Leblanc has also been Chairman of the Board of Théâtre du Nouveau Monde since 2005, a member of the board of directors of the Montreal Heart Institute since 2001 and of the Montreal Heart Institute Foundation since 2003. Mr. Leblanc holds a Bachelor's in Mechanical Engineering for Université Laval, a Master of Industrial Engineering from the University of Toronto and a M.B.A. from the University of Western Ontario.				
Board/Committee membership		Attendance		Fees paid during FY 2009 ⁽²⁾	Value of equity compensation in FY 2009 ⁽²⁾	
Board of Directors		10 of 10	100%	\$38,832	\$12,000	
Securities beneficially owned, directly or indirectly, or controlled or directed:						
Voting Shares	DSUs	Total of Voting Shares and DSUs	Total market value of Voting Shares and DSUs ⁽³⁾	Minimum equity ownership required ^{(4) (5)}	Compliance with requirement ⁽⁵⁾	Stock options
5,000	1,035	6,035	\$137,115	\$90,000	In progress	–

Philippe Sureau						
Age: 60 Québec, Canada Director since February 1987 Non-independent ⁽¹⁾ (ex-executive officer)		Philippe Sureau is Advisor to the President of the Corporation and one of its three founding members along with Mr. Jean-Marc Eustache and Mrs. Lina De Cesare. Mr. Sureau is also President and Chairman of the Board of Eurocharter SAS and Transat Distribution Canada Inc., and Chairman of the Board of Travel Superstore Inc. Until just recently, he was also President, Distribution of the Corporation and was serving on the board of directors of several of its affiliates. He has been part of the founding and development of a series of business initiatives, which led to the inception of Transat in 1987 (Nortour, Trafic Voyages, Trafic Tour France), and has been a member of its Board since its inception. As a travel industry professional, his chief contribution has been in the field of public relations as Director of communications, marketing, sales strategy and corporate relationship. More recently, he served as President and CEO of Air Transat (1997-2000) and directed Transat's Internet venture. Until just recently, he was heading the distribution side of the Corporation, overseeing its activities on both online and traditional channels in Canada and France. Among other accomplishments, he was President of the Québec Travel Agency Association (ACTA-Québec) in 1986-87; Chairman of the Air Transport Association of Canada (ATAC) in 1995-96, and from 1999 to 2005, was a member of the board of directors of the Manoir Richelieu. In April 2005, Mr. Sureau was appointed member of the Comité consultatif des agents de voyages (consulting committee of travel agents) by the Québec government.				
Board/Committee membership		Attendance		Fees paid during FY 2009 ⁽²⁾	Value of equity compensation in FY 2009 ⁽²⁾	
Board of Directors		11 of 11	100%	N/A	N/A	
Securities beneficially owned, directly or indirectly, or controlled or directed:						
Voting Shares	DSUs	Total of Voting Shares and DSUs	Total market value of Voting Shares and DSUs ⁽³⁾	Minimum equity ownership required ⁽⁴⁾	Compliance with requirement	Stock options
316,609	– ⁽⁷⁾	316,609	\$7,193,356	\$90,000	Yes	84,408

Jacques Simoneau						
Age: 52 Québec, Canada Director since November 2000 Independent ⁽¹⁾		Jacques Simoneau is Executive Vice President, Investments of the Business Development Bank of Canada ("BDC") since April 2006. In that capacity, he is responsible for the venture capital and subordinate financing portfolios. Prior to assuming his current position, he was President and CEO of Hydro-Québec CapiTech Inc., Senior Vice-President of the <i>Fonds de solidarité des travailleurs du Québec</i> (F.T.Q.) and CEO of <i>Société Innovatech du sud du Québec</i> . He also held executive positions at Advanced Scientific Computing and Alcan. He is a director of Sustainable Development Technology Canada and Canada's Venture Capital and Private Equity Association. Mr. Simoneau is also a member of the <i>Conseil de la science et de la technologie du Québec</i> and serves on the scientific committee of the <i>Centre québécois de recherche et de développement de l'aluminium</i> and the University of Montréal's Faculty of Medicine's advisory committee. Mr. Simoneau is a mechanical engineer and holds a M.Sc. from Laval University as well as a Ph.D. from Queen's University in Kingston, Ontario. He is a member of the <i>Ordre des ingénieurs du Québec</i> and of Professional Engineers Ontario.				
Board/Committee membership		Attendance		Fees paid during FY 2009 ⁽²⁾	Value of equity compensation in FY 2009 ⁽²⁾	
Board of Directors		9 of 11	82%	\$41,000	\$12,000	
Corporate Governance and Nominating Committee		7 of 7	100%	\$13,500	–	
Securities beneficially owned, directly or indirectly, or controlled or directed:						
Voting Shares	DSUs	Total of Voting Shares and DSUs	Total market value of Voting Shares and DSUs ⁽³⁾	Minimum equity ownership required ^{(4) (5)}	Compliance with requirement	Stock options
4,180	2,182	6,362	\$144,544	\$99,000	Yes	671

John D. Thompson						
Age: 75 Québec, Canada Director since April 1995 Lead Director Independent ⁽¹⁾		John D. Thompson is a Corporate Director. Prior to 1995, he was President and CEO of Montreal Trust and Chairman of the Board of RoyNat Inc. Mr. Thompson currently serves on the board of directors and is Chairman of the audit and conduct review committees of certain corporations of the Scotia Bank Group, including Montreal Trust Company of Canada since 1989; The Bank of Nova Scotia Trust Company; Scotia General Insurance Company, Scotia Life Insurance Company, Scotia Mortgage Corporation and The Mortgage Insurance Compagny of Canada since 1998; National Trust Company since 2002; Maple Trust Company since 2006; and Dundee Bank of Canada since 2008. Mr. Thompson is also a director of the MacDonald Stewart Foundation and a governor of the Windsor Foundation and St Mary's Hospital Centre. Mr. Thompson holds a bachelor's degree in engineering from McGill University (1957) and a M.B.A. from the University of Western Ontario (1960).				
Board/Committee membership		Attendance		Fees paid during FY 2009 ⁽²⁾	Value of equity compensation in FY 2009 ⁽²⁾	
Board of Directors		11 of 11	100%	\$28,500	\$27,000	
Executive Committee		N/A	N/A	–	–	
Audit Committee		6 of 6	100%	\$10,500	\$2,000	
Human Resources and Compensation Committee (Chairman)		8 of 8	100%	\$18,389	\$6,389	
Securities beneficially owned, directly or indirectly, or controlled or directed:						
Voting Shares	DSUs	Total of Voting Shares and DSUs	Total market value of Voting Shares and DSUs ⁽³⁾	Minimum equity ownership required ⁽⁴⁾	Compliance with requirement	Stock options
15,000	6,476	21,476	\$487,934	\$144,000	Yes	2,943

Dennis Wood, O.C.						
Age: 70 Québec, Canada Director since March 2004 Independent ⁽¹⁾		Mr. Wood is President and Chief Executive Officer of DWH Inc., a position he has held since 1973. He chairs the executive committee and is a director of GBO Inc. (formerly Le Groupe Bocenor Inc.). Between 1992 and 2001, Mr. Wood was President of C-MAC Industries Inc. Mr. Wood is a member of the board of directors of the National Bank Trust where he also chairs the ethics committee and serves on the audit committee. He is also a director of Le Groupe Jean Coutu Inc. where he serves on the audit committee, and of Rite Aid Corp. where he serves on the compensation committee. In addition, Mr. Wood is Chairman of the Board of Azimut Exploration Inc. and 5N Plus Inc. Mr. Wood has an honorary Ph.D. in administration from the Université de Sherbrooke and was awarded the Order of Canada.				
Board/Committee membership		Attendance		Fees paid during FY 2009 ⁽²⁾	Value of equity compensation in FY 2009 ⁽²⁾	
Board of Directors		11 of 11	100%	\$14,000	\$42,000	
Human Resources and Compensation Committee		8 of 8	100%	\$11,500	\$3,000	
Securities beneficially owned, directly or indirectly, or controlled or directed:						
Voting Shares	DSUs	Total of Voting Shares and DSUs	Total market value of Voting Shares and DSUs ⁽³⁾	Minimum equity ownership required ^{(4) (5)}	Compliance with requirement	Stock options
7,143	8,755	15,898	\$361,202	\$99,000	Yes	1,627

Mr. John P. Cashman announced that he does not intend to sit for reelection at the Meeting. The committees on which he served, the number of Board meetings and committee meetings he attended during the year ended October 31, 2009 as well as information regarding the compensation he received as a director during such year is presented below:

John P. Cashman						
Board/Committee membership		Attendance		Fees paid during FY 2009 ⁽²⁾	Value of equity compensation in FY 2009 ⁽²⁾	
Board of Directors		11 of 11	100%	\$29,000	\$27,000	
Corporate Governance and Nominating Committee		7 of 7	100%	\$12,000	\$1,500	
Securities beneficially owned, directly or indirectly, or controlled or directed:						
Voting Shares	DSUs	Total of Voting Shares and DSUs	Total market value of Voting Shares and DSUs ⁽³⁾	Minimum equity ownership required ⁽⁴⁾	Compliance with requirement	Stock options
2,000	4,634	6,634	\$150,724	\$99,000	Yes	671

(1) "Independent" refers to the standards of independence established under Section 1.2 of Canadian Securities Administrators' National Instrument 58-101.

(2) Please refer to the "Directors' Compensation" section on page 17 of this Circular for a description of the compensation policy applicable to our outside directors during the year ended October 31, 2009.

(3) The "Total market value of Voting Shares and DSUs" is determined by multiplying the closing price of the Voting Shares on the TSX on January 21, 2010 (\$22.72) by the number of Voting Shares and DSUs held as of such date.

(4) Under the guidelines adopted by Transat, each director who is not an employee must hold a number of shares or DSUs having a value equivalent to at least three times the base annual Board retainer paid in cash to which they are entitled after having served three years as director.

(5) Mr. Leblanc and Mr. Delisle have served as directors for less than three years. Mr. Delisle joined the Board in September 2007 and Mr. Leblanc in December 2008. They thus have a three-year period following their election as directors to comply with the minimum equity ownership requirement.

(6) For the President and Chief Executive Officer, the guidelines adopted by the Corporation provide that such officer must hold a number of Voting Shares or DSUs having a value equivalent to two times his annual base salary.

(7) Following the retirement of Lina De Cesare and Philippe Sureau effective November 1, 2009, all of the DSUs held by each of them were redeemed in accordance with the terms and conditions of the deferred share unit plan.

To the knowledge of Transat, none of the proposed nominees for election as directors of the Corporation is or has been in the last ten years from the date of this Circular an executive officer or director of a company that, while the nominee was acting in that capacity or within a year of that nominee ceasing to act in that capacity, made a proposal under legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors, except for: (i) Mr. Dennis Wood, who (a) was, until July 16, 2009, Acting President and Chief Executive Officer of GBO Inc. (formerly Le Groupe Bocenor Inc.), which filed, on June 11, 2004, a notice of intention to make a proposal under the *Bankruptcy and Insolvency Act* (Canada) that was ratified by the Quebec Superior Court on August 5, 2004, and (b) was a director of Blue Mountain Wallcoverings Group Inc., which filed for protection under the *Companies' Creditors Arrangement Act* that was granted on March 20, 2009; (ii) Mr. H. Clifford Hatch Jr. who (a) was, until March 7, 2003, a director of Geneka Biotechnology Inc., which made an assignment in bankruptcy on June 1, 2003; and (b) was a director of Fleming Packaging Corporation, which became bankrupt in May 2003, being within one year after Mr. Hatch resigned as a director of such company; and (iii) Mr. John D. Thompson, who served for several years (since 1996) on the board of directors of Shermag, which filed for protection under the *Companies' Creditors Arrangement Act* on May 5, 2008. However, Mr. Thompson ceased to act as director of such corporation on August 8, 2007.

2.1 Majority Voting Policy

The Board of Directors has adopted a policy providing that, in an uncontested election of the directors, any nominee for whom the number of "abstentions" from voting exceeds the number of votes "for" his election must submit his resignation to the Board of Directors immediately after the annual meeting of shareholders. The Corporate then reviews this offer to resign and recommends that the Board of Directors accept or reject it. The Board of Directors makes its final decision in this regard and announces it by press release within ninety (90) days of the annual meeting of shareholders. A director who submits his resignation in accordance with this policy does not attend any of the meetings of the Board of Directors or the Corporate Governance and Nominating Committee at which his resignation is reviewed. The full text of the Majority Voting Policy adopted by the Board of Directors is annexed to this Circular.

2.2 Board Interlocks

As of January 21, 2010, no member of our Board of Directors serves with another member of our Board of Directors on the board of directors of an operating corporation.

2.3 Shareholding Guidelines for Directors

In order to align the interests of the directors with those of the shareholders, the Board of Directors has adopted a minimum equity ownership requirement for directors. Each director must hold a number of Voting Shares and DSUs equivalent to at least three times the annual Board retainer to which he or she is entitled after having served three years as director. As of the date of this Circular, all the directors already comply or are in the process of complying with the shareholding guidelines.

3. APPOINTMENT OF OUR AUDITORS

On the recommendation of the Audit Committee, the Board of Directors proposes that Ernst & Young LLP be reappointed as auditors of the Corporation to hold office until the next annual meeting of shareholders and that their remuneration be determined by the Audit Committee.

Unless a shareholder indicates that he intends to abstain from voting, the voting rights attached to the shares represented by the proxy form enclosed herewith will be voted FOR the appointment of Ernst & Young LLP as auditors of the Corporation.

In 2009, the aggregate amounts billed for professional services provided by the auditors to the Corporation and its subsidiaries were approximately \$1,602,000 for audit and audit-related fees, \$525,000 for tax fees and \$0 for all other non-audit fees; the comparative figures for 2008 were approximately \$1,333,000, \$200,000 and \$0, respectively. "Audit fees" are fees for professional services provided for the audit of the Corporation's consolidated financial statements, for services that are normally provided by the Corporation's external auditors in connection with statutory and regulatory filings or engagements and for other services performed by the auditors to comply with generally accepted auditing standards; "audit-related fees" are fees for assurance and related services; "tax fees" are fees for tax compliance, tax advice and tax planning services; and "all other fees" are fees for any services not included in the first three categories.

3.1 Auditors' Independence

In addition to the letter issued by the auditors regarding their independence, the Corporation and the Audit Committee of the Board have considered whether the services performed by the auditors were compatible with maintaining the auditors' independence and have concluded that such was the case. In order to better define the limits within which such services are provided to the Corporation, the Board adopted, in addition to the Audit Committee charter, a Policy respecting the Pre-Approval of Audit and Non-Audit Services.

4. DIRECTORS' COMPENSATION

▪ Annual Retainer and Attendance Fees

During the year ended October 31, 2009, annual retainers and attendance fees were paid to the members of the Board who are not employees or officers of the Corporation on the following basis:

	From November 1, 2007
Annual Board retainer	\$30,000 in cash plus an additional amount of \$12,000 paid at a quarterly rate of \$3,000 in DSUs
Additional annual retainer payable to each lead director (being each committee chairperson)	\$10,000
Annual Audit Committee retainer	\$5,000
Annual committee retainer (excluding committee chairpersons and excluding Audit Committee members):	\$3,000
Each Board or committee meeting attended	
–in person:	\$1,500
–by conference call:	\$1,000
Annual grant of stock options under the terms of our stock option plan:	No new grants; options grants suspended since March 15, 2006

A director can choose to have 0 to 100% of the annual fees and supplements paid in the form of DSUs pursuant to the deferred share unit plan for Independent Directors which we implemented in 2004 (and amended on June 8, 2005 and January 18, 2006) to better link the compensation of directors to the creation of added value for shareholders. Each DSU will be valued at the market value of a Transat Voting Share on the dates that

such DSUs are credited. When the directors cease being directors, all DSUs credited to their name are redeemed in cash by Transat based on the market value of the Voting Shares at that time.

Outside directors are reimbursed for travel and other out-of-pocket expenses incurred in attending Board or committee meetings. In addition, travel privileges are granted to our directors pursuant to the same policy which applies to all the employees of Transat.

- **Total Compensation of Outside Directors**

During the year ended October 31, 2009, the following annual retainers and attendance fees were paid to the members of the Board who are not employees or officers of the Corporation:

Name	Compensation (\$)		Share-based awards ⁽²⁾	Option-based awards ⁽³⁾	Non-equity incentive plan compensation	Pension value ⁽⁴⁾	All other compensation ⁽⁵⁾	Total compensation
	Annual retainer ⁽¹⁾	Attendance fees ⁽¹⁾						
			(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
André Bisson	46,000	33,000	12,000	-	-	-	4,190	95,190
John P. Cashman	16,500	24,500	28,500	-	-	-	2,674	72,174
Jean Pierre Delisle	35,000	20,500	12,000	-	-	-	74	67,574
H. Clifford Hatch	40,250	35,000	17,750	-	-	-	1,186	94,186
Jean-Yves Leblanc	26,332	12,500	12,000	-	-	-	25	50,857
Jacques Simoneau	33,000	21,500	12,000	-	-	-	135	66,635
John D. Thompson	23,389	34,000	35,389	-	-	-	2,292	95,070
Dennis Wood	-	25,500	45,000	-	-	-	554	71,054

(1) These amounts represent the portion paid in cash to the outside directors.

(2) These amounts represent the value in cash of the annual retainer paid in DSUs to the outside directors.

(3) On March 15, 2006, the Board of Directors stopped granting options to directors who are not employees or executive officers of the Corporation.

(4) The Corporation does not provide a pension plan to its directors.

(5) These amounts represent the value in cash of the travel privileges and dividends paid on DSUs.

- **Credited Deferred Share Units (DSUs)**

The following table sets forth the date on which DSUs were credited to directors and their value on such date:

RSUs CREDITED DURING THE YEAR ENDED OCTOBER 31, 2009										
	Quarter								Total DSUs credited	Total value of DSUs credited
	T1 January 31		T2 April 30		T3 July 30		T4 October 31			
	(#)	(\$)	(#)	(\$)	(#)	(\$)	(#)	(\$)		
André Bisson	255	3,135	325	3,000	258	3,000	206	3,000	1,044	12,135
John P. Cashman	601	7,396	771	7,125	613	7,125	490	7,125	2,475	28,771
Jean Pierre Delisle	250	3,074	325	3,000	258	3,000	206	3,000	1,039	12,074
H. Clifford Hatch	261	3,209	325	3,000	505	5,875	404	5,875	1,495	17,959
Jean-Yves Leblanc	246	3,025	325	3,000	258	3,000	206	3,000	1,035	12,025
Jacques Simoneau	255	3,135	325	3,000	258	3,000	206	3,000	1,044	12,135
John D. Thompson	714	8,783	974	9,000	774	9,000	619	9,000	3,081	35,783
Dennis Wood	959	11,804	1,217	11,250	967	11,250	774	11,250	3,917	45,554

5. EXECUTIVE COMPENSATION DISCUSSION AND ANALYSIS

5.1 *Compensation Approach and Objectives*

The purpose of the executive compensation policy is to provide competitive overall compensation commensurate with the Corporation's performance. It seeks to attract the most competent people and keep them motivated and committed, in the interest of the Corporation's shareholders. Thus, the positioning of the fixed compensation aims at the median of its reference market. The variable compensation elements are designed so that their value varies according to the organization's performance in order to control the fixed costs when the Corporation does not meet its goals and to reward the Named Executive Officers commensurate with the organizational goals achieved and the Corporation's financial performance. More specifically, the guiding principles for executive compensation are the following:

5.1.1 Performance-Based Compensation:

Most of the Corporation's executive compensation programs are designed so that the compensation granted or paid is based on the Corporation's overall performance, combined, if applicable, with the performance of the subsidiary in which the executive works and the success of the subsidiaries in relation to each other. Indeed, it is the Corporation's strategy to maximize the relationships and the cooperation between certain subsidiaries. Therefore, it is deemed important that the compensation programs incorporate this principle.

5.1.2 Competitive Compensation:

It is crucial for the Corporation to offer its executive officers competitive compensation to attract the best resources and maintain their loyalty. In the competitive context in which the Corporation conducts its operations and in preparing the succession of key executive officers, this guiding principle is essential. The Corporation, in collaboration with independent external advisors, periodically reviews the nature of the compensation programs and their potential value. The Corporation ensures that, on the whole, the value of overall compensation remains competitive in comparison with the practices of comparable companies and the practices of public companies in general.

5.1.3 Compensation Aligned with the Shareholders' Interest:

Several of the component programs of overall executive compensation seek to establish a direct correspondence between the interests of the shareholders and the interests of the executive officers, whether by programs in the form of equity-based awards or programs which have a long-term relationship with the value created for all shareholders. Moreover, equity-based compensation as a proportion of overall annual compensation increases with the level of the position, thus strengthening the alignment of the executive officers' interests with those of the shareholders.

5.2 *Human Resources and Compensation Committee*

The Human Resources and Compensation Committee of our Board of Directors (referred to hereinafter in this section as the "Committee") is responsible for establishing the policies regarding the compensation of executives and the development and training of their successors, as well as for continuously supervising the implementation of these policies. The Committee makes recommendations regarding the compensation of the executive officers, which are subject to the approval of the Board of Directors. The Committee also reviews the yearly performance goals of the Chairman of the Board, the President and Chief Executive Officer and the other executive officers and performs the evaluation of the Chief Executive Officer. The Committee also reviews, together with the Chief Executive Officer, the evaluation of the other executive officers by the Chief Executive Officer. The annual evaluation of the Chief Executive Officer is conducted by the Committee, submitted to the Board of Directors and discussed in camera.

The Committee is currently composed of Messrs. H. Clifford Hatch Jr., John D. Thompson and Dennis Wood. Mr. John D. Thompson acts as Chairman of the Committee since 2008. No member of this Committee is currently employed by Transat or any of its subsidiaries, or is a former officer or employee of Transat or any of its subsidiaries. None of our executive officers is a member of the board of directors of the corporations that employed Messrs. H. Clifford Hatch Jr., John D. Thompson and Dennis Wood. Please note that Mr. Jean-Marc Eustache attends the meetings of the Committee upon invitation.

5.3 *Comparison Group*

The Corporation established a reference market or "comparison group" composed of twenty-six Canadian public companies, which are listed in the table below. These companies were chosen according to the following criteria:

- size in terms of sales and stock market capitalization;
- sectors of activity, namely the travel, entertainment or airline operations industry;
- consumer goods or services or retail or distribution sector;
- integrated or complex operation, i.e. several subsidiaries operating in different markets;
- geographical scope of operations (Canada-wide and international).

Companies	Comparable size	Sector of activity		Integrated or complex operation	Scope of operations (international)
		Entertainment, Aviation	Distribution, Retail		
Ace Aviation Holdings Inc. (Air Canada)		X			X
Groupe Aeroplan Inc. (income fund)		X		X	
Astral Media Inc.		X		X	
CAE Inc.	X				X
CanWest Global Communications Corp.	X	X		X	X
Cascades Inc.	X				X
Cogeco Inc.				X	
Corus Entertainment Inc.		X		X	
Cott Corporation	X		X		X
Extencare Real Estate Investment Trust	X			X	X
Finning International Inc.			X		X
The Forzani Group Ltd.	X	X	X		
Gildan Activewear Inc.					X
CGI Group Inc.					X
Yellow Pages Income Fund	X				
Metro Inc.			X		
Reitmans (Canada) Limited	X		X		
Rona Inc.			X		
Saputo Inc.			X		X
SNC-Lavalin Group Inc.				X	
Torstar Corporation	X	X			
Transcontinental Inc.	X	X		X	X
TransForce Inc.	X				
Uni-Select Inc.	X		X		X
Wajax Income Fund	X		X		
WestJet Airlines Ltd.	X	X			X

The Committee reviews the composition of our comparison group as needed and updates the total compensation data from this group. The Committee also annually studies general compensation surveys to compare our compensation policies with the generally accepted practices for public companies. Finally, the Committee reviews the positioning of the compensation of the Corporation's executive officers within the comparison group as needed to ensure that it remains appropriate, particularly in view of the evolution of the group's compensation practices and the market in general, and the Corporation's relative financial results.

5.4 External Advisors

During the annual compensation review process, the Committee resorts to external advisors if needed, in order to ensure efficiency in the achievement of the goals set and competitiveness in relation to the comparison group. Since 2006, the Committee retains the services of its own independent consultant, Mr. André Perrault of PCI-Perrault Consulting Inc., to advise it on corporate governance and executive compensation. The total fees paid to PCI-Perrault Consulting Inc. for the services rendered to the Committee and to the Corporate Governance and Nominating Committee in 2009 amounted to \$80,028 and \$4,265 respectively. No other service was provided to the Corporation by PCI-Perrault Consulting in 2009.

5.5 Total Compensation Components

The following table sets forth the components of the total compensation for executive officers, the objectives and the criteria for progression and awards of each of the programs:

Compensation component		Objectives	Compensation period	Short term	Long term	Criteria
FIXED	Base Salary	<ul style="list-style-type: none"> Attract and retain Recognize the level of responsibility, competencies and contribution to the Corporation's results 	1 year	x		Level of the position, competencies and individual contribution
	Benefits (group insurance)	<ul style="list-style-type: none"> Adequate coverage (illness, disability, death) Competitive benefits to promote retention 	1 year	x		According to the competitive market data; Some directly related to the salary
	Perquisites	<ul style="list-style-type: none"> Facilitate access to certain services to favour prioritization of the Corporation's business 	1 year	x		Related to the level of the position
Compensation component		Objective	Compensation period	Short term	Long term	Criteria
FIXED	Retirement programs: <ul style="list-style-type: none"> Defined contribution plan 	<ul style="list-style-type: none"> Offer competitive compensation (attract, build loyalty) 	Benefits accumulate with years of service		x	Related to the level of the position
	<ul style="list-style-type: none"> Executive retirement agreements 	<ul style="list-style-type: none"> Offer competitive compensation (attract, build loyalty) 	Benefits accumulate with years of service		x	Related to the level of the position The value increases with years of service
VARIABLE	Short-term incentive opportunity	<ul style="list-style-type: none"> Motivate to achieve and exceed individual and corporate financial goals 	1 year	x		Earnings per share ("EPS") or Earnings before interest and taxes ("EBIT") ⁽¹⁾
	Long-term incentive opportunity <ul style="list-style-type: none"> Stock options 	Encourage share ownership and: <ul style="list-style-type: none"> Motivate to increase the price per share Retain through vesting conditions 	10-year term, with 1/3 vesting after 1 year, 1/3 after 2 years, 1/3 after 3 years.		x	Increase in the price per share
	<ul style="list-style-type: none"> Restricted share units ("RSUs") 	<ul style="list-style-type: none"> Motivate to achieve operational performance targets and create economic value Retain through vesting conditions 	Vested at the end of the 3-year cycle after the award.		x	Return on equity and price per share
	<ul style="list-style-type: none"> Stock ownership incentive plan 	<ul style="list-style-type: none"> Support for achievement of shareholding guidelines Stimulate executive interest in increasing the price per share Promote executive retention 	1/3 vesting on January 10 after the end of the plan year in which the shares are awarded, 1/3 vesting on January 10 of the 2 nd and 3 rd years after the year of the award.		x	Individual investment and price per share

(1) Earnings per share ("EPS") are used for the corporate senior management positions. Earnings before interest and taxes ("EBIT"), both consolidated and for the respective business unit, and an inter-subsidary financial goal are used for the senior management positions of the business units.

5.5.1 Base salary

For the purposes of internal equity, our senior management positions are first evaluated and classified into six different salary grades based on responsibilities, qualification requirements and other conditions specific to each position. Our senior management positions are compared to other similar senior management positions in corporations making up our comparison group, and the salary data gathered are then analyzed to establish the median salaries in the market. Salary scales with minimums and maximums are then developed based on the average of the market medians. Finally, the individual incumbents' salaries are positioned in the scales according to their competencies and experience in the position.

The scales are reviewed annually according to the market movements. Individual salaries are adjusted annually, depending on the evaluation of the contribution to the Corporation's results and the evolution of the incumbent's competencies, as well as his positioning in the salary scale. The executive officers' base salaries are reviewed and approved by the Committee, usually in the first quarter of each financial year.

For 2009, the Named Executive Officers, except Messrs. Jean-Marc Eustache and Nelson Gentiletti, received salary increases in line with the average salary increases for the market in general, around 1.5% to 3.0%. Mr. Eustache's salary has remained at the same level since November 1, 2007 and Mr. Gentiletti's salary was increased by 10% in recognition of his promotion to the position of Executive Vice-President, Tour Operators on November 1, 2008 and the fact that Mr. Gentiletti also assumed the interim responsibilities of Chief Financial Officer effective from the departure of François Laurin, on June 5, 2009, to the end of 2009.

5.5.2 Employee Benefits Program

The objective of the employee benefits program is to ensure a target compensation value positioned at the median of the comparison group. The executive group insurance plan includes life insurance, medical insurance, dental insurance and disability insurance. This plan is designed to provide adequate protection to executive officers and their families in the event of death, disability, illness, etc.

No change was made to the employee benefits program in 2009.

5.5.3 Perquisites Program

The perquisites program provides for the allocation of a dollar value expressed as a percentage of the base salary (which varies between 8% and 10% according to the position held), in order to cover certain business expenses. This amount is granted instead of any other allowance that could be paid or any reimbursement that could be made, such as an automobile allowance, reimbursement of club membership fees, reimbursement of financial services fees, etc.. Regarding perquisites, under the terms of Transat's total compensation policy, it is expressly stipulated that the dollar value of perquisites should be about equal to the comparative market average.

No change was made to the perquisites program in 2009.

5.5.4 Retirement Plans

▪ **Defined Benefit Plan**

Since 1999, the Corporation's executive officers are eligible for the defined benefit plan, under individual retirement agreements, all of which have similar parameters.

Under the terms of the retirement defined benefit plan, the participant is eligible, starting at the age of 65 and for the remainder of his or her life, to a monthly retirement benefit. The amount of this benefit is established by multiplying a percentage, which varies based on the number of credited years of service, by the "final average salary 5 years", which is equal to the sum of the base salary and the target bonus under the short-term incentive program. The amount of the retirement benefit payable by the Corporation is reduced by the sum of the following benefits:

- the retirement benefit payable upon turning 65 under the Transat's retirement plan for non-unionized employees, which is the actuarial equivalent value of the amount accrued by the participant on the date of his or her retirement under such plan, consisting of a group registered retirement savings plan ("RRSP") and a deferred profit sharing plan ("DPSP"); and
- the maximum annual retirement benefit payable upon turning 65 under the Québec Pension Plan, as determined on the participant's retirement date, multiplied by the number of eligible years of service and divided by 35.

The defined benefit plan also contains the following terms and conditions:

- The participant may elect early retirement between the ages of 55 and 65. In the event that early retirement is taken between the ages of 55 and 60, the retirement benefit is reduced by 5/12% for every full month that the retirement was taken before the participant's 60th birthday. Where early retirement is taken between the ages of 60 and 65, no reduction applies to the retirement benefit. Furthermore, for participants with over 20 eligible years of credited service, if early retirement is taken upon the date where the sum of age attained plus eligible years of credited service = 85 (provided the participant is at least age 55), no reduction applies to the retirement benefit.

- Payment to the participant of the retirement benefit is conditional on his or her continuous and uninterrupted participation in the group RRSP for non-unionized employees of Transat until the date of his or her retirement, at the prescribed contribution level required under the terms thereof.
- If the participant ceases to be employed by Transat before the date of his or her retirement, Transat will issue a certificate or promise of payment of the retirement benefit calculated as of his date of termination of employment, but payable only when the participant turns 65, except in the case of dismissal for cause or if the participant ceases his or her participation to the retirement plan, which results in the automatic cancellation of the participant's right to any retirement benefit pursuant to the standard retirement agreement.

All obligations stemming from the retirement benefits are guaranteed by an irrevocable letter of credit held by a third party trustee. This letter of credit can be drawn under very specific conditions.

Retirement benefits constitute an integral part of the overall compensation of our executive officers. In considering the value of the retirement benefits provided to the executive officers, the Committee takes into account the annual service cost, the accrued benefit obligation, as well as the annual benefit that would be available to the executive officer upon retirement.

- ***Defined Contribution Plan***

The executive officers must participate in the Transat retirement plan for non-unionized employees, which includes an employee contribution paid to the RRSP and an employer contribution paid to the DPSP. For senior management positions, the contributions are 2% and 2% respectively, not exceeding the maximum contributions permitted by the *Income Tax Act* (Canada).

No change was made to the retirement plans in 2009.

5.5.5 Short-Term Incentive Program

The objectives of the short-term incentive program ("STIP") are to:

- ✓ Motivate the employees and executives of the Corporation and its subsidiaries to achieve and exceed the budgeted results;
- ✓ Foster synergy among subsidiaries with interacting activities;
- ✓ Strengthen the connection between compensation and corporate financial performance;
- ✓ Offer competitive compensation aligned with Transat's compensation philosophy, namely to encourage and reward success through collective work.

The performance criteria, namely the financial targets based on which the bonuses will be calculated at year end and paid if the predetermined levels are achieved, are approved by the Committee at the beginning of the financial year. At the end of the year, the Committee reviews the financial results achieved in relation to the targets established at the beginning of the year and approves the bonuses payable for the year concerned.

The STIP was reviewed and is effective in its new version since November 1, 2008. The main changes made to the STIP are:

- ✓ Replacement of the multiplicative formula by an additive bonus calculation formula, in which the weighting of the performance criteria is established according to the level and scope of responsibilities of the position;
 - Elimination of the individual performance score and, for positions within a subsidiary, introduction of an inter-subsidiary financial performance indicator;
 - The consolidated financial performance and business unit financial performance indicators remain unchanged, as follows:
 - For executive officers, the consolidated earnings per share ("EPS") of Transat;
 - For the other positions, the consolidated financial indicator is earnings before interest and taxes ("EBIT");
 - For positions within subsidiaries, the financial indicator of their subsidiary (i.e. EBIT of the subsidiary and the above-mentioned inter-subsidiary indicator) is added to the consolidated financial indicator.
- ✓ Harmonization of the targets and the maximums in relation to the market data: for all position levels, the bonus may range from zero to double the target bonus, depending on the Corporation's results, and, where applicable, on the results of the subsidiary in which the participant works and the inter-subsidiary indicator.

For all Named Executive Officers, except Nelson Gentiletti and Allen B. Graham, the bonus calculation formula is:

Base salary	x	Target bonus 37.5% or 50% or 62.5% depending on the position level	x	Financial result 100% EPS	=	Bonus
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The STIP formula applicable to Nelson Gentiletti for 2009 was:

Base salary	x	Target bonus 50%	x	Financial result: 50% EPS of Transat + 50% EBIT of Transat Tours Canada Inc.	=	Bonus
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The STIP formula applicable to Allen B. Graham for 2009 was:

Base salary	x	Target bonus 37.5%	x	Financial result: 30% EPS of Transat + 50% EBIT of Transat Tours Canada Inc. + 20% inter- subsidiary indicator	=	Bonus
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▪ **Determination of the Chief Executive Officer's ("CEO") Bonus**

The CEO's bonus, like that of the other executive officers of levels 1 à 6 (Chief Operating Officer, Chief Financial Officer, Corporate Vice-Presidents, Presidents of subsidiaries), is determined according to the earnings per share ("EPS") goal. When the EPS calculated at the end of the financial year achieves its budgeted target, the CEO's bonus is paid at the target, namely 62.5% of base salary. When the results exceed the budget by 20% or more, the bonus paid is the maximum bonus, namely 125% of base salary, and when the results are 80% of the budget, the bonus paid is 31.25% of base salary. When less than 80% of the budget is achieved, no bonus is paid to the CEO.

For financial years 2008 and 2009, despite the formula explained above, the Board decided exceptionally not to pay any bonus to the CEO.

The following table presents, for each Named Executive Officer, the potential bonuses (minimum, target and maximum) expressed as a percentage of base salary, and the actual bonuses paid for 2009:

Name	Minimum bonus opportunity (% of base salary)	Target bonus opportunity (% of base salary)	Maximum bonus opportunity (% of base salary)	Bonus paid for 2009 (\$)
Jean-Marc Eustache	0	62.5%	125%	0
Lina De Cesare	0	50%	100%	0
Philippe Sureau	0	50%	100%	0
Nelson Gentiletti	0	50%	100%	0
Allen B. Graham	0	37.5%	75%	0
François Laurin ⁽¹⁾	0	37.5%	75%	N/A

(1) After leaving the Corporation on June 5, 2009, Mr. Laurin is no longer eligible for the STIP program.

For the 2009 financial year, Transat's financial results do not allow payment of the expected bonuses. Consequently, on the Committee's recommendation, the Board of Directors decided not to pay any bonus to Transat's executive officers, including the Named Executive Officers. However, in recognition of the results achieved despite a difficult economic context, the Board of Directors decided to award a discretionary lump sum of \$5.5 million for payment of bonuses to all employees eligible for the STIP other than the executive officers. The bonus envelope was allocated according to the relative results of each sector of activity and the target bonus opportunities of the participants.

The Corporation does not report the value of the financial targets related to the STIP, namely the consolidated EPS, the consolidated EBIT and the EBIT of each of the subsidiaries, and the inter-subsidiary financial indicators, because of their confidential and commercially sensitive nature. Indeed, the Corporation does not disclose its budget goals, regardless of whether this is past or future information. Moreover, the Corporation has a policy of not disclosing information on an unconsolidated basis. The Corporation considers that the disclosure of any budgetary or unconsolidated information could severely harm the competitiveness of its operations and thus be prejudicial to its financial performance. On the other hand, the Committee ensures that all the goals are set at a demanding level, motivating the executives to optimize Transat's potential performance for the benefit of its shareholders.

On January 13, 2010, the Board of Directors approved the following changes to the STIP, effective from the current year, namely from November 1, 2009:

- ✓ Simplification of the STIP formula:
 - The inter-subsidiary indicator has been eliminated;

- The profit margin, namely the ratio of adjusted earnings before taxes to revenue, replaces the budgeted EPS as the financial indicator for the executive officers and the adjusted EBIT as the financial indicator for Transat and its subsidiaries on a consolidated basis;
- ✓ The bonus opportunities remain the same as for 2009 but the range of results to be achieved for payment of the minimum and maximum bonuses has been broadened.
- ✓ The executive officers of Transat may receive an additional bonus if Transat's profit margin reaches a predetermined "record" level. These additional bonuses would be paid over a three-year period, provided that Transat A.T. continues to outperform a threshold predetermined by the Board of Directors during such period.

5.5.6 Long-Term Incentive Program

The long-term incentive plans are designed to motivate executives to achieve long-term goals and thus contribute to the increase in the value of the capital invested in the Corporation by the shareholders. Their objective is also to ensure a target compensation value that serves to position the total compensation (as defined hereinabove) in the first quartile of our comparison group when all targeted results are reached, with the potential to exceed the median of the comparison group for exceptional results.

The following table sets forth, for each Named Executive Officer (as defined on page 32 of this Circular), the guidelines relating to the estimated value of each component of the long-term incentive program:

NAME	ANNUAL LONG-TERM INCENTIVE OPPORTUNITY ⁽¹⁾		
	OPTION GRANTS	RSU AWARD ⁽²⁾	SHARE AWARD ⁽³⁾
	Par value (a) = [# of options x price per share on date of grant ⁽²⁾] / salary	Par value (b) = [# of RSUs x price per share on date of award ⁽²⁾] / salary	Par value (c) = [# of shares x price per share on date of award ⁽³⁾] / salary
Jean-Marc Eustache	175.0%	30.0%	0.0%
Lina De Cesare	137.5%	25.0%	0.0%
Philippe Sureau	137.5%	25.0%	0.0%
Nelson Gentiletti	87.5%	15.0%	10.0%
Allen B. Graham	75.0%	10.0%	10.0%
François Laurin	75.0%	10.0%	10.0%

(1) The annual grants and awards under the long-term incentive program are determined according to the par value contemplated for the level of the position.

(2) The price per share for the options granted and RSUs awarded is determined according to the weighted average-trading price of Transat voting shares on the Toronto Stock Exchange for the five trading days preceding the date of grant or award. (See the "Stock Option Plans" and the "Restricted Share Unit (RSU) Plan" sections of this Circular).

(3) The value of the shares awarded under the permanent stock ownership incentive plan depends on the value invested by the participant in the Share Purchase Plan for the Benefit of All Employees or Executives, subject to a maximum for the level of the position expressed as a percentage of the salary. The price at the date of award is equal to the purchase price of the shares on the secondary market. See the "Stock Ownership Incentive Plan" section of this Circular.

Each long-term incentive plan and the option-based and share-based awards to the Named Executive Officers in 2009 are described below.

▪ **Stock Option Plans**

The Former Plan

On December 5, 1995, the Corporation established a stock option plan for directors, officers and employees, which was amended from time to time (the "Former Plan"). The Former Plan allows Transat to grant stock options (the "Options") to directors, officers and employees of the Corporation and its subsidiaries in which it holds at least 50% of the voting share capital (the "Beneficiaries"). Under the Former Plan, the Board of Directors may grant Options for issuance of up to a maximum of 7,715,847 voting shares of the Corporation.

The purpose of the Former Plan is to encourage, retain and motivate the Beneficiaries by means of the grant of Options. The Former Plan allows the holder of an Option to purchase one voting share for each Option held. The price at which each voting share may be subscribed by the Beneficiaries upon the exercise of Options granted pursuant to the Former Plan is determined by the Board of Directors or, as the case may be, its Executive Committee, as to be equal to the weighted average closing price of the voting shares of the Corporation on the TSX for the five trading days preceding the grant of the Options and during which transactions have been effected on the voting shares of the Corporation.

The Board of Directors of the Corporation or, as the case may be, its Executive Committee, upon recommendation of the Committee, may determine, from time to time and in its entire discretion, which Beneficiaries will be granted Options, the grant date or dates, the date on which the Options may vest, as well as the frequency at which each of the Beneficiaries may exercise their Options. The Options granted under the Former Plan expire ten (10) years after the grant date, or earlier if the Beneficiary ceases to hold a position with Transat or any of its subsidiaries or if he or she dies. Also, in circumstances where the end of the option period of an Option falls within, or within ten business days after the end of, a blackout

period, the option period of such Option shall be extended so that its expiration date falls on the tenth business day after the end of such blackout period.

The number of voting shares which (i) may be issued to insiders (within the meaning of the *Securities Act* (Québec)), at any time and (ii) are issued to these insiders, within any one-year period, under the Former Plan and all of the other share-based compensation plans of the Corporation, cannot exceed ten percent (10%) of the number of issued and outstanding voting shares of the Corporation. The number of voting shares which may be purchased by any person (including insiders and their associates within the meaning of the *Securities Act* (Québec)) within any one-year period under the Former Plan and all of the other share-based compensation plans of the Corporation must not exceed five percent (5%) of the issued and outstanding voting shares of the Corporation.

Under the Former Plan, the following amendments require the approval of a majority of the shareholders present at a duly called shareholders' meeting:

- (a) any increase to the maximum number of Voting Shares issuable under the Former Plan (other than for standard anti-dilution purposes);
- (b) the reduction of the subscription price of the Options held by an insider (other than for standard anti-dilution purposes);
- (c) the extension of the option period of the Options held by an insider; and
- (d) the extension the blackout expiration term.

Upon exercise of his Options, the Beneficiary must be a director, officer or employee of the Corporation or its subsidiaries. However, within three months following his voluntary termination of employment or the date on which he ceases to be a director of the Corporation or of one of its subsidiaries, the Beneficiary may exercise the Options then vested to him. In the event of termination of employment following his retirement or permanent disability, termination of employment without serious reason, or death, dismissal or layoff of the Beneficiary, the Beneficiary, heirs or legal representatives, as the case may be, may, within six months following such event, exercise the Options that were vested to him at the date of such event. Options not exercised prior to the expiry of such delays will become null and void. In the event of termination of employment for serious reason, the Options granted will become null and void as of the date of termination of employment.

The Options may not be assigned, traded or pledged by the Beneficiaries. The Options may however be assigned by will pursuant to the provisions of the laws of succession.

Furthermore, there is no financial assistance available to the Beneficiaries under the Former Plan.

Notwithstanding the foregoing, in case of a take-over bid or exchange bid for Transat shares, within the meaning of the *Securities Act* (Québec), providing for the purchase of shares or securities conferring direct or indirect ownership of 20% or more of the votes that may be cast to elect Transat's directors (the "Offer") or of an acquisition of control, any Option granted but not yet vested may be exercised. Moreover, in such a case, any Option granted, regardless of whether or not it has vested, may be forced to be exercised by the Board of Directors. Unless a contrary decision is made by the Board of Directors, in the case of an Offer, these provisions are only applied if the Offer is successful so that the exercise of any non-vested option or the exercise forced by the Board of Directors is conditional on the Offer's success.

For the purposes of the Former Plan, an acquisition of control occurs when an event or series of events triggers a de facto control of Transat, either directly or indirectly, through the ownership of Transat's securities, by way of agreement or in any other manner whatsoever. Subject to any contrary decision from the applicable regulatory authorities, and without limiting the generality of the foregoing, the following events shall be considered to be an acquisition of control: (i) if a person proceeding by way of a public offering in conformity with the provisions of the *Securities Act* (Québec) becomes the owner or beneficial owner, directly or indirectly, of a number of our securities which represents 20% or more of the voting rights for the election of our directors; (ii) if a person, through transactions on the stock markets, by way of private sale or by any other manner may directly or indirectly acquire ownership or beneficial ownership of a number of our securities which represents 20% or more of the voting rights for the election of our directors; (iii) if individuals who constitute our Board of Directors on March 19, 2003, and any new director whose nomination by the Board of Directors or proposed nomination to the election of the Board of Directors by our shareholders was approved by a vote of at least three-quarters of the directors comprising the incumbent board as at March 19, 2003, or whose nomination or proposed election by our shareholders was approved in such a way subsequently, cease for any reason to constitute at least a majority of the members of the Board of Directors; (iv) if our assets representing 50% or more of the book value of all our assets are sold, liquidated or otherwise assigned; (v) if a majority of voting securities allowing the election of the directors of Air Transat A.T. Inc. or Transat Tours Canada Inc. are sold or assigned; (vi) if substantially all of the assets of Air Transat A.T. Inc. or Transat Tours Canada Inc. are sold or assigned; (vii) if assets of Transat representing 10% or more of the book value of all the assets of Transat or if securities entitling the holder thereof to exercise 10% or more of the aggregate voting rights for the election of the directors of Transat, have been transferred pursuant to a take-over, seizure or dispossession, resulting or related to: (a) nationalisation, expropriation, confiscation, coercion, force, constraint or any other similar action, or (b) introduction of a tax, assessment, or any other charge or levy for seizure; or (viii) any other event that our Board of Directors may determine from time to time, subject to the applicable regulatory approvals.

At the end of 2008, and more than 13 years after the implementation of the Former Plan, the Corporation had granted most of the available Options with an annualized average of almost 546,556 Options granted and therefore the remaining number of Options available for grant under the Former Plan had become insufficient. Furthermore, the Board of Directors considered that it was appropriate to amend certain terms of the Former Plan in order to fully comply with the Institutional Shareholder Services Guidelines of the RiskMetrics Group, a provider of risk management and corporate governance products and services to participants in the global financial markets. Consequently, the Board of Directors believed, considering among other things that the stock option plan is an important component of the long-term incentive program, that it was in the best interests of the Corporation to adopt a new stock option plan.

The Options that have been granted pursuant to the Former Plan but that have not yet been exercised continue to be governed by the terms and conditions of the Former Plan.

The 2009 Plan

On January 14, 2009, the Board of Directors adopted the 2009 Stock Option Plan for officers and employees (the "New Beneficiaries") of the Corporation (the "2009 Plan"), which was approved by the shareholders on March 11, 2009. The 2009 Plan complies with the rules and policies of the Toronto Stock Exchange (the "TSX") and with the Institutional Shareholder Services Guidelines of the RiskMetrics Group. Under the 2009 Plan, the Board of Directors may grant Options for issuance of up to a maximum of 1,945,000 voting shares of the Corporation, which represent 5.15% of the issued and outstanding voting shares of the Corporation as at January 21, 2010.

As of the date hereof, the Board of Directors of the Corporation has not granted any Options under the 2009 Plan.

The purpose of the 2009 Plan is to attract, retain and motivate the New Beneficiaries by means of the grant of Options. The 2009 Plan allows the Beneficiary of each Option to purchase one voting share for each Option held. The price at which each voting share may be subscribed by the New Beneficiaries upon the exercise of Options granted pursuant to the 2009 Plan will be determined by the Board of Directors or, as the case may be, its Executive Committee, as to be equal to the weighted average trading price of the voting shares of the Corporation on the TSX for the five trading days preceding the grant of the Options and during which transactions have been effected on the voting shares of the Corporation.

Except for the following conditions, the 2009 Plan is identical to the Former Plan:

- ✓ The number of Options granted within one year cannot exceed 2% of the issued and outstanding voting shares of the Corporation.
- ✓ The vesting of the Options granted under the 2009 Plan is subject to a performance condition determined for each grant by the Board of Directors.

Option Grant Process

The annual grant of Options is part of the annual review of executive compensation by the Committee. The number of Options granted is established according to the position and base salary of each participant and the exercise price. The previous grants of Options and the number of Options outstanding on the date of the grant are not taken into account in establishing the grants for the year. The number of Options is established by multiplying the grant factor applicable to the level of the position occupied according to the grant policy approved by the Board of Directors, by the participant's salary, and dividing the product by the exercise price on the date of the grant. In extraordinary cases, Options may be granted upon new hires or in other situations within the context of succession management for the positions eligible for grants of options. The list of annual grants proposed is presented for discussion to the Committee, which then reports to the Board of Directors at the next meeting for final approval.

Certain executive officers of the Corporation are involved in the management of the stock option plans. The Vice-President, Human Resources, is responsible for providing the Committee with data on the market trends related to compensation and, more specifically, with respect to long-term incentive value and total compensation. He also works in collaboration with the Committee to define the elements of executive compensation, including eligibility for the STIP and the long-term incentive plan, including the stock option plans, and determine the size and conditions of the bonuses and long-term incentive awards. He also prepares the grants for presentation to the Committee. The Vice-President, Finance and Chief Financial Officer participates, jointly with the other executive officers, in preparing the financial budgets, which are submitted to the Board of Directors for approval and which constitute the base of the financial performance goals on which the bonuses are based. He is also in charge of overseeing the financial and accounting aspects of the stock option plans. The Vice-President, Legal Affairs and Secretary is responsible for the legal and regulatory aspects of the stock option plans, including the filing of insider declarations and other reports with the regulators. He is responsible for keeping records of the Options awarded, exercised and cancelled. Any proposed change to the annual incentive plan and the stock option plans is discussed with the President and Chief Executive Officer and then with the Committee, which chooses, as it sees fit, to recommend approval of the change to the Board of Directors and, as needed, to the shareholders.

Option Grants in 2009

All the Options granted in 2009 were granted under the Former Plan.

The Options granted in 2009 may be exercised as follows: (i) 33 1/3% effective on the first anniversary of the grant date; (ii) 66 2/3% effective on the second anniversary of the grant date; and (iii) 100% effective on the third anniversary of the grant date.

During 2009, an aggregate of 441,084 Options were granted, including 195,000 to Named Executive Officers, representing 1.17% of the issued and outstanding shares as at October 31, 2009. An aggregate of 246,084 Options were granted, on an exceptional basis, to Beneficiaries other than the Named Executive Officers, of which 218,084 were granted at an exercise price of \$11.22 and 28,000 were granted at an exercise price of \$10.52.

As mentioned above, Transat also granted in 2009, on an exceptional basis, a fixed number of Options to a group of executive officers holding positions as subsidiary Vice-presidents or the equivalent and who, because of their position level, are not normally included in the positions covered by the annual grants of Options. However, the Board of Directors approved this exceptional grant in a context of management of the executive succession and major organizational changes and in recognition of the contribution of these executives to their respective subsidiary' results.

Also during 2009, an aggregate of 43,106 Options were cancelled and/or expired, and 13,011 Options were exercised. As at October 31, 2009, an aggregate of 1,101,140 Options, representing approximately 2.92% of the total number of voting shares then outstanding, had been granted but had not yet been exercised. In addition, 212,633 voting shares were reserved and available for future option grants under the Former Plan, for a total of 1,313,773 voting shares, or approximately 3.48% of the total number of voting shares issued and outstanding.

The value of the grants of Options to the Named Executive Officers in 2009 is in compliance with the guidelines presented above.

Additional information on Options, including the weighted average exercise price of all outstanding Options as at October 31, 2009, may be found in our 2009 Annual Report available on the SEDAR website at www.sedar.com.

▪ *Restricted Share Unit Plan*

The restricted share unit plan ("RSU Plan") is intended to increase the Corporation's ability to attract and retain competent people to hold positions as executive officers and executives of the Corporation and its subsidiaries, and to promote harmonization with the interests of the executive officers and executives and those of the shareholders of the Corporation.

The number of restricted share units ("RSUs") awarded to each participant is equal to a percentage of base salary divided by the weighted average trading price of the Corporation's voting shares on the TSX for the five trading days preceding the date of award.

RSUs vest to each participant at the end of a three-year cycle based upon the weighted average return on shareholders' equity ("RSE") that was achieved for the three-year cycle.

- ✓ All awarded RSUs vest upon the achievement of an average RSE target over a three-year cycle;
- ✓ No RSU is vested if the return is lower than an average RSE threshold over a three-year cycle;
- ✓ Vesting is prorated linearly between defined milestones.

For each vested RSU, participants are entitled to receive a cash payment from Transat equivalent to the weighted average trading price of the voting shares on the TSX for the five trading days preceding the ending date of the cycle multiplied by the number of RSUs that have vested during the cycle. The RSU plan contains change of control provisions that provide for the accelerated vesting of the RSUs in certain circumstances.

In 2009, an aggregate of 274,566 RSUs were awarded and may vest according to the following parameters:

PERFORMANCE LEVEL	AVERAGE RSE 2008-2011		VESTING (% OF RSUs AWARDED)	
	from	to	from	to
Above threshold	≥ 12.00%	< 12.00%	100.00%	< 100.00%
	≥ 11.44%	< 11.44%	75.00%	< 75.00%
	≥ 10.88%	< 10.88%	50.00%	< 50.00%
	≥ 9.94%	< 9.94%	37.50%	< 37.50%
Threshold	≥ 9.00%	< 9.00%	25.00%	< 25.00%
Below threshold		< 9.00%	0.00%	

Of this number, a total of 53,290 RSUs were awarded to Named Executive Officers in accordance with the parameters presented above.

- ***Stock Ownership Incentive Plan***

The share purchase plan put in place for executive officers, the "Transaction" plan, is part of the long-term variable compensation of the Corporation's executive officers. By this plan, Transat seeks to incite its executive officers to become and remain shareholders of the Corporation, stimulate their interest to increase the price of the Corporation's shares and promote their retention. The objective of the stock ownership incentive plan is also to encourage the participants to meet or exceed the shareholding guidelines adopted by the Corporation by awarding each eligible executive officer shares for which the total cost of purchase is equal to the percentage of salary invested by the said executive in the share purchase plan.

On June 29, 1999, our Board of Directors adopted the initial Transaction Plan. On October 19, 2004, our Board of Directors amended this plan with respect to eligibility and frequency of subscription. Further, on January 14, 2005, our Board of Directors extended the initial term of the plan for an additional five years. On December 14, 2006, the Transaction Plan was further amended in order to introduce detailed amending provisions to such plan as required under the new rules of the TSX. These amendments were approved by the shareholders on March 14, 2007. Finally, on October 29, 2008, the Board of Directors renewed the Transaction Plan for an additional term of five years under the same terms and conditions as the previous plan.

Accordingly, during the additional term above-mentioned, the executive officer who participates in the share purchase plan up to the maximum allowed annually, which is equal to 5% or 10% of their salary depending on the position held, is awarded by Transat a number of voting shares whose total purchase price on the secondary market is equal to the aforementioned percentage of salary contributed. Shares subscribed with employee contributions are discounted 10%.

One third of the voting shares so awarded by Transat shall vest to each eligible executive officer on January 10 following the year of the award, the second January 10 following the year of the award and the third January 10 following the year of the award, provided the executive officer holds on to all voting shares subscribed for under the share purchase plan at each of these dates. In the event that the eligible executive officer ceases to occupy his or her position, retires or in the event that he or she dies or becomes permanently disabled, the said executive officer or his or her assigns, as the case may be, shall become the owner of the awarded voting shares vested to him or her on the date of his or her termination of employment or on the date of his or her death. The voting shares awarded by Transat do not confer any rights to the eligible executive officer prior to vesting.

However, in the event of a change of control of Transat, any eligible executive officer will acquire, automatically and in advance, the right to those shares awarded but not yet vested on the date of the said change of control, provided that on such date he or she still holds the same number of shares subscribed for under the share purchase plan corresponding to each award.

As at October 31, 2009, an aggregate of 24,536 shares having an approximate aggregate value of \$262,497 had been awarded to the executive officers of the Corporation under the Transaction Plan. From that number of shares, 8,179 vested on January 10, 2010; 8,179 will vest on January 10, 2011 and 8,179 will vest on January 10, 2012.

The Transaction Plan is directly tied to the share purchase plan for the benefit of all employees or executives of Transat as regards the total number of shares that may be subscribed for or the number of shares that may be issued to a single person or to an insider of Transat.

- ***Deferred Share Unit Plan***

Following the review of our long-term incentive program in 2007, awards of deferred share units ("DSUs") to executive officers under the deferred share unit plan were discontinued effective November 1, 2006. Dividend equivalents continue to be converted into additional DSUs according to the terms and conditions of the plan for executive officers who held DSUs before the awards ceased.

5.5.7 Minimum Shareholding Requirements for the Named Executive Officers

The shareholding guidelines adopted by the Corporation provide that executive officers (levels 1 to 6) must hold, no later than at the end of the five-year period following their appointment to a senior management position, the number of voting shares or DSUs with a value corresponding to the specific multiple of their annual base salary. The table below indicates the minimum shareholding multiple applicable to each Named Executive Officer. In the event that an executive officer is promoted to a higher position during or subsequent to the five-year period following his appointment, the guidelines provide that he then benefits from an additional three-year period effective from the date of his promotion to reach the new minimum shareholding multiple which will then be applicable to him. Given the exceptional situation that prevailed in January 2009 with the generalized sharp drop in the markets (including Transat's stock), a 24-month period beginning January 14, 2009 and ending January 14, 2011 was granted to the executive officers on an exceptional basis to allow them to meet the minimum shareholding requirement applicable to them.

Name	Minimum shareholding multiple based on the annual base salary	Compliance with requirement as at October 31, 2009
Jean-Marc Eustache	2 times the annual salary	Yes
Lina De Cesare ⁽¹⁾	1.5 times the annual salary	Yes
Philippe Sureau ⁽¹⁾	1.5 times the annual salary	Yes
Nelson Gentiletti ⁽²⁾	1.0 times the annual salary	In progress
Allen B. Graham	1.0 times the annual salary	In progress
François Laurin ⁽³⁾	1.0 times the annual salary	-

(1) Following their retirement effective November 1, 2009, Mrs. De Cesare and Mr. Sureau are no longer submitted to the minimal shareholding requirements applicable to executive officers.

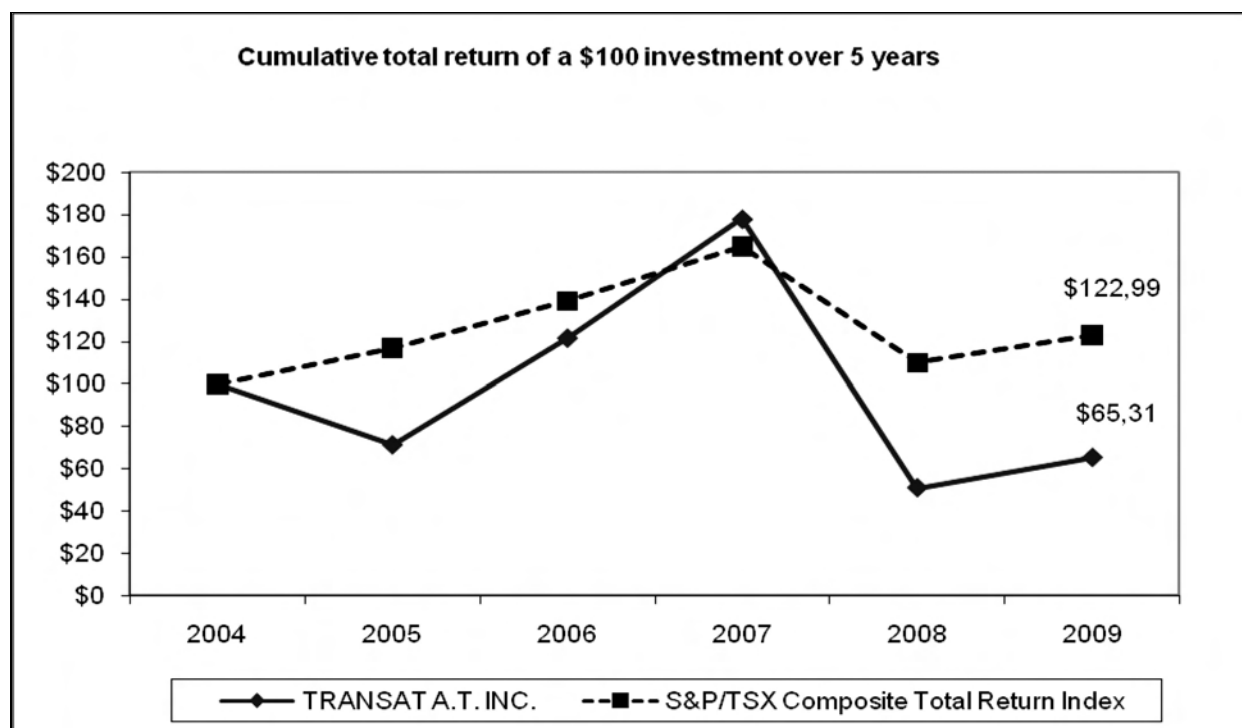
(2) Following the appointment of Nelson Gentiletti as Chief Operating Officer of the Corporation effective November 1, 2009, Mr. Gentiletti's minimum shareholding requirements increased to 1.5 times his annual base salary and according to the applicable guidelines, he benefits from a additional period of three years from the date of his appointment to achieve this requirement.

(3) Following his departure on June 5, 2009, Mr. Laurin is no longer submitted to these requirements.

5.5.8 Performance Graphs

Graph 1

The following performance graph indicates the cumulative total return over five years, assuming a \$100 investment made on October 31, 2004 in Voting Shares of the Corporation (assuming reinvestment of the dividends) and in the S&P/TSX Composite Total Return Index.

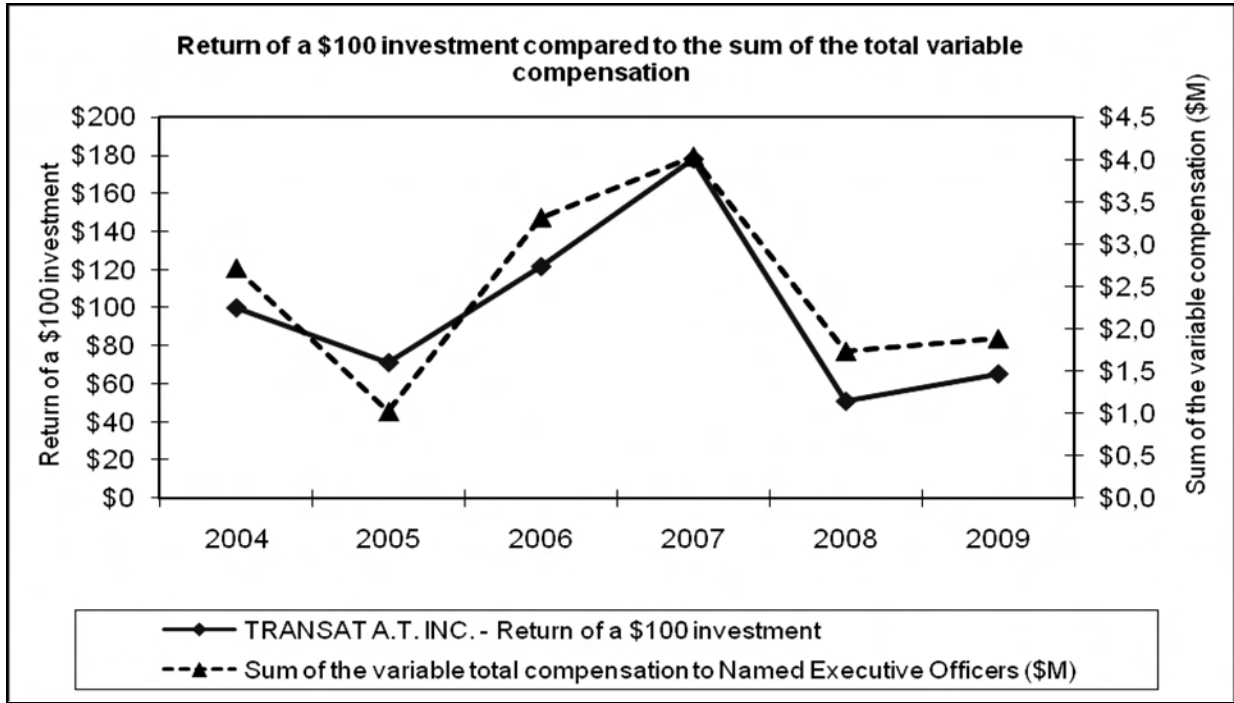


Financial Year	2004	2005	2006	2007	2008	2009
TRANSAT A.T. INC.	\$100.00	\$71.28	\$121.62	\$178.04	\$50.93	\$65.31
S&P/TSX Composite Total Return Index	\$100.00	\$117.05	\$139.16	\$164.86	\$110.05	\$122.99

\$100 investment made on October 31, 2004 (assuming reinvestment of dividends)

▪ *Graph 2*

The following graph indicates the trend of the total variable compensation paid to the Named Executive Officers over the same five-year period as the previous graph. It compares the sum of the total variable compensation paid to the Named Executive Officers (STIP bonuses, DSU and RSU grants, share awards under the Transaction Plan and Option grants) with the cumulative total return over five years, assuming a \$100 investment made on October 31, 2004 in Voting Shares of Transat. This graph shows that when the value of the return on the Voting Shares of Transat decreases, as in 2005 and 2008, the variable compensation paid also decreases, thus showing the relationship between variable executive compensation and the value of the Voting Shares of the Corporation. Conversely, when the value of the return on the Voting Shares of Transat increases over the previous year, as in 2006 and 2007, the total variable compensation paid to the Named Executive Officers also increases.



Financial Year	2004	2005	2006	2007	2008	2009
TRANSAT A.T. INC. - Return of a \$100 investment	\$100.00	\$71.28	\$121.62	\$178.04	\$50.93	\$65.31
Sum of the variable total compensation to Named Executive Officers (\$M)	\$2.715	\$1.025	\$3.311	\$4.033	\$1.736	\$1.883

\$100 investment made on October 31, 2004 (assuming reinvestment of dividends)

5.6 Summary Compensation Table

The following table sets forth the information regarding the total compensation paid during each of the last three financial years to (i) the President and Chief Executive Officer, (ii) the Vice-President, Finance and Administration and Chief Financial Officer who acted in that capacity until June 5, 2009, (iii) the Executive Vice-President, Tour Operators and Interim Chief Financial Officer who acted in that capacity from June 5, 2009 to October 31, 2009, and (iv) the three other mostly highly compensated executive officers of the Corporation and its subsidiaries (collectively, the "Named Executive Officers").

NAME AND PRINCIPAL POSITION	FY	SALARY	SHARE-BASED AWARDS		OPTION-BASED AWARDS ⁽⁶⁾⁽⁷⁾	SHORT-TERM INCENTIVE PROGRAM COMPENSATION	RETIREMENT PLAN VALUE ⁽⁸⁾	ALL OTHER COMPENSATION ⁽⁹⁾	TOTAL COMPENSATION ⁽¹⁰⁾
			RSUS ⁽⁴⁾	TRANSACTION ⁽⁵⁾					
			(\$)	(\$)					
Jean-Marc Eustache Chairman of the Board, President and CEO	2009	760,000	228,000	0	723,082	0	283,846	61,728	2,056,656
	2008	760,000	228,000	0	462,014	0	245,692	64,384	1,760,090
	2007	730,000	219,003	0	516,140	820,200	228,053	63,120	2,576,516
Lina De Cesare ⁽¹⁾ President, Tour Operators	2009	502,324	125,581	0	0	0	189,329	344	817,578
	2008	494,901	131,644	0	229,508	0	157,614	1,348	1,015,015
	2007	469,100	124,773	0	253,021	468,250	145,346	1,747	1,462,237
Philippe Sureau ⁽²⁾ President, Distribution	2009	474,392	118,598	0	0	0	178,956	332	772,278
	2008	460,575	122,513	0	213,592	0	137,836	1,294	935,810
	2007	445,000	118,356	0	240,017	400,000	130,182	1,673	1,335,228
Nelson Gentiletti Executive Vice-President, Tour Operators, and Interim CFO of Transat	2009	422,422	105,606	42,242	315,779	0	112,160	585	998,794
	2008	384,020	57,603	38,402	116,724	0	110,357	3,502	710,608
	2007	364,000	54,607	36,400	128,678	318,170	53,531	2,911	958,297
Allen B. Graham President and CEO, Air Transat	2009	369,435	36,943	36,943	150,640	0	89,576	37,587	721,125
	2008	363,975	36,397	36,397	94,828	0	65,000	38,405	635,002
	2007	342,094	34,209	24,209	104,537	256,096	60,000	35,699	866,844
François Laurin ⁽³⁾ Vice-President, Finance and Administration, and CFO	2009	168,730	0	0	0	0	32,263	574,862	775,856
	2008	294,587	29,459	29,45	76,752	0	70,651	31,439	532,346
	2007	284,625	28,454	28,454	86,252	192,000	40,891	29,772	690,457

(1) Mrs. Lina De Cesare held the position of President, Tour Operators until she retired effective November 1, 2009.

(2) Mr. Philippe Sureau held the position of President, Distribution until he retired effective November 1, 2009.

(3) Mr. François Laurin held the position of Vice-President, Finance and Administration and CFO until the termination of his employment on June 5, 2009.

(4) The value of the RSUs awarded under the RSU Plan is equal to a percentage of the participant's base salary, divided by the weighted average trading price of the voting shares on the TSX for the five days preceding the award.

(5) This amount represents Transat's contribution to the stock ownership incentive plan (Transaction plan) on the senior executive's behalf. This contribution is equivalent to 5% or 10% of the senior executive's base salary as at December 31 of the year preceding the beginning of the contributions, depending on the level of the position.

(6) Options may be exercised as follows: (i) 33 1/3% effective from the first anniversary of the grant date; however, 33 1/3% of the Options granted before May 2, 2007 may be exercised effective from the grant date; (ii) 66 2/3% effective from the second anniversary of the grant date; and (iii) 100% effective from the third anniversary of the grant date. See the "Stock Option Plans" section of this Circular.

(7) The fair value of the Options granted annually is obtained by multiplying the number of Options granted by their value established according to the Black, Scholes and Merton model. This value is the same as the fair book value established in accordance with generally accepted accounting principles and accounting for the following assumptions:

	2009	2008	2007
Risk-free rate:	3.07%	3.66%	4.18%
Dividend yield:	-	1.70%	0.97%
Volatility (60 months):	45.4%	37.60%	40.00%
Expected lifetime:	6 years	6 years	6 years
Fair value per option:	\$6.10	\$7.42	\$15.05

(8) The value of the retirement plan represents, for each financial year, the sum of the "change attributable to compensatory items" of the defined benefit plan and the "compensatory amount" of the defined contribution plan, as presented for the 2009 financial year, in the tables of the "Benefits under a Retirement Plan" section of this Circular. For each financial year, the amount of the "change attributable to compensatory items" was established according to the same actuarial assumptions as those that served to establish the accrued benefit obligation presented in Transat's financial statements for the financial years ended on October 31, 2009, 2008 and 2007 respectively, in accordance with generally accepted accounting principles.

(9) For all Named Executive Officers, this amount represents the value of the dividends paid on the shares held in the Transaction Plan and reinvested in additional shares (see the above "Stock Ownership Incentive Plan" section of this Circular) and value of the dividend equivalents converted into additional DSUs. For Messrs. Eustache, Graham and Laurin, the amounts also include the value of the perquisites paid under the terms of the perquisites program. In no case does the individual value of a benefit exceed 25% of the total value of the reported benefits. For the other Named Executive Officers, the value of the perquisites paid under the terms of the perquisites program is lower than the minimum thresholds established for reporting purposes. (See the "Perquisites Program" section of this Circular). For Mr. Laurin, the amounts also include the value of the termination allowance paid to him further to the termination of his employment.

(10) The salary presented for Mr. François Laurin represents the salary earned between November 1, 2008 and June 5, 2009, the date when Mr. Laurin left the Corporation. The amounts indicated in the "All other compensation" column include the amounts paid at his termination and these amounts were determined in accordance with Mr. Laurin's contract of employment, signed on May 24, 2005 at hiring. This consists of an amount of \$550,877 by way of termination allowance and an amount of \$10,302 by way of payment for the RSUs. Mr. Laurin also received an amount of \$72,795, which is equivalent to the value of the pension accumulated according to the provisions of the retirement agreement for executive officers. The retirement agreements allow the Corporation, in some circumstances, to pay the accumulated amount upon termination, instead of paying a pension when the executive officers retire.

Incentive Plans

- Table of Outstanding Option-Based and Share-Based Awards

The following table sets forth, for each Named Executive Officer, the number and value of option-based and share-based awards outstanding at the end of 2009.

Name of the officer	Option-based awards				Share-based awards (RSUs)	
	Number of securities underlying unexercised Options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money Options ⁽¹⁾ (\$)	Number of shares or share units that have not vested ⁽²⁾ (#)	Market or payout value of share-based awards that have not vested ⁽³⁾ (\$)
Jean-Marc Eustache	30,215	22.34	May 11, 2015	0	26,139	380,061
	30,682	22.66	May 3, 2016	0		
	34,295	37.25	May 2, 2017	0		
	62,266	21.36	April 21, 2018	0		
	118,538	11.22	May 6, 2019	393,546		
Lina De Cesare ⁽⁴⁾	12,596	22.34	May 11, 2015	0	14,592	212,168
	12,915	22.66	May 3, 2016	0		
	16,812	37.25	May 2, 2017	0		
	30,931	21.36	April 21, 2018	0		
Philippe Sureau ⁽⁴⁾	15,378	15.68	May 18, 2014	0	13,722	199,518
	11,996	22.34	May 11, 2015	0		
	12,300	22.66	May 3, 2016	0		
	15,948	37.25	May 2, 2017	0		
	28,786	21.36	April 21, 2018	0		
Nelson Gentiletti	2,350	22.34	May 11, 2015	0	15,419	224,187
	5,149	22.66	May 3, 2016	0		
	8,550	37.25	May 2, 2017	0		
	15,731	21.36	April 21, 2018	0		
	51,767	11.22	May 6, 2019	171,866		
Allen B. Graham	2,276	22.34	May 11, 2015	0	8,601	125,055
	4,666	22.66	May 3, 2016	0		
	6,946	37.25	May 2, 2017	0		
	12,780	21.36	April 21, 2018	0		
	24,695	11.22	May 6, 2019	81,987		
François Laurin	1,942	21.46	May 24, 2015	0	0	0
	4,046	22.66	May 3, 2016	0		
	3,820	37.25	May 2, 2017	0		
	3,448	21.36	April 21, 2018	0		

(1) The value was calculated using the difference between the closing price of the voting shares of Transat on the TSX on October 31, 2009, namely \$14.54, and the option exercise price.

(2) The vesting of RSUs is dependent on the level of achievement of the targets by the Corporation, based upon the weighted average return on shareholders' equity achieved over the three-year cycle. See "Restricted Share Unit Plan".

(3) Includes the restricted share units (RSUs) and the shares purchased under the stock ownership incentive plan. The value was calculated using the closing price of the voting shares of Transat on the TSX on October 31, 2009, namely \$14.54.

(4) The Board of Directors, on the recommendation of the Human Resources and Compensation Committee, determined that Mrs. De Cesare and Mr. Sureau could keep the Options that each of them held on the effective date of their retirement under the terms and conditions of the Former Plan, as long as they remain directors of the Corporation. This determination was made given the fact that they will remain directors of the Corporation and the general involvement they will maintain in the Corporation. Mrs. Lina De Cesare and Mr. Philippe Sureau have declined to receive the options to which each of them was entitled as part of the annual grant of options made on May 6, 2009.

▪ *Table of the Value Vested or Earned During the Year*

The following table sets forth, for each Named Executive Officer, the value vested or earned during the financial year under the various compensation plans.

Name of the officer	Option-based awards: value vested during the year ⁽¹⁾ (\$)	Share-based awards: value vested during the year ⁽²⁾ (\$)	Non-equity incentive plan compensation: value earned during the year ⁽³⁾ (\$)
Jean-Marc Eustache	0	97,419	0
Lina De Cesare	0	55,503	0
Philippe Sureau	0	52,648	0
Nelson Gentiletti	0	43,345	0
Allen B. Graham	0	33,364	0
François Laurin	0	15,071	0

(1) The value is determined by assuming that the Options vested during the year would have been exercised on the vesting date of each relevant grant. The value corresponds to the difference between the closing price of the voting shares on the vesting date and the exercise price on the vesting date.

(2) For the restricted share units, the value corresponds to the redemption value of the units from the 2006-2009 cycles, which have vested on October 31, 2009. For the stock ownership incentive plan, the value corresponds to the shares that have vested during the year multiplied by the price per share on the vesting date.

(3) Amount paid for 2009 under the short-term incentive program (STIP).

5.7 Benefits Under a Retirement Plan

The following table indicates, for the each Named Executive Officer, the eligible years of service and estimated annual retirement benefits payable at age 65 accrued as at October 31, 2009 and which will accrue if the participant remains employed by the Corporation until age 65. The table also sets forth the changes in the accrued benefit obligation from October 31, 2008 to October 31, 2009, including the annual cost attributable to compensatory items for the 2009 financial year. These amounts were calculated using the same actuarial assumptions used for determining the accrued benefit obligation at year-end presented in our financial statements for the financial year ended October 31, 2009, in accordance with generally accepted accounting principles. Each Named Executive Officer has a retirement agreement that provides for payment of a pension at the projected retirement age, based on a percentage of the executive officer's career-end salary, which is established according to the number of years of service and a percentage of the salary and the target bonus of the executive officer per year of service.

▪ **Defined Benefit Plan Table**

Name of the officer	Number of credited years of service ⁽¹⁾	Annual benefits payable ⁽²⁾		Accrued benefit obligation as at November 1, 2008 ⁽³⁾	Change in the accrued benefit obligation during FY 2009		Accrued benefit obligation as at October 31, 2009 ⁽³⁾
		As at Octobre 31, 2009	At age 65		Change attributable to compensatory items ⁽⁴⁾ (\$)	Change attributable to non-compensatory items ⁽⁵⁾ (\$)	
Jean-Marc Eustache	30.771	680,085	883,941	6,123,000	278,000	1,165,000	7,566,000
Lina De Cesare	28.655	349,101	n/a	3,640,000	179,300	895,700	4,715,000
Philippe Sureau	30.771	344,144	n/a	3,353,000	169,500	761,500	4,284,000
Nelson Gentiletti	7.181	54,405	504,555	254,000	103,800	246,200	604,000
Allen B. Graham	7.000	46,940	101,203	276,000	82,200	83,800	442,000
François Laurin	4.034	9,293	n/a	110,000	28,000	(65,200)	0

(1) Number of credited years of service as at October 31, 2009 or before that date following termination of employment or retirement in 2009.

(2) Represents the benefits payable at age 65 based on the average final salary and the participation at the forecast date and without subtracting the benefits coming from the retirement plan and the Quebec Pension Plan. For Mrs. De Cesare and Mr. Sureau, the amount represents the pension payable effective November 1, 2009, being the effective date of their retirement. For Mr. Laurin, the amount represents the pension vested at the time of his termination on June 5, 2009, payable from age 65.

(3) Represents the value of the projected pension earned for service up to October 31, 2008 or October 31, 2009, accounting for the benefits of the retirement plan and the Quebec Pension Plan, established in accordance with the assumptions described in Transat's financial statements. Mr. Laurin received the value of his benefits at the time of his departure on June 5, 2009; Transat thus has no further obligation to him as of October 31, 2009.

(4) Corresponds to the cost of the services rendered during the year plus the value of the amendments to the agreement, if any, and the value corresponds to the variation of the compensation in excess of the actuarial assumptions.

(5) Represents the impact of all the other changes, including the interest related to the obligation for the previous year plus the change in the discount rate used to measure the obligation, the changes in other assumptions and the gains or losses realized other than those related to the compensation.

▪ **Defined Contribution Plan Table**

The following table sets forth the changes in the sums accumulated in the defined contribution plan between November 1, 2008 and October 31, 2009, including the Corporation's contributions for 2009.

Name of the officer	Accumulated value as at November 1, 2008 \$	Compensatory amount ⁽¹⁾ \$	Non-compensatory amount ⁽²⁾ \$	Accumulated value at the end of the 2009 financial year \$
Jean-Marc Eustache	322,073	5,846	43,428	371,348
Lina De Cesare	229,021	10,029	35,150	274,200
Philippe Sureau	325,520	9,456	43,547	378,523
Nelson Gentiletti	79,148	8,360	19,120	106,628
Allen B. Graham	84,940	7,376	55,078	147,394
François Laurin	16,884	4,263	N/A	0 ⁽³⁾

(1) Represents the employer contributions, namely 2% of the participant's base salary up to the income tax limits.

(2) Represents the employee contributions, namely 2% of the participant's base salary, and the regular investment earnings on the employer's contributions and the employee's contributions.

(3) Mr. Laurin's benefit was paid as at the date of termination of his employment on June 5, 2009.

5.8 Termination of Employment and Change of Control Benefits

The Corporation has entered into a standard agreement with each of the Named Executive Officers in order to determine the applicable terms and conditions of employment of said officers, specifically in the context of termination of employment in circumstances other than those provided for in the event of an “unsolicited or hostile” take-over of Transat. Each of these standard agreements was entered into in exchange for undertakings on the part of the executive officers not to solicit our customers or employees and not to compete with Transat, as hereinafter described.

The executive officer undertakes not to solicit our customers or employees for a period equal to the maximum severance period (18 or 30 months) and not to enter into competition with us, namely not to operate or to participate in a business operating in the same sectors of activity, in any jurisdiction where Transat or one of its subsidiaries has a place of business, for a period equal to the minimum severance period (12 or 18 months).

The terms and conditions, except the termination allowance, are the same for all the Named Executive Officers. The termination allowance is paid only if the Corporation terminates the executive officer without a serious reason or if the executive officer resigns for “valid reasons” as described in the agreements.

We also entered into standard agreements with each of the Named Executive Officers in order to define the terms and conditions of termination of employment of said individuals in the event of a change of control of Transat. Each of these standard agreements was entered into in order to ensure that such executive officers would continue to adequately see to the best long-term interests of Transat.

Therefore, for a period of two years following an acquisition of control of Transat, the standard agreement provides that, if the purchaser terminates the employment of the executive officer (otherwise than for cause, or further to his disability or death) or if the Named Executive Officer terminates his or her employment for a “sufficient reason” (as defined in the agreement), the executive officer will be entitled to the payment of an allowance following the termination of his employment.

The executive officer cannot draw any benefit from the agreement unless there is an acquisition of control of Transat and termination of his or her employment occurs as described in the standard agreement prior to its expiration. For the President, Tour Operators, and the World President, Distribution, the dismissal or discharge of the Chief Executive Officer (or from his role as Chairman of the Board) can also trigger the terms and conditions of the change of control agreement.

For the President and Chief Executive Officer, his non-nomination or non-reelection as director or his discharge or replacement as Chairman of the Board of Directors of the Corporation also constitutes a sufficient reason, giving entitlement to payment of the termination allowance.

	Involuntary departure termination allowance	Change of control termination allowance
President and CEO	18 months of base salary plus 2 months per year of service, maximum 30 months, plus an amount under the STIP, i.e. the target bonus calculated on the number of months of the termination allowance.	24 months of base salary plus 2 months per year of service, maximum 36 months, plus an amount under the STIP, i.e. the target bonus calculated on the number of months of the termination allowance.
President, Tour Operators and World President, Distribution⁽¹⁾	18 months of base salary plus 1 month per year of service, maximum 30 months, plus an amount under the STIP, i.e. the target bonus calculated on the number of months of the termination allowance.	18 months of base salary plus 2 months per year of service, maximum 30 months, plus an amount under the STIP, i.e. the target bonus calculated on the number of months of the termination allowance.
Other Named Executive Officers	12 months of base salary plus 1 month per year of service, maximum 18 months plus an amount under the STIP, i.e. the target bonus calculated on the number of months of the termination allowance.	12 months of base salary plus 1 month per year of service, maximum 24 months, plus an amount under the STIP, i.e. the target bonus calculated on the number of months of the termination allowance.

(1) Until October 31, 2009, these positions were held by Mrs. De Cesare and Mr. Sureau respectively. Since their retirement effective November 1, 2009, these positions have been reorganized as described in the « Succession Planning » section of this Circular.

Other terms:

Type of termination	Stock options	Restricted share units (RSUs) and deferred share units (DSUs)	Share purchase plan	Retirement plans ⁽¹⁾
Involuntary departure (termination without cause)	No new grant effective from the termination date; vested Options at the termination date must be exercised within 180 days after the termination date; unvested Options at the termination date are cancelled.	RSUs: amount paid based on 50% of the pro rata of the months worked in the three-year cycle of each grant, at the fair market value of the Corporation's stock on termination date. DSUs: the amount paid is calculated by multiplying the number of DSUs in the executive officer's account on his termination date by the fair market value of the Corporation's stock on that date.	All the shares subscribed by the participant and the vested shares become unrestricted on the termination date.	A certificate of the accrued benefits on termination date is issued to the participant.
Retirement	No new Option grants effective from retirement date; vested Options at the termination date must be exercised within 180 days after the termination date; unvested Options at the termination date are cancelled.	RSUs: converted into cash prorated to the time worked at the normal end of the cycle or cycles, on condition of achievement of the fixed goal, at the fair market value of the Corporation's stock at the end of each cycle. DSUs: the amount paid is calculated by multiplying the number of DSUs in the executive officer's account on his retirement date by the fair market value of the Corporation's stock on that date.	All the shares subscribed by the participant, unrestricted or not, and all the shares awarded to the participant, regardless of whether they have vested, become unrestricted on the retirement date.	The participant receives his monthly retirement pension according to the terms and conditions of his agreement; the normal retirement age is 65 but the participant may retire at 60 without penalty.
Change of control	Any option granted and not vested may be exercised, or the Board of Directors of the Corporation may force the exercise of any option, whether vested or not, according to the terms and conditions prescribed by the Board.	RSUs: All the RSUs granted and not vested are vested on the date of change of control ⁽²⁾ . DSUs: All the DSUs in the participant's account on the date of the change of control are redeemable on that date.	All the subscribed shares, unrestricted or not, and all the shares awarded automatically become vested on the date of change of control of the Corporation.	A change of control does not result in any additional retirement benefits or trigger the accelerated payment of benefits. ⁽³⁾

(1) Effective from the participant's retirement date, the Corporation undertakes to pay a monthly retirement allowance during his lifetime, equal to 1/12 of the amount resulting from the subtraction of 1.5%, 1.75% or 2%, multiplied by the credited years of service, multiplied by the "average final salary 5 years", minus the amount equal to the annual retirement benefit payable commencing at age 65, which is the actuarial value equivalent to the total sum accumulated by the participant in the Transat RRSPP/DPSP, minus a sum equal to n/35 of the maximum annual pension benefit payable commencing at age 65 under the Québec Pension Plan, where "n" equals the total number of the participant's credited years of service on the date of his retirement.

(2) The accelerated vesting of RSUs is at the discretion of the Board of Directors, except if the individuals who constitute the Board of Directors on November 1, 2006 cease to constitute a majority of the members of the Board of Directors, or if a majority of the directors are not reelected. In such case, vesting occurs as described in the above table.

(3) In November 2008, amendments were made to Nelson Gentiletti's agreement in case of termination of his employment following a change of control. In the event of termination of his employment without cause during the two years following an acquisition of control, the percentage applicable to the retirement formula would be 2% for all the credited years of service.

Amounts paid at the termination of Mr. François Laurin, Vice-President, Finance and Administration, and Chief Financial Officer, under the terms and conditions of his contract of employment and the terms and conditions of the plans concerned:

Involuntary departure (termination without cause)	Termination allowance: \$550,877	Options: n/a	RSU amount: \$10,302 DSU amount: \$7,708	Share purchase plan: n/a	Amount paid based on the accrued pension at the termination date: \$72,795 ⁽¹⁾ No other pension will be paid subsequently.
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(1) The plan allows the Corporation, in some circumstances, to pay an amount equivalent to the value of the pension at the termination date instead of paying retirement benefits when the Named Executive Officer retires at age 65.

Table of the Value of Benefits in the Event of Termination of Employment (Involuntary Departure) as at October 31, 2009

The following table reflects the cash value of the additional or accelerated benefits payable to the Named Executive Officer in the event of termination of employment (voluntary departure), as provided in the various compensation plans and the individual agreements with respect to termination allowances.

Name of the Named Executive Officer	Termination allowance	Stock options	Restricted share units (RSUs) and deferred share units (DSUs) ⁽¹⁾	Share purchase plan	Retirement plans ⁽²⁾
Jean-Marc Eustache	\$3,087,500	n/a	RSUs: \$80,968	n/a	n/a
Lina De Cesare ⁽³⁾	n/a		n/a		n/a
Philippe Sureau ⁽³⁾	n/a		n/a		n/a
Nelson Gentiletti	\$950,450		RSUs: \$30,062		n/a
Allen B. Graham	\$761,960		RSUs: \$13,039		n/a

(1) This amount is calculated based on the price per share on October 31, 2009; RSUs: 2007-2010 and 2008-2011 cycles only since RSUs for the 2006-2009 cycle have vested normally on October 31, 2009. There are no additional benefits for RSUs, which are all redeemable in the event of any type of departure.

(2) The annual benefit payable at age 65 under the plan is set forth in the « Defined Benefit Plan Table ».

(3) Mrs. De Cesare and Mr. Sureau retired effective November 1, 2009.

Table of the Value of the Benefits in the Event of Termination of Employment in a Change of Control Context as at October 31, 2009

The following table reflects, for each Named Executive Officer, the cash value of the additional or accelerated benefits resulting from termination of employment in a change of control context. The terms and conditions of each compensation component in the event of a change of control are provided in the various plans, except for termination allowances, which are included in the individual agreements, and for the special terms of the retirement agreement applicable to Mr. Nelson Gentiletti.

Name and position of the Named Executive Officer	Termination allowance	Stock options ⁽¹⁾	Restricted share units (RSUs) and deferred share units (DSUs) ⁽²⁾	Share purchase plan	Retirement plans
Jean-Marc Eustache	\$3,705,000	\$393,546	RSUs : \$380,061	n/a	n/a
Lina De Cesare ⁽³⁾	n/a	n/a	n/a	n/a	n/a
Philippe Sureau ⁽³⁾	n/a	n/a	n/a	n/a	n/a
Nelson Gentiletti	\$1,267,266	\$171,866	RSUs : \$153,702	\$70,484	\$78,000 ⁽⁴⁾
Allen B. Graham	\$1,015,946	\$81,987	RSUs: \$61,344	\$63,710	n/a

(1) The value indicated is for options that have not vested, as indicated in the table on page 33, and which would become vested further to termination of employment in a change of control context on October 31, 2009.

(2) The value indicated represents all RSUs at the price per share on October 30, 2009, which would all become vested in the event of a change of control as defined in the plan. There are no additional or accelerated benefits for DSUs.

(3) Mrs. De Cesare and Mr. Sureau retired effective November 1, 2009.

(4) Represents the additional value of the pension at age 65 in the event of termination of his employment in a change of control context as provided in his individual agreement.

5.9 Succession Planning

Regarding succession planning and development, Transat established, in 2004, a systematic "Talent Management and Succession Planning" process. Since then the Committee reviews, regularly, a progress report on development activities, management training initiatives and staff movements with regard to succession planning for senior management, including the President and CEO. Moreover, under its normal work plan, the Committee annually reviews the strategy on which the talent management process is based and monitors specifically the development of the succession candidates for the positions of President and Chief Executive Officer, of World President, Tour Operators, and of World President, Distribution.

Overall, senior management succession candidates have progressed in a succession of positions, allowing them to develop their understanding of Transat's business model and to rapidly apply the leadership skills required in their next positions. This path has been supplemented by psychometric evaluations, individual development plans and coaching by the three founders. For example, Mr. Nelson Gentiletti went from Vice-President, Finance and Administration, and Chief Financial Officer to President of Transat Tours Canada, then to Executive Vice-President, Tour Operators, before being appointed Chief Operating Officer of Transat and assuming the responsibilities of World President, Tour Operators, and some of the responsibilities of World President, Distribution. In short, the year 2009 featured a major transition planned well in advance.

The promotions of Nelson Gentiletti to Chief Operating Officer of Transat A.T. Inc., Michael DiLollo as President of Transat Tours Canada and Yves Lalumière as Vice-President and General Manager of Transat Distribution Canada took effect last November 1, the date when Lina De Cesare and Philippe Sureau retired.

Since November 1, 2009, Mrs. De Cesare and Mr. Sureau continue to act as special advisors to the President and the new executive officers promoted in 2010 to ensure an efficient transition in their new roles. Please refer to section "7.2 Professional Services Agreements" on page 42 of this Circular.

Finally, Transat favours internal promotion and the approach used for preparation of the senior management succession is also used for the Corporation as a whole.

5.10 Securities Authorized for Issuance Under Equity Compensation Plans

The following table indicates the number of Voting Shares available for future issuance under the stock option plans.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights as at October 31, 2009 (a)	Weighted average exercise price of outstanding options, warrants and rights as at October 31, 2009 (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) as at October 31, 2009 (c)
Equity compensation plans approved by securityholders ⁽¹⁾	1,101,140	\$18.31	2,157,633
Equity compensation plans not approved by securityholders	N/A	N/A	N/A
Total	1,101,140	\$18.31	2,157,633

(1) Includes an aggregate of 212,633 voting shares available of future issuance under the Former Plan and an aggregate of 1,945,000 voting shares available for future issuance under the 2009 Plan.

6. REPORT OF THE CORPORATE GOVERNANCE AND NOMINATING COMMITTEE

The Corporate Governance and Nominating Committee (referred to hereinafter in this section as the "Committee") closely monitors evolving corporate governance guidelines and best practices. It also evaluates the Board of Directors' overall performance annually. The Board's mandate and role include but is not limited to: (i) overseeing and approving the corporate strategy and its implementation as well as risk management; (ii) reviewing the recommendations of the President and Chief Executive Officer on the appointment of Transat's executive officers; (iii) setting goals for the President and Chief Executive Officer and reviewing those of executive officers with him, monitoring their performance and applying corrective measures as appropriate; (iv) informing shareholders on the performance of the Corporation, its Board of Directors and Board Committees; and (v) approving and ensuring the performance of the Corporation's legal obligations.

The Corporation believes that good corporate governance is an important asset that promotes and enhances performance and preserves the value of shareholder equity. The Committee is currently composed of Messrs. Clifford Hatch (Chairman of the Committee), André Bisson, John P. Cashman and Jacques Simoneau. Please note that Mr. Jean-Marc Eustache attends the meetings of the Committee upon invitation.

6.1 Corporate Governance Initiatives

The Committee is made up of four independent directors whose powers and mandate are set out in the Committee's charter. The Committee regularly reviews our corporate governance practices in light of developing requirements and practices in this field. As new provisions come into effect, the Committee will reassess our corporate governance practices and recommend that changes be implemented where appropriate. Transat's corporate governance practices meet or exceed National Instrument 58-101 "Disclosure of Corporate Governance Practices" adopted by the Canadian Securities Administrators (see Transat's alignment with these requirements at Schedule A of this Circular) and ensure transparency and effective governance of the Corporation.

Pursuant to its mandate, the Committee reviews a number of risks and emergency measures relating to the Corporation's operations including amongst others: risk management of information systems, tour operators, airline & aircraft activities, third party hotels where Transat books space for its guests and insurance coverage and financial approval processes. The Committee has also reviewed the Corporate Governance Manual which has been updated to reflect, amongst others, new legislative and regulatory developments in Governance and Securities' Law.

6.2 Board / Committee Composition

Seven (7) of the ten (10) directors seeking re-election to the Board are independent directors; the three non-independent directors are the founding members of the Corporation, including Mr. Eustache who chairs the Board. The lead directors, being the respective chairs of each of the Audit Committee, the Human Resources and Compensation Committee and the Governance and Nominating Committee, are all independent directors.

6.3 Performance Assessment

During December 2009 and January 2010, the Committee conducted an annual formal evaluation of the Board and its committees' effectiveness and will compare the findings with last year's evaluation in order to target and implement suggested improvements as in previous years. Furthermore, during the same period, each director was asked to complete an annual evaluation consisting of a director peer review and feedback survey with the

objectives of assessing the performance of each director and providing candid feedback to individual directors and thus improving the Board's performance. Such feedback is intended to stimulate insight, motivate developmental action and enable directors to enhance their individual contributions to Board and committee work. Feedback is collected through the survey that allows for both quantitative ratings and written comments. The feedback is then submitted on a confidential basis to PCI-Perrault Consulting Inc. who prepares a report for each director on his or her performance.

The Board of Directors did not adopt a policy setting the retirement age of the directors. It relies instead on the evaluation process to determine if a director should retire.

6.4 *Independence of Directors and Attendance at Meetings*

All directors, with the exception of Mrs. De Cesare, Messrs. Eustache and Sureau (all three being executives or past executives and founding members of the Corporation), are independent within the meaning of section 1.2 of National Instrument 58-101 "Disclosure of Corporate Governance Practices" and the independence standards approved by the Board. The Committee monitored director attendance at Board and committee meetings and determined that all directors met the requirement to attend at least 75% of the respective Board or committee meetings. Independent directors, at their sole discretion, are able to hold in-camera sessions at every regularly scheduled Board meeting, at which time non-independent directors and members of management are not in attendance, and also when the need arises. During the financial year ended October 31, 2009, the independent directors held two in-camera sessions.

6.5 *Orientation and Continuing Education*

Transat's internal and external legal and financial counsels provide training sessions with the directors, from time to time, in order to update directors on evolving governance trends, requirements and guidelines. Directors are encouraged to attend relevant external seminars and presentations conducted by recognized external legal professionals and financial organisations. A presentation on the recent developments in Securities Law was given to the directors during the meeting of the Board of September 9, 2009.

6.6 *Other Board Committees*

The Board has no committees other than the Executive Committee, the Audit Committee, the Human Resources and Compensation Committee and the Corporate Governance and Nominating Committee. The Board of Directors and each of its committees have charters which are reviewed annually and which state their respective mandates and define the roles and responsibilities of members, including each chairman.

6.7 *Corporate Disclosure Policy*

Since 2006, the Corporation follows a disclosure policy setting out the process by which the Corporation discloses its corporate information. The policy is implemented by a sub-committee which reports to the Audit Committee and a disclosure committee. Its members include most executive officers of the Corporation responsible for, amongst other things, earnings announcements, analyst reports, calls and meetings, selective disclosure of information, the use of forward-looking information, dealing with rumours and black-out 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 was reviewed this year by the disclosure committee, in order to update it in relation to the Company's practices concerning disclosure within the Corporation.

The Committee is satisfied that it has appropriately fulfilled its mandate for the year ended October 31, 2009.

Submitted on Behalf of the Corporate Governance and Nominating Committee by:

H. CLIFFORD HATCH JR. (Chairman), ANDRÉ BISSON, JOHN P. CASHMAN AND JACQUES SIMONEAU

7. ADDITIONAL DISCLOSURE

7.1 *Indebtedness of Directors and Executive Officers*

None of our current directors, executive officers and employees or those of our subsidiaries, and none of our former executive officers, directors and employees or those of our subsidiaries, is indebted to us or any one of our subsidiaries, or has contracted any loan that is secured by a guarantee, a support agreement, a letter of credit or other similar arrangement on our part or on the part of any of our subsidiaries. Pursuant to our Corporate Governance Manual, it is our policy not to grant any loans, whether or not secured by a guarantee, a support agreement, a letter of credit or other similar arrangement on our part or on the part of any of our subsidiaries, to our directors, executive officers, employees or nominees for the position of director of Transat.

7.2 *Professional Services Agreements*

The Corporation entered into professional services agreements with Lina De Cesare and Philippe Sureau, who both act as Advisors to the President since their retirement effective November 1, 2009. Each of these agreements is valid from November 1, 2009 to October 31, 2010, unless it is terminated earlier by written notice of either party to the agreement. Each agreement provides for the payment of fees at an hourly rate of \$250 in consideration for the professional services rendered by Mr. Sureau and Mrs. De Cesare respectively as consultants. Each agreement includes a confidentiality and non-solicitation undertaking. These professional services agreements are filed and available on the SEDAR website at www.sedar.com.

7.3 *Directors' and Officers' Liability Insurance*

We have taken out an insurance policy at our own expense that covers the liability of our directors and officers, in their capacities as such. This insurance policy also covers the directors and officers of our subsidiaries. For the twelve-month period ending on March 31, 2010, our insurance policy provides a maximum coverage of \$50,000,000 per claim, subject to a deductible of \$250,000 payable by Transat. The premium paid under the policy for twelve months coverage is \$293,915.

7.4 *Additional Information*

More information on the Corporation is available on the SEDAR website at www.sedar.com. Copies of our annual information form, Circular, financial statements and MD&A may be obtained upon request made to our Corporate Secretary. We may charge a reasonable fee if the request is made by a person who is not a shareholder of Transat, unless we are in the course of a distribution of our securities pursuant to a short-form prospectus, in which case these documents will be provided free of charge. The financial information of Transat can be found in the comparative financial statements and MD&A for our last financial year.

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

7.5 *Shareholder Proposals*

The proposals regarding any matter that the persons entitled to vote at the next annual meeting of shareholders wish to submit to this meeting must be received by the Corporation no later than October 24, 2010.

7.6 *Approval of the Management Proxy Circular*

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

Montréal, Québec, January 21, 2010.

BY ORDER OF THE BOARD OF DIRECTORS

Transat A.T. Inc.



Bernard Bussières
Vice-President, General Counsel and Corporate Secretary

**SCHEDULE A -
CORPORATE GOVERNANCE PRACTICES**

As a Canadian reporting issuer with securities listed on the Toronto Stock Exchange ("TSX"), the Corporation has in place corporate governance practices that are consistent with the requirements of National Policy 58-201 "Corporate Governance Guidelines" and National Instrument 58-101 "Disclosure of Corporate Governance Practices", which are the initiatives of the Canadian Securities Administrators ("CSA") and which supplant the previous TSX corporate governance guidelines.

We recognize that our governance practices must evolve to respond to changes in the regulatory environment. Many regulatory changes have come into effect in the past years, including rules issued by the CSA relating to audit committees and disclosure of corporate governance practices. The Corporation is regularly adjusting its governance practices as regulatory changes come into effect and will continue to monitor these changes closely and consider amendments to its governance practices if need be.

Corporate Governance Disclosure

The following table compares the Corporation's governance practices against National Policy 58-201 and National Instrument 58-101 as required under form 58-101-F1 "Corporate Governance Disclosure".

Requirement	Implementation by the Corporation
<p>1. Board of Directors</p> <p>a) Disclose the identity of directors who are independent</p> <p>b) Disclose the identity of directors who are not independent, and describe the basis for that determination.</p> <p>c) Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the board of directors (the board) does to facilitate its exercise of independent judgement in carrying out its responsibilities.</p> <p>d) If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.</p> <p>e) Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the board does to facilitate open and candid discussion among its independent directors.</p>	<p>For the financial year ended October 31, 2009, the Board of Directors is composed of eleven (11) directors, of whom eight (8) are independent, namely André Bisson, John P. Cashman, H. Clifford Hatch Jr., Jacques Simoneau, John D. Thompson, Dennis Wood, Jean Pierre Delisle et Jean-Yves Leblanc.</p> <p>The directors who are not independent are the founders and current or past members of management of Transat: (i) Jean-Marc Eustache, Chairman of the Board, President and Chief Executive Officer, (ii) Lina De Cesare, Advisor to the President, and (iii) Philippe Sureau, Advisor to the President.</p> <p>The majority of Transat's directors, eight (8) of eleven (11), are independent directors as defined in National Instrument 52-110 of the CSA.</p> <p>See the extensive description of directors' tenure as members of the boards of other reporting issuers in section 2 of this Circular.</p> <p>Directors, at their sole discretion, are able to hold in-camera sessions, in the absence of non-independent directors or executive officers of the Corporation, at every regularly scheduled board meeting and also when the need arises. Since November 1, 2008, the Board has held eleven meetings, each having an agenda which specifically provides for an in-camera session. Independent directors held two in-camera sessions since November 1, 2008, including the session referred to under paragraph (f) hereinafter regarding the assessment of the Chairman, President and Chief Executive Officer.</p>

Requirement	Implementation by the Corporation
<p>f) Disclose whether or not the chair of the board is an independent director. If the board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the board has neither a chair that is independent nor a lead director that is independent, describe what the board does to provide leadership for its independent directors.</p> <p>g) Disclose the attendance record of each director for all board meetings held since the beginning of the issuer's most recently completed financial year.</p>	<p>The Chairman of the Board, President and Chief Executive Officer and co-founder of the Corporation, Mr. Jean-Marc Eustache, is not an independent director. However, all three lead directors, namely Messrs. Bisson, Thompson and Hatch (being the respective chairman of each of the three Board Committees) are independent directors and are free to contact each other, or any of the other five independent directors. The lead directors are also members of the Executive Committee, along with Mr. Eustache who is the only other member. They may convene at their discretion the Executive Committee, which has all the same powers as the Board.</p> <p>As well, in-camera sessions are provided for at each regularly scheduled Board meeting and are always held in the absence of non-independent directors. Each year, members of the Human Resources and Compensation Committee assess, in camera, the performance of the Chairman, President and Chief Executive Officer and review the results with him and the Board. A report is subsequently made, in camera, at the Board level and further discussed among board members.</p> <p>See the full attendance record of each director for each of the Board and its committees in section 2 of this Circular.</p>
<p>2. Board Mandate</p> <p>Disclose the text of the board's written mandate. If the board does not have a written mandate, describe how the board delineates its role and responsibilities.</p>	<p>The Board, either directly or through Board committees, is responsible for management and supervision of the business and affairs of the Corporation with the objective of enhancing shareholder value. The Board's mandate and role includes but is not limited to: (i) overseeing and approving the corporate strategy and its implementation as well as risk management; (ii) reviewing the recommendations of the President and Chief Executive Officer on the appointment of Transat's executive officers; (iii) setting goals for the President and Chief Executive Officer and reviewing those of executive officers with him, monitoring their performance and applying corrective measures as appropriate; (iv) informing shareholders on the performance of the Corporation, its Board of Directors and Board Committees; and (v) approving and ensuring the performance of the Corporation's legal obligations.</p> <p>The roles and responsibilities of the Board, each of its committees and the Chair of each committee are set out in formal written charters (the full text of which can be promptly provided upon written request and is available on SEDAR at www.sedar.com). These charters are reviewed annually to ensure they reflect best practices and are in compliance with any applicable regulatory requirements.</p>
<p>3. Position Descriptions</p> <p>a) Disclose whether or not the board has developed written position descriptions for the chair and the chair of each board committee. If the board has not developed written position descriptions for the chair and/or the chair of each board committee, briefly describe how the board delineates the role and responsibilities of each such position.</p>	<p>The Board has developed written position descriptions for the Chairman of the Board and each Committee chair. These are included in the Corporation's Governance Manual which is updated from time to time in light of evolving corporate governance guidelines and requirements of the CSA.</p>

Requirement	Implementation by the Corporation
<p>b) Disclose whether or not the board and CEO have developed a written position description for the CEO. If the board and CEO have not developed such a position description, briefly describe how the board delineates the role and responsibilities of the CEO.</p>	<p>The Board has developed a written position description for the Chief Executive Officer, which description is included in the Corporation's Governance Manual.</p>
<p>4. Orientation and Continuing Education</p> <p>a) Briefly describe what measures the board takes to orient new directors regarding:</p> <ul style="list-style-type: none"> i) the role of the board, its committees and its directors, and ii) the nature and operation of the issuer's business. <p>b) Briefly describe what measures, if any, the board takes to provide continuing education for its directors. If the board does not provide continuing education, describe how the board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.</p>	<p>The Corporate Governance and Nominating Committee is responsible for providing an orientation and education program for new directors. As part of this program, the Chairman of the Committee oversees the orientation and education of directors, with the support of certain members of management. The program is set out in the Corporation's Governance Manual. As well, new directors are made fully aware of Transat's Charter of Expectations for Directors (the full text of which can be promptly provided upon written request and is also available on SEDAR at www.sedar.com).</p> <p>Transat's internal and external legal and financial counsels provide working sessions with the directors, from time to time, in order to update directors on evolving governance trends, requirements and guidelines. A presentation on the recent developments in Securities Law was given to the directors during the meeting of the Board of September 9, 2009.</p> <p>Certain of our directors are either members of organizations dedicated to the evolution of corporate governance practices or regularly attend seminars on such matters; for example, the Chairman of our Corporate Governance and Nominating Committee, Mr. Hatch, is a member of the Executive Committee of the Ontario Chapter of the Institute of Corporate Directors.</p>
<p>5. Ethical Business Conduct</p>	
<p>a) Disclose whether or not the board has adopted a written code for the directors, officers and employees. If the board has adopted a written code:</p> <ul style="list-style-type: none"> i) disclose how a person or company may obtain a copy of the code; 	<p>i) Directors are expected to comply with our Charter of Expectations for Directors in order to promote best practices and ensure ethical business conduct. The Charter of Expectations for Directors sets out the professional and personal competencies and characteristics expected from Transat directors; these include, amongst others, high ethical standards, attendance at meetings, diligence, international experience and accountability. As well, the Corporation's Governance Manual states clearly the parameters for the disclosure and management of potential conflicts of interest, guidelines to which the directors are currently subject.</p> <p>As well, our directors, officers and employees are subject to the provisions of our Code of Ethics, which was adopted in 2003 and updated in 2005, made available to every employee of Transat during the financial year 2005 and posted on our corporate website. The Code of Ethics provides a framework for directors, officers and employees on the conduct and ethical decision-making integral to their work; it has been implemented throughout Transat and most of its subsidiaries.</p>

Requirement	Implementation by the Corporation
<p>ii) describe how the board monitors compliance with its code, or if the board does not monitor compliance, explain whether and how the board satisfies itself regarding compliance with its code; and</p> <p>iii) provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.</p> <p>b) Describe any steps the board takes to ensure directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest.</p> <p>c) Describe any other steps the board takes to encourage and promote a culture of ethical business conduct.</p>	<p>ii) The Board, through its Corporate Governance and Nominating Committee, reviews the implementation and compliance of the Code of Ethics throughout the Corporation and its subsidiaries. In this respect, the Corporate Governance and Nominating Committee receives from our Vice President, General Counsel and Corporate Secretary, and from our internal auditor, on a quarterly basis, a written declaration as to any complaints received during the said quarter pursuant to our Code of Ethics.</p> <p>iii) There has been no material change report filed since the beginning of our most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the Charter of Expectations or the Code of Ethics.</p> <p>Our Code of Ethics states clearly that directors and executive officers should avoid any transaction or event that could potentially create a conflict of interest. Should an event or a transaction occur in respect of which a director or executive officer has a material interest, full disclosure to the Board is required and such director must abstain from voting on any such matter.</p> <p>Transat's Code of Ethics, Charter of Expectations for Directors, best governance practices (included in its Governance Manual) together with statements included in the Board and Committee charters encourage and promote an overall culture of ethical business conduct. The Board's ongoing review of and adherence to these measures and principles also encourages an ethical business conduct throughout the Corporation.</p> <p>In addition, both the annual Board evaluation questionnaire and the peer feedback survey contain specific questions pertaining to ethical business conduct.</p>

<p>6. Nomination of Directors</p>	
<p>a) Describe the process by which the board identifies new candidates for board nomination.</p> <p>b) Disclose whether or not the board has a nominating committee composed entirely of independent directors. If the board does not have a nominating committee composed entirely of independent directors, describe what steps the board takes to encourage an objective nomination process.</p> <p>c) If the board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.</p>	<p>The Corporate Governance and Nominating Committee is responsible for identifying and recommending to the Chairman and directors suitable nominees for election to the Board. To accomplish this duty, the Committee:</p> <ul style="list-style-type: none"> i) assesses the composition and size of the Board and, in doing so, reviews the breadth and diversity of experience and competencies of the directors; ii) identifies the challenges facing the Corporation; iii) recommends to the Board a list of nominees for election as directors; and, iv)) approaches competent nominees. <p>The Committee also maintains an updated list of potential nominees for election to the Board for future reference.</p> <p>Prior to agreeing to join the Board, new directors are given a clear indication of the workload and time commitment required.</p> <p>The Corporate Governance and Nominating Committee is composed entirely of independent directors.</p>
<p>7. Compensation</p> <p>a) Describe the process by which the board determines the compensation for the issuer's directors and officers.</p> <p>b) Disclose whether or not the board has a compensation committee composed entirely of independent directors. If the board does not have a compensation committee composed entirely of independent directors, describe what steps the board takes to ensure an objective process for determining such compensation.</p> <p>c) If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.</p>	<p>The Human Resources and Compensation Committee of the Board annually reviews, with the assistance of our external advisors PCI-Perrault Consulting Inc., the compensation paid to directors and officers to ensure it is competitive and consistent with the responsibilities and risks involved in being an effective director or officer. Details of the directors' compensation are disclosed in section 4 of this Circular and details of the executive officers' compensation are disclosed in section 5.</p> <p>The Human Resources and Compensation Committee is composed entirely of independent directors.</p> <p>The Human Resources and Compensation Committee charter, which describes the responsibilities, powers and operation of such committee, can be promptly provided upon written request.</p>

<p>d) If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.</p>	<p>Individual directors, through the committees, may engage outside advisors at the expense of the Corporation. The Corporate Governance and Nominating Committee coordinates such requests.</p> <p>Since 2006, the services of PCI-Perrault Consulting Inc., a recognized independent external consultant, were retained to assist the Board and the Human Resources and Compensation Committee in fulfilling their respective duties and responsibilities. This firm was engaged to provide advice and guidance on executive compensation issues. This included conducting a comprehensive review of executive and senior management compensation relative to market practice and suggesting alternatives for the Board's consideration.</p> <p>Since 2006, PCI-Perrault Consulting Inc. was retained in connection with the director peer feedback survey described hereinafter.</p>
<p>8. Other Board Committees</p> <p>If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.</p>	<p>The Board has no standing committees other than the Executive Committee, the Audit Committee, the Human Resources and Compensation Committee and the Corporate Governance and Nominating Committee.</p>
<p>9. Assessments</p> <p>Disclose whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the board satisfies itself that the board, its committees, and its individual directors are performing effectively.</p>	<p>On an annual basis during the months of December and January, the Corporate Governance and Nominating Committee conducts a formal evaluation of the Board and its committees' effectiveness and compares the findings with the previous year's evaluation in order to target and implement suggested improvements.</p> <p>Furthermore, during the same period, each director is asked to complete a second evaluation consisting of a director peer feedback survey with the objective of providing candid feedback to individual directors and thus improving the Board's performance. Such feedback is intended to stimulate insight, motivate developmental action and enable directors to enhance their individual contributions to Board and committee work. Feedback is collected through this survey that allows for both quantitative ratings and written comments. The feedback will be submitted on a confidential basis to PCI-Perrault Consulting Inc. who prepares a report for each director on his or her performance. Following the evaluation consisting of the director peer feedback survey, the Chairman of the Board reviews the results of the survey and meets with each director.</p>

SCHEDULE B - MAJORITY VOTING POLICY

The Board of Directors of Transat A.T. Inc. (the "Corporation") believes that each of its members should carry the confidence and support of its shareholders. To this end, the directors have unanimously adopted this majority voting policy. Future nominees for election to the Board will be asked to subscribe to this policy before their names are put forward.

Forms of proxy for the vote at a shareholders' meeting where directors are to be elected will enable the shareholder to vote "for" or to "withhold" from voting, separately for each nominee. At the meeting, the Chairman of the Board will call for a vote by ballot and the scrutineers will record with respect to each nominee the number of shares in his or her favour and the number of shares withheld from voting. Prior to receiving the scrutineers' report on the ballot, the Chairman of the Board may announce the vote result based on the number of proxies received by the Corporation. At the conclusion of the meeting, the final scrutineers' report on the ballot will be filed on SEDAR.

If, with respect to any particular nominee, the number of shares "withheld" exceeds the number of shares voted "for" the nominee, then for purposes of this policy the nominee shall be considered not to have received the support of the shareholders, even though duly elected as a matter of corporate law.

A person elected as a director who is considered under this test not to have the confidence of the shareholders is expected forthwith to submit to the Board of Directors his or her resignation, to take effect upon acceptance by the Board of Directors.

The Corporate Governance and Nominating Committee (the "Committee") will promptly consider the resignation submitted by a director receiving a greater number of votes "withheld" from his or her election than votes "for" his or her election, and the Committee will recommend to the Board whether to accept the tendered resignation or reject it. In considering whether to accept or to reject the tendered resignation, the Committee will consider all factors deemed relevant by the members of the Committee including, without limitation, the stated reasons, if any, why shareholders "withheld" votes for election from such director, the length of service and qualifications of the director whose resignation has been tendered and the director's contribution to the Corporation.

The Board will act on the Committee's recommendation no later than 90 days following the date of the shareholders' meeting where the election occurred. In considering the Committee's recommendation, the Board will consider the factors considered by the Committee and such additional information and factors the Board believes to be relevant. Following the Board's decision on the Committee's recommendation, the Corporation will promptly publicly disclose the Board's decision whether to accept the resignation as tendered (providing a full explanation of the process by which the decision was reached and, if applicable, the reasons for rejecting the tendered resignation) in a press release.

To the extent that one or more director's resignations are accepted by the Board, the Committee will recommend to the Board whether to fill such vacancy or vacancies or to reduce the size of the Board.

Any director who tenders his or her resignation pursuant to this provision will not participate in the Committee's recommendation or Board consideration regarding whether or not to accept the tendered resignation. If a majority of the members of the Committee received a greater number of votes "withheld" from their election than votes "for" their election at the same election, then the independent directors who are on the Board who did not receive a greater number of votes "withheld" from their election than votes "for" their election (or who were not standing for election) will appoint a Board committee amongst themselves solely for the purpose of considering the tendered resignations and will recommend to the Board whether to accept or reject them. This Board committee may, but need not, consist of all of the independent directors who did not receive a greater number of votes "withheld" from their election than votes "for" their election or who were not standing for election.

This policy applies in an uncontested election of directors (i.e., an election where the only nominees are those recommended by the Board of Directors) and does not apply in any case where the election involves a proxy battle.

This majority voting policy will be summarized in each proxy circular relating to an election of directors of the Corporation.

(Adopted on January 13, 2010)

