



NOTICE OF MEETING AND MANAGEMENT PROXY CIRCULAR CONCERNING THE

2011 ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD AT THE MONTREAL MUSEUM OF FINE ARTS, MAXWELL-CUMMINGS AUDITORIUM,
1379 SHERBROOKE STREET WEST, MONTRÉAL, QUÉBEC, CANADA, H3G 1J5

ON MARCH 10, 2011 AT 10:00 A.M. (EASTERN TIME)

January 21, 2011



WHAT'S INSIDE THIS MANAGEMENT PROXY CIRCULAR

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NOTICE OF THE 2011 ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

The Annual and Special 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 Montreal Museum of Fine Arts, 1379 Sherbrooke St. West, Maxwell Cummings Auditorium, Montréal, Québec, Canada, H3G 1J5, on **March 10, 2011 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, 2010 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;
4. To examine and, if deemed appropriate, adopt a resolution, as set out in Schedule B to this Management Proxy Circular, ratifying the renewal of the Shareholder Rights Plan which has been continually in force since 1999 and which was renewed by the Corporation on February 12, 2002, March 15, 2005, January 16, 2008 and January 12, 2011, and;
5. 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 the above-mentioned items as described 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. At the Meeting, the Corporation will also report on its activities during the year ended October 31, 2010. **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, 2011.

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 8, 2011 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 and special 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, 2011. 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 Montreal Museum of Fine Arts, Maxwell Cummings Auditorium, 1379 Shebrooke St. West, Montréal, Québec, Canada, H3G 1J5, on Thursday, March 10, 2011 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;
- (ii) The appointment of Ernst & Young LLP as Transat's auditors; and
- (iii) An ordinary resolution ratifying the renewal of the Shareholder Rights Plan adopted by our Board of Directors on January 12, 2011 and of all rights issued thereunder (the "**2011 Rights Plan Ratification Resolution**").

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

A: The election of each of the directors, the appointment of the auditors and the 2011 Rights Plan Ratification Resolution 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, 2011, 929,385 Class A Variable Voting Shares and 36,963,610 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, 2011, 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, 2011, the only persons who beneficially own and exercise control or direction over 10% or more of the outstanding Voting Shares are:

- (i) **Letko Brosseau**, which held 4,741,171 Voting Shares representing approximately 12.83% of all issued and outstanding Voting Shares.

- (ii) **Fonds de solidarité FTQ**, which held 4,388,526 Voting Shares representing approximately 11.87% of all issued and outstanding Voting Shares.

Moreover, as at January 21, 2011, the following persons beneficially own or exercise control or direction over 10% or more of the outstanding Variable Voting Shares:

- (iii) **Connor, Clark & Lunn Investment Management Ltd.**, which held 334,000 Variable Voting Shares representing approximately 35.94% of all issued and outstanding Variable Voting Shares;
- (iv) **Norges Bank**, which held 276,667 Variable Voting Shares representing approximately 29.77% of all issued and outstanding Variable Voting Shares; and
- (v) **Wasatch Advisors Inc.**, which held 160,000 Variable Voting Shares for and on behalf of several separate investment funds managed by it, representing approximately 17.22% 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 8, 2011 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;**
- (ii) **FOR the appointment of Ernst & Young LLP as auditors of Transat; and**
- (iii) **FOR the adoption of the 2011 Rights Plan Ratification Resolution.**

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 8, 2011 (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 8, 2011 at 5:00 p.m. (Eastern Time), or to the Chair of the Meeting at the opening 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 the reasonable transaction and clerical expenses they will incur. 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, 2010 and report of the auditors thereon, and the comparative financial statements for the years ended October 31, 2009 and 2010, 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 12, 2011, the number of directors of the Corporation to be elected at the Meeting has been set at eleven (11).

Eleven (11) directors will be put forward at the Meeting as nominees for election to the Board, of which eight (8) are independent from the Corporation. See section 7.3 "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, in January 2010, the Corporation has adopted a majority voting policy, which is described in section 2.1 below.

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 eleven (11) 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, biography and their main areas of expertise, 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, 2011 (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, 2010, 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: 81 Québec, Canada Director since April 1995 Lead Director Independent ⁽¹⁾	<p>André Bisson is Chairman of the Board of CIRANO (Center for Interuniversity Research and Analysis on Organizations). 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. He also chaired the Board of Directors of BV! Media Inc., a leading Canadian corporation specialized in Internet advertising and Web content listed on the TSX Venture Exchange, until its recent acquisition by Rogers Media. 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 an Officer of the Order of Canada.</p> <p>Areas of expertise: Corporate governance, finance, board service for other public companies, business management and community involvement.</p>					
Board/Committee membership	Attendance		Fees paid during FY 2010 ⁽²⁾		Value of equity compensation in FY 2010 ⁽²⁾	
Board of Directors	10 of 10	100%	\$44,500		\$12,000	
Executive Committee	N/A	N/A	\$3,000		-	
Audit Committee (Chairman)	5 of 5	100%	\$17,000		-	
Corporate Governance and Nominating Committee	5 of 5	100%	\$10,500		-	
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 as at October 31, 2010 ⁽⁴⁾	Compliance with requirement	Stock Options
20,762	3,257	24,019	\$446,753	\$138,000	Yes	1,627

Lina De Cesare						
Age: 59 Québec, Canada Director since May 1989 Non-independent ⁽¹⁾ (ex-executive officer)	<p>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.</p> <p>Areas of expertise: Tourism industry, business management, corporate responsibility and community involvement.</p>					
Board/Committee membership	Attendance		Fees paid during FY 2010 ⁽²⁾		Value of equity compensation in FY 2010 ⁽²⁾	
Board of Directors	9 of 10	90%	\$42,500		\$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 as at October 31, 2010 ⁽⁴⁾	Compliance with requirement	Stock Options
62,576	1,075	63,651	\$1,183,909	\$90,000	Yes	73,254

Jean Pierre Delisle						
Age: 66 Québec, Canada Director since September 2007 Independent ⁽¹⁾		<p>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. He is also a member of the Board of Directors of Placements Verane Inc. since October 2000. 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.</p> <p>Areas of expertise: Corporate governance, taxation, finance and accounting, mergers and acquisitions, and board service for other public companies.</p>				
Board/Committee membership		Attendance		Fees paid during FY 2010 ⁽²⁾	Value of equity compensation in FY 2010 ⁽²⁾	
Board of Directors		10 of 10	100%	\$43,000	\$12,000	
Audit Committee		5 of 5	100%	\$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 as at October 31, 2010 ^{(4) (5)}	Compliance with requirement ⁽⁵⁾	Stock Options
10,000	2,643	12,643	\$235,160	\$105,000	Yes	-

W. Brian Edwards						
Age: 61 Québec, Canada Director since June 2010 Independent		<p>W. Brian Edwards is an entrepreneur and the founder of BCE Emergis, serving as its Chief Executive Officer from 1988 to 2002. Mr. Edwards is Chairman of the Board of Directors of Miranda Technologies Inc. and Bionix 2010 Inc. He is also a member of the Board of Directors of Camoplast Inc., Impath Networks Canada Corporation and Pethealth Inc., and Vice-Chairman of the Board of Governors of Concordia University.</p> <p>Areas of expertise: Corporate governance, e-commerce, finance, mergers and acquisitions, board service for other public companies, business management and community involvement.</p>				
Board/Committee membership		Attendance		Fees paid during FY 2010 ⁽²⁾	Value of equity compensation in FY 2010 ⁽²⁾	
Board of Directors		4 of 4	100%	\$17,821	\$4,728	
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 as at October 31, 2010 ⁽⁴⁾	Compliance with requirement	Stock Options
8,790	635	9,425	\$175,305	\$90,000	Yes	-

Jean-Marc Eustache						
Age: 63 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 other subsidiaries of the Corporation. Since 2005, Mr. Eustache serves 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). Areas of expertise: Tourism industry, corporate governance, economics, board service for other public companies, mergers and acquisitions, business management and community involvement.				
Board/Committee membership		Attendance		Fees paid during FY 2010 ⁽²⁾	Value of equity compensation in FY 2010 ⁽²⁾	
Board of Directors (Chairman)		10 of 10	100%	–	–	
Executive Committee (Chairman)		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 as at October 31, 2010 ⁽⁶⁾	Compliance with requirement	Stock Options
401,766	10,331	412,097	\$7,665,004	\$1,545,334	Yes	436,583

H. Clifford Hatch Jr.

Age: 68
 Ontario, Canada
 Director since March 2001
 Lead Director
 Independent⁽¹⁾

H. Clifford Hatch Jr. is President and CEO of Cliffco 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, and Carrizuelo S.A. (Madrid, Spain). Since June 2010, he is also a member of the Board of Directors of Urbana Corporation, which is listed on the TSX. Mr. Hatch was director and Chairman of the audit committee of SMK Speedy International Limited from 1992 until the company was sold in 2004. Until just recently, he was a member of the Board of Directors of Brookdale Treeland Nurseries Limited (BTN) of which he was a significant security holder. 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.

Areas of expertise: Corporate governance, economics, portfolio management, finance, board service for other public companies and human resources.

Board/Committee membership	Attendance		Fees paid during FY 2010 ⁽²⁾	Value of equity compensation in FY 2010 ⁽²⁾
Board of Directors	10 of 10	100%	\$36,500	\$19,500
Executive Committee	N/A	N/A	\$2,250	\$750
Corporate Governance and Nominating Committee (Chairman)	5 of 5	100%	\$15,000	\$2,500
Human Resources and Compensation Committee	5 of 5	100%	\$9,750	\$750

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 as at October 31, 2010 ⁽⁴⁾	Compliance with requirement	Stock Options
3,374	5,518	8,892	\$165,391	\$138,000	Yes	4,395

Jean-Yves Leblanc

Age: 64
 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 these 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. since 2003. 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 since 2006. He is also a member of the Board of directors of Premier Tech Inc. since 2005 and a member of its audit and risk management committee, acquisitions committee and innovation committee. Since 2010, Mr. Leblanc chairs the Board of Directors of the Conseil du Patronat du Québec. He also serves on the Board of Directors of the Montreal Heart Institute since 2001. He was a member of the Board of Directors of IPL Inc. from 2006 to 2010, as well Chairman of its human resources and governance committee. Mr. Leblanc was also a member of the Board of Directors of ADS Inc. from 2004 to 2009, a member of its audit and risk management committee and Chairman of its human resources and governance committee. Mr. Leblanc was Chairman of the Board of Théâtre du Nouveau Monde from 2005 to 2010 and a member of the Board of Directors of the Montreal Heart Institute Foundation from 2003 to 2009. 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.

Areas of expertise: Corporate governance, finance, mergers and acquisitions, board service for other public companies, business management, human resources and community involvement.

Board/Committee membership	Attendance		Fees paid during FY 2010 ⁽²⁾	Value of equity compensation in FY 2010 ⁽²⁾
Board of Directors	9 of 10	90%	\$42,500	\$12,000
Corporate Governance and Nominating Committee	1 of 1	100%	\$3,430	–
Human Resources and Compensation Committee	2 of 2	100%	\$4,930	–

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 as at October 31, 2010 ^{(4) (5)}	Compliance with requirement ⁽⁵⁾	Stock Options
5,000	2,110	7,110	\$132,246	\$108,000	Yes	–

Jacques Simoneau

Age: 53
 Québec, Canada
 Director since November 2000
 Independent⁽¹⁾

Jacques Simoneau is a Corporate Director. He was Executive Vice President, Investments of the Business Development Bank of Canada ("BDC") from 2006 to 2010. In that capacity, he was 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 Fonds de solidarité FTQ and CEO of Société Innovatech du sud du Québec. 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 also serves on the scientific committee of the Centre québécois de recherche et de développement de l'aluminium and on the advisory committee of the University of Montréal's Faculty of Medicine. Mr. Simoneau was a member of the Conseil de la science et de la technologie du Québec from 2004 to 2010, and a member of the boards of directors of three other public companies and about ten private companies between 1995 and 2010. 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 Ordre des ingénieurs du Québec, of Professional Engineers Ontario and of the Institute of Corporate Directors.

Areas of expertise: Corporate governance, venture capital portfolio management, finance, mergers and acquisitions, business management and board service for other public companies.

Board/Committee membership	Attendance		Fees paid during FY 2010 ⁽²⁾	Value of equity compensation in FY 2010 ⁽²⁾
Board of Directors	9 of 10	90%	\$43,000	\$12,000
Audit Committee	2 of 2	100%	\$5,500	–
Corporate Governance and Nominating Committee	5 of 5	100%	\$10,500	–

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 as at October 31, 2010 ^{(4) (5)}	Compliance with requirement	Stock Options
4,840	3,257	8,097	\$150,604	\$114,000	Yes	671

Philippe Sureau						
Age: 61 Québec, Canada Director since February 1987 Non-independent ⁽¹⁾ (ex-executive officer)	<p>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 served 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 Chairman of the Québec Travel Agency Association (ACTA-Québec) in 1986-87; President 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. He is also Chairman of the Board of the Corporation du Théâtre Outremont.</p> <p>Areas of expertise: Tourism industry, corporate governance, mergers and acquisitions, public relations, marketing and business management.</p>					
Board/Committee membership	Attendance		Fees paid during FY 2010 ⁽²⁾	Value of equity compensation in FY 2010 ⁽²⁾		
Board of Directors	9 of 10	90%	\$43,000	\$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 as at October 31, 2010 ⁽⁴⁾	Compliance with requirement	Stock Options
316,609	1,075	317,684	\$5,908,922	\$90,000	Yes	84,408
John D. Thompson						
Age: 76 Québec, Canada Director since April 1995 Lead Director Independent ⁽¹⁾	<p>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 of the MacDonald Stewart Foundation and is a governor of the Windsor Foundation and St Mary's Hospital Centre. Until December 2009, Mr. Thompson chaired the audit and conduct review committees of certain corporations of the Scotia Bank Group, including Montreal Trust Company of Canada from 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 from 1998; National Trust Company from 2002; Maple Trust Company from 2006; and Dundee Bank of Canada from 2007. 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).</p> <p>Areas of expertise: Corporate governance, business management, finance, mergers and acquisitions, human resources and board service for other public companies.</p>					
Board/Committee membership	Attendance		Fees paid during FY 2010 ⁽²⁾	Value of equity compensation in FY 2010 ⁽²⁾		
Board of Directors	10 of 10	100%	\$34,625	\$21,375		
Executive Committee	N/A	N/A	\$2,062	\$938		
Audit Committee	5 of 5	100%	\$10,437	\$1,563		
Human Resources and Compensation Committee (Chairman)	5 of 5	100%	\$14,375	\$3,125		

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 as at October 31, 2010 ⁽⁴⁾	Compliance with requirement	Stock Options
15,000	8,804	23,804	\$442,754	\$144,000	Yes	2,943

Dennis Wood, O.C.				
Age: 71 Québec, Canada Director since March 2004 Independent ⁽¹⁾	<p>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.</p> <p>Areas of expertise: Corporate governance, finance, mergers and acquisitions, board service for other public companies, business management and human resources.</p>			
Board/Committee membership	Attendance		Fees paid during FY 2010 ⁽²⁾	Value of equity compensation in FY 2010 ⁽²⁾
Board of Directors	9 of 10	90%	\$12,500	\$42,000
Human Resources and Compensation Committee	5 of 5	100%	\$7,000	\$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 as at October 31, 2010 ^{(4) (5)}	Compliance with requirement	Stock Options
7,143	12,734	19,877	\$369,712	\$99,000	Yes	1,627

(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 21 of this Circular for a description of the compensation policy applicable to our outside directors during the year ended October 31, 2010.

(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, 2011 (\$18.60) 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. Edwards have served as directors for less than three years. Mr. Leblanc joined the Board in December 2008 and Mr. Edwards in June 2010. Under the guidelines adopted by Transat, they 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. Since January 12, 2011, the minimum shareholding multiple applicable to the President and Chief Executive Officer increased from two to three times his annual base salary.

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*

On January 13, 2010, our Board of Directors 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.

2.2 *Board Interlocks*

As of January 21, 2011, no member of our Board of Directors serves with another member of the Board of Directors on the board of directors of another 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 cash 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 2010, the aggregate amounts billed for professional services provided by the auditors to the Corporation and its subsidiaries were approximately \$1,144,000 for audit and audit-related fees, \$204,000 for tax fees and \$0 for all other non-audit fees; the comparative figures for 2009 were approximately \$1,602,000, \$525,000 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. SHAREHOLDER RIGHTS PLAN

At the Meeting, the shareholders will examine and, if deemed advisable, approve the resolution set out in Schedule B hereto (the "**2011 Rights Plan Ratification Resolution**"), to ratify the renewal of the Amended and Restated Shareholder Rights Plan, which was initially approved by the Board of Directors on February 3, 1999 and ratified by the shareholders on March 24, 1999. This plan was renewed by the Board of Directors on February 13, 2002, and ratified by the shareholders on March 27, 2002, and was renewed again by the Board of Directors on March 15, 2005 and ratified by the shareholders on April 27, 2005. It was renewed by the Board of Directors for a third time on January 16, 2008 and ratified by the shareholders on March 12, 2008. On January 12, 2011, the Board of Directors approved the plan for a fourth time (the "**2011 Rights Plan**"). The terms of the 2011 Rights Plan are contained in the Amended and Restated Shareholder Rights Plan Agreement between the Corporation and CIBC Mellon, as rights agent.

The existing Shareholder Rights Plan effective since 1999 and renewed in 2002, 2005 and 2008 is scheduled to terminate at the close of the annual and special Meeting of the shareholders on March 10, 2011. On January 12, 2011, the Board of Directors approved the updating and restatement of the 2011 Rights Plan for another three-year period with certain minor changes, which are described hereafter. To continue the 2011 Rights Plan beyond the close of the Meeting, the 2011 Rights Plan Ratification Resolution must be approved by the majority of the votes cast by the shareholders, in person or by proxy, at the Meeting.

Transat has reviewed the 2011 Rights Plan for conformity with current practices of Canadian companies with respect to shareholder protection rights plans. We believe that the 2011 Rights Plan preserves the fair treatment of shareholders, is consistent with current best Canadian corporate practices and addresses institutional investor guidelines.

Unless a shareholder indicates otherwise, the shares represented by the proxy form enclosed herewith will be voted IN FAVOUR of the 2011 Rights Plan Ratification Resolution.

Before deciding to adopt the 2011 Rights Plan, the Board of Directors considered the current legislative framework in Canada governing take-over bids. Under provincial securities legislation, a take-over bid generally means an offer to acquire voting or equity voting shares of a corporation that, together with shares already owned by the bidder and certain parties related thereto, amount to 20% or more of the outstanding shares of that class.

Recommendation of the Board of Directors

The Board of Directors has determined that the 2011 Rights Plan is in the interests of the Corporation and its shareholders and recommends that the holders of shares vote **IN FAVOUR** of the 2011 Rights Plan Ratification Resolution.

The principal terms of the 2011 Rights Plan are set forth in Schedule C to this Circular.

The purpose of the 2011 Rights Plan is to ensure equal treatment of shareholders and to give adequate time for shareholders to properly assess the merits of a bid without undue pressure, and to allow competing bids to emerge. The 2011 Rights Plan is designed to give the Board of Directors time to consider alternatives, the ultimate objective of which is to allow shareholders to receive full and fair value for their shares. The 2011 Rights Plan was not adopted by the Board of Directors in response to any acquisition proposal and is not designed to secure the continuance in office of the current management or the directors of the Corporation. The adoption of the 2011 Rights Plan does not in any way lessen the duties of the directors to fully and fairly examine all bids which may be made to acquire the shares of the Corporation and to exercise such duties with a view to the best interest of the shareholders of the Corporation.

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

A potential bidder can avoid the dilutive features of the 2011 Rights Plan by making an offer that conforms to the requirements of a Permitted Bid.

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

The requirements of a Permitted Bid enable each shareholder to make two separate decisions. First, a shareholder will decide whether the bid or any competing bid is adequate on its own merits. Thereafter, a shareholder will decide to tender or not his shares. In making this decision, the shareholder should not be influenced by the likelihood that the bid will succeed. If there is sufficient support, for example if more than 50% in aggregate of the outstanding voting shares held by Independent Shareholders have been tendered, a shareholder who has not already tendered to that bid or to a competing bid will have a further ten business days to decide whether to tender or not his shares. In reaching the decision to implement the 2011 Rights Plan, the Board of Directors considered its duties and responsibilities to the Corporation and received the advice of its advisors. In addition, the Board of Directors reviewed the recent experiences of other Canadian public companies in adopting shareholders' rights plans and addressed important institutional investors and regulatory concerns with shareholders' rights plans.

Amendments to the Existing Shareholder Rights Plan

The amendments made to the existing 2011 Rights Plan aim at maintaining the validity of the Rights Plan for the next three years. Only minor changes for concordance purposes have been made to the 2011 Rights Plan.

Summary

The terms of the 2011 Rights Plan are set out in an Amended and Restated Shareholder Rights Plan Agreement dated as of January 12, 2011 between the Corporation and CIBC Mellon as rights agent. A summary of the principal terms of the 2011 Rights Plan Agreement is set forth in schedule C to this Circular. The text of the 2011 Rights Plan is available upon request, free of charge, from the Corporate Secretary or from CIBC Mellon at the following addresses:

TRANSAT A.T. INC.
300 Léo-Pariseau Street
Suite 600
Montréal, Québec, H2W 2P6

CIBC Mellon Trust Company
2001 University Street
Suite 1600
Montréal, Québec, H3A 2A6

5. DIRECTORS' COMPENSATION

▪ Annual Retainer and Attendance Fees

During the year ended October 31, 2010, 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:

Compensation policy in force between November 1, 2007 and October 31, 2010⁽¹⁾

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 were discontinued on March 15, 2006

⁽¹⁾ Effective November 1, 2010, the Directors' Compensation Policy was amended by an increase in the annual compensation, which rose from \$30,000 to \$35,000 in cash, and the amount awarded in DSUs increased from \$12,000 to \$15,000, at \$3,750 per quarter. Moreover, the additional compensation paid to the Chairman of the Audit Committee rose from \$10,000 to \$15,000.

A director can choose to have between 0 and 100% of the annual fees and supplements paid in the form of DSUs pursuant to the deferred share unit plan for Independent Directors which was 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 on the basis of the market value of a Transat Voting Share on the dates that such DSUs are credited. When the directors cease serving on the Board, all DSUs credited to their name are redeemed in cash by Transat based on the market value of the 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, 2010, 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	29,000	12,000	–	–	–	2,147	89,147
John P. Cashman ⁽⁶⁾	4,125	6,000	7,125	–	–	–	–	17,250
Lina De Cesare	30,000	12,500	12,000	–	–	–	2,419	56,919
Jean Pierre Delisle	35,000	20,000	12,000	–	–	–	974	67,974
W. Brian Edwards	11,821	6,000	4,728	–	–	–	770	23,319
H. Clifford Hatch	34,500	29,000	23,500	–	–	–	1,168	88,168

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⁾						
Jean-Yves Leblanc	33,860	17,000	12,000	-	-	-	-	62,860
Jacques Simoneau	35,500	23,500	12,000	-	-	-	1,213	72,213
Philippe Sureau	30,000	13,000	12,000	-	-	-	1,425	56,425
John D. Thompson	33,000	28,500	27,000	-	-	-	-	88,500
Dennis Wood	0	19,500	45,000	-	-	-	-	64,500

(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.

(6) This amount represents the value in cash paid to Mr. Cashman up to the date when he left office as a director of Transat on March 11, 2010.

▪ 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, 2010										
	Quarter								Total DSUs credited (#)	Total value of DSUs credited (\$)
	Q1 January 31		Q2 April 30		Q3 July 31		Q4 October 31			
	(#)	(\$)	(#)	(\$)	(#)	(\$)	(#)	(\$)		
André Bisson	207	3,003	139	3,008	240	2,994	252	2,995	838	12,000
John P. Cashman ⁽¹⁾	491	7,125	-	-	-	-	-	-	-	7,125
Lina De Cesare	207	3,003	139	3,008	240	2,994	252	2,995	838	12,000
Jean Pierre Delisle	207	3,003	139	3,008	240	2,994	252	2,995	838	12,000
W. Brian Edwards	0	0	0	0	0	0	398	4,732	398	4,728
H. Clifford Hatch	405	5,878	272	5,888	470	5,863	494	5,871	1,641	23,500
Jean-Yves Leblanc	207	3,003	139	3,008	240	2,994	252	2,995	838	12,000
Jacques Simoneau	207	3,003	139	3,008	240	2,994	252	2,995	838	12,000
Philippe Sureau	207	3,003	139	3,008	240	2,994	252	2,995	838	12,000
John D. Thompson	620	9,001	278	6,019	480	5,989	504	5,991	1,882	27,000
Dennis Wood	775	11,251	520	11,261	901	11,242	946	11,246	3,142	45,000

(1) After Mr. Cashman left office as a director at the annual meeting of shareholders held on March 11, 2010, the total DSUs he held were redeemed on March 18, 2010 in accordance with the terms and conditions of the Deferred Share Unit Plan.

6. EXECUTIVE COMPENSATION DISCUSSION AND ANALYSIS

6.1 *Compensation Approach and Objectives*

The purpose of the Corporation's 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 all 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:

6.1.1 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. 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.

6.1.2 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.

6.1.3 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.

6.2 *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 and discussed by the Board in camera.

The Committee is currently composed of Messrs. H. Clifford Hatch Jr., John D. Thompson, Dennis Wood and Jean-Yves Leblanc, who joined the Committee on March 11, 2010. 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, Dennis Wood and Jean-Yves Leblanc. Please note that Mr. Jean-Marc Eustache attends the meetings of the Committee upon invitation.

6.3 *Comparison Group*

In 2010, the Corporation proceeded with a review of the comparison group. The last review had been conducted in 2006. At the Committee's request, the independent external advisors verified whether the 26 companies included in the comparison group still met the selection criteria. Moreover, they analyzed other companies not included in the comparison group but that potentially could meet the selection criteria. Finally, the external advisors recommended that the Committee remove certain companies and add others in light of their analysis. The following selection criteria were used:

- size in terms of sales and stock market capitalization;
- sectors of activity, namely the entertainment, discretionary product, distribution and retail sectors;
- company with several business units: integrated or complex operation, i.e. several subsidiaries operating in different markets;
- geographical scope of operations (Canada-wide and international).
- head office in the province of Québec;
- B2C;
- B2B.

The following table sets out the new comparison group, comprising 21 companies, as approved by the Committee at its meeting held on April 15, 2010.

Company	Comparable size	Sector of activity		Several business units	International scope of operations	Head office in Québec	B2C	B2B
		Entertainment, Discretionary	Distribution, Retail					
Air Canada Inc.		X			X	X	X	
Groupe Aeroplan Inc. (income fund)		X		X		X	X	X
Astral Media Inc.		X		X		X	X	X
Canadian Tire Corporation, Limited (*)			X	X			X	
Cascades Inc.	X				X	X		X
Cogeco Inc.		X		X		X	X	X
Corus Entertainment Inc.		X		X			X	X
Cott Corporation		X	X		X			X
Alimentation Couche-Tard Inc. (*)			X		X	X	X	
The Forzani Group Ltd.		X	X				X	
The Jean-Coutu Group (PJC) Inc. (*)	X		X		X	X	X	
Metro Inc.			X			X	X	
Quebecor Inc. (*)	X	X		X		X	X	
Reitmans (Canada) Limited		X	X			X	X	
Rona Inc.	X	X	X			X	X	
Sears Canada Inc. (*)			X				X	
Torstar Corporation		X		X			X	X
Transcontinental Inc.	X	X		X	X	X	X	X
TransForce Inc.				X		X		X
Uni-Select Inc.		X	X		X	X		X
Westjet Airlines Ltd.	X	X			X		X	

(*) These companies were added to the comparison group following the review conducted in 2010.

The following companies were removed from the comparison group following the review conducted in 2010.

CAE Inc.
CanWest Global Communications Corp.
Extencare Real Estate Investment Trust
Finning International Inc.
Gildan Activewear Inc.
CGI Group Inc.
Yellow Pages Group Co.
Saputo Inc.
SNC-Lavalin Group Inc.
Wajax Corporation

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.

In summer 2010, the Corporation proceeded with a positioning analysis of its overall executive compensation, comparing it with that of the new comparison group and with the data of the Towers Watson survey entitled *General Industry Executive Report*. The compensation components

analyzed were: base salary, short-term incentive compensation, long-term incentive compensation (stock options, RSUs and DSUs), retirement plans, shareholding rules, and termination of employment and change of control benefits. After reviewing the results of this market comparison, the Committee recommended the adjustment of the base salary of certain executive officers, including the President and Chief Executive Officer, and the adjustment of the target and the maximum STIP for position level 4, namely that of the Vice-President, Finance and Chief Financial Officer and that of President of the Air Transat subsidiary. These salary adjustments came into force on January 1, 2011 and are described in more detail in the various sections of this Circular. Finally, the Committee requested a more precise analysis of long-term incentive opportunities. It is anticipated that this study will be conducted in 2011.

6.4 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. In 2010, the total fees paid to PCI-Perrault Consulting Inc. for the services rendered to the Committee and to the Corporate Governance and Nominating Committee amounted to \$80,328 and \$7,420 respectively. PCI-Perrault Consulting Inc. also rendered services to the Corporation during 2010 within the context of the *Quebec Pay Equity Act*. These services were rendered by another consultant from this firm and the fees totalled \$3,665.

6.5 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"> Cover adequately (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"> 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"> Defined contribution plan 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 ("STIP")	<ul style="list-style-type: none"> Motivate senior executives to achieve and exceed corporate financial and individual goals 	1 year	x		Adjusted net earnings
	<ul style="list-style-type: none"> Short-term incentive program ("STIP") Special bonus for senior executives 	Motivate senior executives to achieve and sustain exceptional performance	Payment of the bonus spread over 3 years, potentially 5 years.	x		Adjusted net earnings

<p>Long-term incentive opportunity</p> <ul style="list-style-type: none"> ▪ Stock options 	<p>Promote share ownership and:</p> <ul style="list-style-type: none"> • Motivate to increase the price per share • Promote retention through vesting conditions 	<p>10-year term, with 1/3 of options vesting after 1 year, 1/3 after 2 years, 1/3 after 3 years.</p>		x	Adjusted net earnings	
	<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 	<p>Vested at the end of the 3-year cycle after the award.</p>		x	<p>Return on equity (for awards prior to the 2010-2013 cycle)</p> <p>Adjusted net earnings (effective from the 2010-2013 cycle)</p>
	<ul style="list-style-type: none"> ▪ Stock ownership incentive plan 	<ul style="list-style-type: none"> • Support the achievement of shareholding guidelines • Stimulate executive interest in increasing the price per share • Promote executive retention 	<p>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 2nd and 3rd years after the year of the award.</p>		x	Individual investment and price per share

6.5.1 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 recommended by the Committee, usually in the first quarter of each financial year.

In 2010, three executive officers of the Corporation were promoted to another position: Nelson Gentiletti, who was promoted to the new position of Chief Operating Officer ("COO"), Denis Pétrin, who was promoted to the position of Vice-President, Finance and Administration and Chief Financial Officer, and Michael DiLollo, who was promoted to the position of President, Transat Tours Canada Inc. The Named Executive Officers, including Jean-Marc Eustache, received 2% salary increases in 2010. In addition, Mr. Gentiletti received a 10% salary increase in recognition of his promotion. Messrs. Pétrin and DiLollo also received a 10% salary increase in recognition of their respective promotions and their respective position levels, which also changed, thus increasing their incentive opportunity and their overall compensation.

6.5.2 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.

The design and rating of the Transat employee group insurance plan, which includes the Named Executive Officers, were modified in 2010. The redesign exercise was based on four guiding principles: to ensure financial security, flexibility of choice, simplicity and control of the increase in costs. The rating (premium cost sharing) was rebalanced so that the sharing structure is preserved in the course of future renewals. For the Named Executive Officers, as in the case of all employees, these changes to the existing plan had the effect of preserving or improving the insurance coverage (depending on the choices) and improved their health management accounts, if applicable.

6.5.3 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 Corporation's perquisites program in 2010.

6.5.4 Retirement Plans

▪ **Defined Benefit Plan**

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

Under the terms of the defined benefit pension 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 pension 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 may be used subject to 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 Corporation's retirement plans in 2010.

6.5.5 Short-Term Incentive Program

The short-term incentive program ("STIP") was revised at the beginning of 2010, mainly regarding the financial performance criterion on which the premiums are determined. The premium calculation formula was also simplified.

The objectives of the STIP are to:

- ✓ Motivate the employees and executives of the Corporation and its subsidiaries to support the growth of sales and profit margins;
- ✓ 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 main change made to the STIP is that the overall financial indicator on which the bonuses are based will now be the adjusted net earnings of Transat A.T. Inc., defined so as to exclude unusual items and expressed as a percentage of the revenue.

The following are the main points of the revised STIP:

- the bonus calculation includes two components with a 50%-50% weighting, namely the Transat adjusted net earnings and the subsidiary's adjusted EBIT;
- if the parent company Transat A.T. Inc. does not reach the 1% adjusted net earnings threshold, no bonus is paid;
- the participants of a subsidiary which does not reach the threshold set for that subsidiary do not receive a bonus; and
- the individual target and maximum bonus opportunities in terms of compensation value remain the same as before the changes.

The financial targets based on which the bonuses are calculated at year end and paid if the predetermined levels are reached, are recommended by the Committee and approved by the Board at the beginning of each 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 recommends the bonuses payable for the year concerned for approval by the Board.

For all Named Executive Officers the bonus calculation formula is as follows (those who are attached to the "Head Office" unit see their financial result composed only of Transat's adjusted net earnings):

Base salary	x	Target bonus 37.5% or 50% or 62.5% depending on the position level	x	Financial result 50% adjusted net earnings and 50% adjusted EBIT of the subsidiary	=	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, Vice-President, Finance and Chief Financial Officer, Corporate Vice-Presidents, Presidents of subsidiaries), is determined according to the same formula as above. When the financial criteria calculated at the end of the financial year reaches the budgeted target (i.e. adjusted net earnings of 1.75%), the CEO's bonus is paid at the target, namely the equivalent of 62.5% of the base salary. When the adjusted net earnings reach 3% or more, the bonus paid is the maximum bonus, namely the equivalent of 125% of the base salary, and when the adjusted net earnings reach 1%, the bonus paid is equal to 25% of the target bonus, i.e. 15.63% of the base salary. When the threshold of 1% of adjusted net earnings is not reached, no bonus is paid 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 2010:

Name	Minimum bonus opportunity (% of base salary)	Target bonus opportunity (% of base salary)	Maximum bonus opportunity (% of base salary)	Bonus paid for 2010 ⁽¹⁾ (\$)
Jean-Marc Eustache	0	62.5%	125%	389,306
Nelson Gentiletti	0	50%	100%	190,867
Allen B. Graham	0	37.5%	75%	112,002
Michael DiLollo	0	50%	100%	124,996
Denis Pétrin	0	37.5%	75%	75,781

(1) The bonus paid for 2010 represents 50.4% of the base salary of Jean-Marc Eustache, 40.3% of the base salary in the case of Nelson Gentiletti, 29.9% in the case of Allen B. Graham, 39.9% in the case of Michael DiLollo and 30.2% in the case of Denis Pétrin.

Following the market comparison performed in 2010, the Committee recommended adjusting the target and maximum bonus opportunities of two executive officer levels, namely, Level 1, the level of the President and Chief Executive Officer, and Level 4, the level of the Vice-President, Finance, and Chief Financial Officer and the President of the Air Transat subsidiary. The new targets and new maximum bonus opportunities applicable since November 1, 2010 are now near the median of the comparison market for positions of similar value.

Level	Target bonus opportunity		Maximum bonus opportunity	
	Previous %	% as of November 1, 2010	Previous %	% as of November 1, 2010
1 (CEO)	62.5%	75%	125%	150%
4 (CFO and President of Air Transat)	37.5%	45%	75%	90%

The Corporation does not report the value of the financial targets related to the STIP 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.

- **Special Bonus for Executive Officers**

A new special bonus plan was approved by the Board of Directors at the meeting held on January 13, 2010. This plan is in continuity with the STIP, because it depends on the same financial target and improves the STIP opportunity. The purpose of this special plan is to motivate the executive officers to ensure that Transat achieves an exceptional profit margin and, above all, that it maintains this margin year after year. This plan is essentially intended for position levels 1 to 6, namely the levels of President and Chief Executive Officer, Chief Operating Officer, Vice-President, Finance, and Chief Financial Officer, Presidents of subsidiaries, and corporate Vice-Presidents.

This plan operates on a three-year cycle and the bonus payments can be spread over a maximum of five years, i.e. two years after the end of the cycle. A bonus is earned and a reserve is constituted when Transat A.T. Inc. realizes adjusted net earnings of 3% or more. Half of the reserve is paid to the participants at the end of each year of the cycle. If, during the cycle, Transat A.T. Inc. does not reach a performance threshold (adjusted net earnings) of 2%, the reserve is reduced by 50%. The balance of the reserve is paid at the end of the second year after the end of the three-year cycle.

When the 3% target for adjusted net earnings is reached, the value of the bonus earned for a year corresponds to 50% of the salary of each of the eligible executive officers. In case of achievement of the adjusted net earnings of 3.5% or more, the bonus earned corresponds to 100% of the salary of each of the Named Executive officers. The bonus earned under this special bonus plan is added to the bonus earned under the STIP.

6.5.6 Long-Term Incentive Program

The long-term incentive plans established by the Corporation 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 if results are exceptional.

The following table sets forth, for each Named Executive Officer (as defined on page 39 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 AWARDS ⁽²⁾	SHARE AWARDS ⁽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%
Nelson Gentiletti	137.5%	25.0%	10.0%
Allen B. Graham	75.0%	10.0%	10.0%
Michael DiLollo	87.5%	15.0%	10.0%
Denis Pétrin	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 below).

(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 upon the award is equal to the purchase price of the shares on the secondary market. (See the "Stock Ownership Incentive Plan" section below.)

Each long-term incentive plan in place at Transat and the option-based and share-based awards to the Named Executive Officers in 2010 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 are cancelled 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 Board of Directors may, without shareholder approval, make certain amendments of the following nature: (i) formal minor or technical amendments to any provision of the Former Plan; (ii) corrections to any provision of the Former Plan containing an ambiguity, defect, error or omission; or (iii) changes to the Option termination provisions that do not entail an extension beyond the original expiry date. However, 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 term of an Option held by an insider; and
- (d) the extension of 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 5.13% of the issued and outstanding voting shares of the Corporation as at January 21, 2011.

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 at the time of each grant by the Board of Directors.

Recent Changes Made to the Stock Option Plans

On January 12, 2011, the Board of Directors adopted certain changes to the Former Plan and the 2009 Plan in order to comply with the recent tax amendments to the *Income Tax Act* (Canada) concerning stock options awarded to employees, which came into force on January 1, 2011. The changes have the sole purpose of allowing the Corporation to establish the necessary measures to comply with the new income tax remittance obligation set out in the *Income Tax Act* (Canada).

Option Grant Process

The annual grant of Options is part of the annual review of executive compensation performed 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 Options grants made previously 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 granted 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 exceptional situations within the context of succession management for the positions eligible for grants of options. The list of beneficiaries of annual grants proposed is presented for discussion to the Committee, which then makes its recommendation at the next Board 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 and Chief Talent Officer 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 then prepares the grants for presentation to the Committee and monitors the option reserve on a monthly basis. 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 2010

The Options granted in 2010 were awarded first under the 2009 Plan, based on the application of the usual grant formula. At the same time, Options granted on an exceptional basis were awarded and used almost all of the Former Plan's remaining option reserve. The President and Chief Executive Officer did not receive an exceptional grant but only a regular grant from the 2009 Plan's option reserve.

The number of Options granted on an exceptional basis from the Former Plan's option reserve for position levels 2 to 6 was almost equivalent to the number of Options granted under the regular grant from the 2009 Plan's option reserve, for each participant. Thus, in all, each of the incumbents of position levels 2 to 6, including the Named Executive Officers, received the equivalent of almost a double grant. The level 7 incumbents, i.e. certain vice-presidents of subsidiaries, received Options from the 2009 Plan's option reserve. The level 8 incumbents, mostly vice-presidents of subsidiaries, are not eligible for the Corporation's stock option plans. Exceptionally in 2010, each of these individuals was granted 2,000 Options coming from the 2009 Plan's option reserve.

The Options granted in 2010 under the 2009 Plan may be exercised as follows:

VESTING DATE	PROPORTION OF OPTIONS GRANTED THAT MAY BE EXERCISED ON EACH VESTING DATE (AROUND MID-DECEMBER OF EACH YEAR)	ADJUSTED NET EARNINGS REALIZED, EXPRESSED AS A PERCENTAGE OF THE COMPANY'S REVENUE, FOR THE FINANCIAL YEAR ENDING OCTOBER 31
December 2011	33 ¹ / ₃ %	If equal to or greater than 1%
	– (carried over to 2014)	If less than 1%
December 2012	33 ¹ / ₃ %	If equal to or greater than 1%
	– (carried over to 2015)	If less than 1%
December 2013	33 ¹ / ₃ %	If equal to or greater than 1%
	– (carried over to 2016)	If less than 1%

VESTING DATE	PROPORTION OF OPTIONS GRANTED THAT MAY BE EXERCISED ON EACH VESTING DATE (AROUND MID-DECEMBER OF EACH YEAR)	ADJUSTED NET EARNINGS REALIZED, EXPRESSED AS A PERCENTAGE OF THE COMPANY'S REVENUE, FOR THE FINANCIAL YEAR ENDING OCTOBER 31
December 2014	33 ¹ / ₃ % (if tranche carried over from 2011)	If equal to or greater than 1%
	– (cancellation of 33 ¹ / ₃ % of the options) ⁽¹⁾	If less than 1%
December 2015	33 ¹ / ₃ % (if tranche carried over from 2012)	If equal to or greater than 1%
	– (cancellation of 33 ¹ / ₃ % of the options) ⁽¹⁾	If less than 1%
December 2016	33 ¹ / ₃ % (if tranche carried over from 2013)	If equal to or greater than 1%
	– (cancellation of 33 ¹ / ₃ % of the options) ⁽¹⁾	If less than 1%
December 2017	Total balance of options ⁽²⁾	Not applicable
December 2018	Total balance of options ⁽²⁾	Not applicable
December 2019	Total balance of options ⁽²⁾	Not applicable
December 2020	Total balance of options ⁽²⁾	Not applicable

(1) Any option tranche carried over for three years is cancelled if the adjusted net earnings realized by the Corporation during the year of the carry-over are less than 1%.

(2) The balance of Options is composed of the proportion of the Options vested during the six years after the grant date, which are still outstanding.

On the other hand, the Options granted in 2010 under the Former Plan may be exercised as follows: 33 1/3% effective on the first anniversary of the grant date; 66 2/3% effective on the second anniversary of the grant date; and 100% effective on the third anniversary of the grant date.

At a meeting held on December 15, 2010, the Board approved the change to the effect that the option grants will henceforth be awarded in January of each year instead of May, effective January 2011, in order to align the process of the option plan with the Corporation's other incentive plans (STIP and RSU). Each option tranche vests in the same way, spread over a three-year period, beginning 12 months after the grant date, and is subject to the achievement by the Corporation of the performance criterion determined by the Board, namely the adjusted net earnings realized each year.

Status of Outstanding Options – Former Plan

During 2010, an aggregate of 229,925 Options were granted at an exercise price of 12.25\$, including 102,505 to Named Executive Officers, representing 0.61% of the total number of voting shares outstanding as at October 31, 2010. All options granted under the Former Plan were granted on an exceptional basis.

As at October 31, 2010, an aggregate of 1,269,657 Options, representing approximately 3.35% of the total number of voting shares then outstanding, had been granted under the Former Plan but had not yet been exercised. Also during 2010, an aggregate of 33,675 Options were cancelled and/or expired, and an aggregate of 23,733 Options were exercised. In addition, an aggregate of 16,383 voting shares were reserved and available for future option grants under the Former Plan, for a total of 1,281,765 voting shares, or approximately 3.39% of the total number of voting shares issued and outstanding or available for the purposes of the stock option plans.

Status of Outstanding Options – 2009 Plan

During 2010, an aggregate of 452,645 Options were granted under the 2009 Plan at an exercise price of 12.25\$, including 224,930 to Named Executive Officers, representing 1.20% of the total number of voting shares outstanding as at October 31, 2010.

As at October 31, 2010, an aggregate of 452,645 Options, representing approximately 1.20% of the total number of voting shares then outstanding, had been granted under the 2009 Plan but had not yet been exercised. Also during 2010, an aggregate of 4,000 Options were cancelled and/or expired, and no Options were exercised under the 2009 Plan. In addition, an aggregate of 1,496,355 voting shares were reserved and available for future option grants under the 2009 Plan, for a total of 1,945,000 voting shares, or approximately 5.13% of the total number of voting shares issued and outstanding or available for the purposes of the stock option plans.

The value of the grants of Options to the Named Executive Officers in 2010 is in compliance with the guidelines presented above.

No Options were exercised by Named Executive Officers in 2010.

Additional information on Options, including the weighted average exercise price of all outstanding Options as at October 31, 2010, may be found in our 2010 Annual Report available on the SEDAR website at www.sedar.com.

Recent Grant of Stock Options

In accordance with the decision made by the Board to proceed henceforth with the option grants in January of each year, which is described in more detail above, on January 12, 2011, a total of 237,239 Options were granted under the 2009 Plan, at an exercise price of \$19.24. Of this number, a total of 100,303 Options were granted to the Named Executive Officers, i.e. approximately 0.27% of the total voting shares outstanding as at January 21, 2011. Moreover, under this grant, a total of 56,000 Options were awarded on an exception basis to beneficiaries other than executive officers.

▪ *Restricted Share Unit (RSU) Plan*

The Corporation's 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 (see "Recent Changes Made to the RSU Plan" below for a description of the new performance criterion used henceforth to determine RSU vesting).

- ✓ All awarded RSUs vest upon the achievement of an average RSE target over a three-year cycle.
- ✓ No RSU vests if the return is lower than an average RSE threshold over a three-year cycle.
- ✓ The vesting percentage 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 2010, an aggregate of 135,937 RSUs were awarded and may vest according to the following parameters:

PERFORMANCE LEVEL	AVERAGE RSE 2009-2012		VESTING (% OF RSUs AWARDED)	
	from	to	from	to
Above threshold	≥ 12.00%		100.00%	
	≥ 11.44%	< 12.00%	75.00%	< 100.00%
	≥ 10.88%	< 11.44%	50.00%	< 75.00%
	≥ 9.94%	< 10.88%	37.50%	< 50.00%
Threshold	≥ 9.00%	< 9.94%	25.00%	< 37.50%
Below threshold		< 9.00%	0.00%	

Of this number, a total of 21,767 RSUs were awarded to Named Executive Officers in accordance with the parameters presented above.

Recent Changes Made to the RSU Plan

Certain changes to the RSU Plan were approved by the Board at the meeting held in November 2010 and apply to any new RSU grant awarded under the RSU Plan, including the one described below for 2010-2011. The main changes made are as follows:

- The financial performance criterion used to determine RSU vesting henceforth will be the adjusted net earnings as defined in the RSU Plan.
- The RSU vesting cycle remains a 36-month cycle but begins on the date of the first meeting of the Board in January of each year and ends on the end date of the period of about thirty-six (36) months after the grant date, which corresponds to the date when the first meeting of the Board is held in January of each year.

Recent RSU Grant

On January 12, 2011, a total of 153,767 RSUs were granted and may vest if the average adjusted net earnings target is achieved for the three-year cycle that will end in January 2014. Of this number, a total of 25,160 RSUs were granted to Named Executive Officers.

Moreover, none of the RSUs granted for the three-year cycle which ended on October 31, 2010 have vested, given that the average RSE threshold was not reached during this three-year cycle.

- ***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 purchased on the market 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, 2010, an aggregate of 19,529 shares having an approximate aggregate value of \$271,169 had been awarded to the executive officers of the Corporation under the Transaction Plan. From that number, 6,510 shares vested on January 10, 2011, 6,510 will vest on January 10, 2012 and 6,510 will vest on January 10, 2013.

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, when applicable, are converted into additional DSUs according to the terms and conditions of the plan for executive officers who held DSUs before the awards ceased.

6.5.7 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 a 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 that began on January 14, 2009 and ended on January 14, 2011 was granted to the executive officers on an exceptional basis to allow them to meet the minimum shareholding requirement then applicable to them.

Moreover, at the meeting held on January 12, 2011, the minimum shareholding multiple of the President and Chief Executive Officer was increased from two to three times his annual base salary.

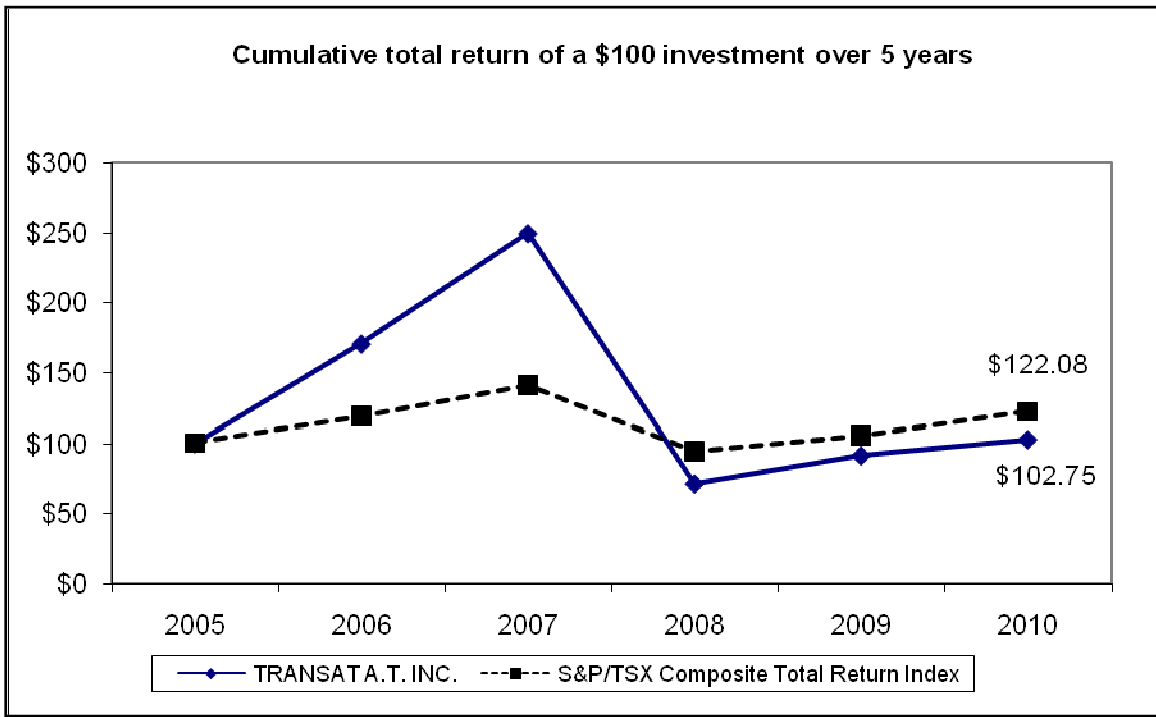
Name	Minimum shareholding multiple based on the annual base salary	Compliance with requirement as at October 31, 2010
Jean-Marc Eustache	3 times the annual salary	Yes
Nelson Gentiletti ⁽²⁾	1.5 times the annual salary	In progress ⁽¹⁾
Allen B. Graham	1.0 times the annual salary	Yes
Michael DiLollo	1.5 times the annual salary	In progress ⁽¹⁾
Denis Pétrin	1.0 times the annual salary	In progress ⁽¹⁾

(1) According to the share ownership guidelines adopted by Transat, these senior executives benefit from a additional period from the date of their promotion to achieve the minimum shareholding multiple applicable to them.

Performance Graphs

▪ Graph 1

The following performance graph indicates the cumulative total return over five years, assuming a \$100 investment made on October 31, 2005 in voting shares of the Corporation (assuming reinvestment of the dividends) and in the S&P/TSX Composite Total Return Index.

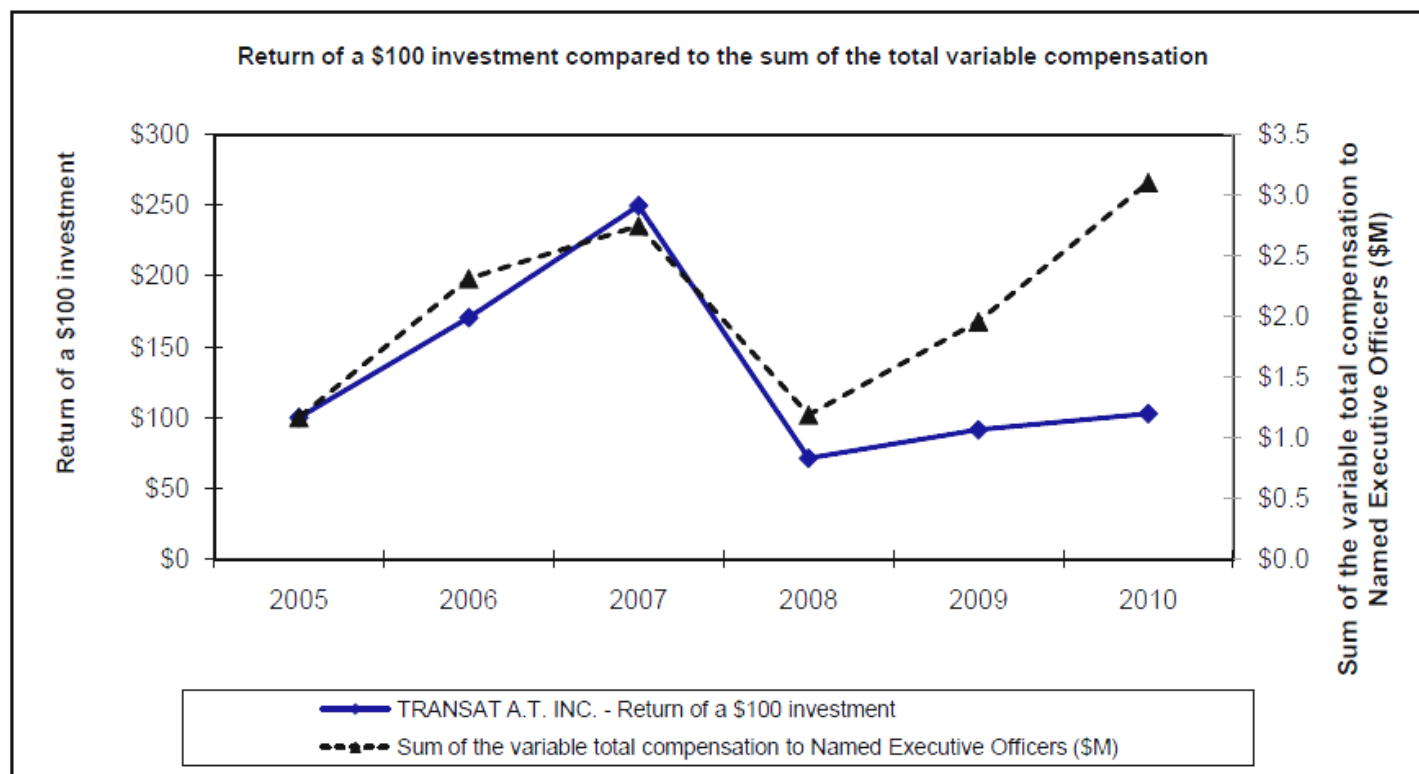


Financial year	2005	2006	2007	2008	2009	2010
TRANSAT A.T. INC.	\$100.00	\$170.56	\$249.54	\$71.30	\$91.38	\$102.75
S&P/TSX Composite Total Return Index	\$100.00	\$118.89	\$140.85	\$94.02	\$105.08	\$122.08

\$100 investment made on October 31, 2005 (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 (bonuses, STIP, 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, 2005 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, 2007, 2009 and 2010, the total variable compensation paid to the Named Executive Officers also increases.



Financial year	2005	2006	2007	2008	2009	2010
TRANSAT A.T. INC. – Return of a \$100 investment	\$100.00	\$170.56	\$249.54	\$71.30	\$91.38	\$102.75
Sum of the variable total compensation to Named Executive Officers (\$M)	\$1.666	\$2.310	\$2.745	\$1.189	\$1.956	\$3.136

6.6 Summary Compensation Table

The following table sets forth the information regarding the total compensation paid during each of the last three financial years to the President and Chief Executive Officer, the Vice-President, Finance and Administration and Chief Financial Officer and to 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 AWARD (3)(4)	SHORT-TERM INCENTIVE PROGRAM COMPENSATION	RETIREMENT PLAN VALUE (5)	ALL OTHER COMPENSATION (6)	TOTAL COMPENSATION (7)
			RSUS (1)	TRANSACTION (2)					
			(\$)	(\$)					
Jean-Marc Eustache Chairman of the Board of Directors, President and CEO	2010	772,667	231,648	0	555,930	389,306	360,922	61,813	2,372,286
	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
Nelson Gentiletti President and COO	2010	473,525	118,808	46,500	508,160	190,867	104,714	0	1,442,574
	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
Allen B. Graham President and CEO, Air Transat	2010	374,360	37,535	36,944	218,917	112,002	98,762	37,436	915,956
	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
Michael DiLollo President, Transat Tours Canada	2010	313,346	47,171	30,771	213,983	124,996	53,456	0	783,723
	2009	272,692	26,000	13,000	151,109	0	13,635	27,363	503,799
	2008	249,806	13,926	6,963	51,933	0	12,490	25,148	360,266
Denis Pétrin Vice-President, Finance and Administration and CFO	2010	250,677	25,158	24,616	146,735	75,781	38,931	25,068	586,966
	2009	213,647	20,236	6,071	100,729	0	10,682	21,417	372,783
	2008	198,394	11,904	5,952	27,565	0	9,920	19,927	273,662

(1) 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.

(2) 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.

(3) See the "Stock Option Plans" section of this Circular for the detailed option exercise conditions.

(4) 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:

	2010	2009	2008
Risk-free rate:	3.54%	3.07%	3.66%
Dividend yield:	-	-	1.70%
Volatility (60 months):	49.0%	45.4%	37.60%
Expected lifetime:	6 years	6 years	6 years
Fair value per option:	\$5.02	\$6.10	\$7.42

(5) The value of the retirement plan represents, for each financial year, the sum of the "change attributable to compensatory items" of the defined benefit pension plan and the "compensatory amount" of the retirement plan (defined contribution plan), as presented for the 2010 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, 2010, 2009 and 2008 respectively, in accordance with generally accepted accounting principles.

The value of Mr. Eustache's retirement plan is significantly higher for 2010, because the actuarial calculation accounts for the salary adjustment and the increase in the target bonus projected effective in 2011. Messrs. DiLollo and Pétrin became eligible for the Transat A.T. Inc. executive officers' retirement agreement effective in 2010.

(6) 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 Pétrin, 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).

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 2010.

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	29,796	471,671
	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	546,460		
	110,743	12.25	May 5, 2020	396,460		
Nelson Gentiletti	2,350	22.34	May 11, 2015	0	20,356	322,235
	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	238,646		
	101,227	12.25	May 5, 2020	362,393		
Allen B. Graham	2,276	22.34	May 11, 2015	0	9,909	156,859
	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	113,844		
	43,609	12.25	May 5, 2020	152,120		
Michael DiLollo	2,000	28.41	Nov. 20, 2016	0	6,988	110,620
	2,368	37.25	May 2, 2017	0		
	6,999	21.36	April 21, 2018	0		
	22,717	11.22	May 6, 2019	104,725		
	42,626	12.25	May 5, 2020	152,601		
Denis Pétrin	2,064	15.68	May 18, 2014	310	4,545	71,947
	1,310	21.46	May 24, 2015	0		
	1,995	22.66	May 3, 2016	0		
	2,019	37.25	May 2, 2017	0		
	3,715	21.36	April 21, 2018	0		
	14,880	11.22	May 6, 2019	68,597		
	29,230	12.25	May 5, 2020	104,643		

(1) The value was calculated using the difference between the closing price of the voting shares of Transat on the TSX on October 31, 2010, namely \$15.83, 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 the "Restriction Share Unit Plan" section.

(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, 2010, namely \$15.83.

▪ *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	15,015	0	389,306
Nelson Gentiletti	6,557	52,370	190,867
Allen B. Graham	3,128	47,467	112,002
Michael DiLollo	2,877	11,441	124,996
Denis Pétrin	1,885	10,232	75,781

(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 TSX on the vesting date and the exercise price on the vesting date.

(2) 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. For the restricted share units, the redemption value of the units from the 2007-2010 cycles, which have vested on October 31, 2010, is nil because the financial threshold was not reached.

(3) Represents the amount paid for 2010 under the Short-term incentive program (STIP).

6.7 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, 2010 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, 2009 to October 31, 2010, including the annual cost attributable to compensatory items for 2010. 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 year ended October 31, 2010, in accordance with generally accepted accounting principles. For Mr. Eustache and Mr. Pétrin, the assumptions account for the adjustment made to their base salary on January 1, 2011 and the percentage adjustment of the target bonus in force on November 1, 2010.

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.

▪ *Table of Benefits Under a Retirement Plan*

Name of the officer	Number of credited years of service ⁽¹⁾	Annual benefits payable ⁽²⁾		Accrued benefit obligation as at November 1, 2009 ⁽³⁾	Change in the accrued benefit obligation during FY 2009		Accrued benefit obligation as at October 31, 2010
		As at October 31, 2010	At age 65		Change attributable to compensatory items ⁽⁴⁾	Change attributable to non-compensatory items ⁽⁵⁾	
		(\$)		(\$)	(\$)	(\$)	(\$)
Jean-Marc Eustache	31.775	733,171	899,106	7,566,000	349,000	1,093,000	9,008,000
Nelson Gentiletti	8.181	69,128	506,590	604,000	95,000	235,000	934,000
Allen B. Graham	8.000	56,483	104,160	442,000	91,000	88,000	621,000
Michael DiLollo	1.000	7,050	335,502	0	48,000	20,000	68,000
Denis Pétrin	1.000	5,170	183,144	0	34,000	24,000	58,000

(1) Number of credited years of service as at October 31, 2010 or before that date following termination of employment or retirement in 2010.

(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 pension plan and the Quebec Pension Plan.

(3) Represents the value of the projected pension earned for service up to October 31, 2009 or October 31, 2010 (depending on the column), accounting for the benefits of the pension plan and the Quebec Pension Plan, established in accordance with the assumptions described in Transat's financial statements.

(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 that differs from 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, 2009 and October 31, 2010, including the Corporation's contributions for 2010.

Name of the officer	Accumulated value as at November 1, 2009	Compensatory amount ⁽¹⁾	Non-compensatory amount ⁽²⁾	Accumulated value at the end of the 2010 financial year
	(\$)	(\$)	(\$)	(\$)
Jean-Marc Eustache	371,348	11,922	42,427	425,696
Nelson Gentiletti	106,628	9,714	22,219	138,561
Allen B. Graham	147,394	7,762	24,356	179,512
Michael DiLollo	222,710	5,456	35,163	263,329
Denis Pétrin	228,777	4,931	27,538	261,246

(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.

6.8 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 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 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.
Chief Operating Officer	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.	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, including the Vice-President, Finance and Administration and CFO	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.

Other terms:

Type of termination	Stock options	Restricted share units (RSUs) and deferred share units (DSUs)	Share purchase plan	Retirement plan ⁽¹⁾	Employee and other benefits
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.	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.	All insurance coverages except short-term and long-term disability are maintained for the term of the separation period, unless the executive officer is

		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.			covered by another private insurance policy before the end of the period.
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 age 60 or after 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 vest 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 vest on the date of a 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⁾	In case of termination after a change of control, all insurance coverages except short-term and long-term disability are maintained for the term of the separation period, unless the executive officer is covered by another private insurance policy before the end of the period.

(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 RRSP/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 year following an acquisition of control, the percentage applicable to the retirement formula would be 2% for all the credited years of service.

Table of the Value of Benefits in the Event of Termination of Employment (Involuntary Departure) as at October 31, 2010

The following table reflects the cash value of the additional or accelerated benefits payable to each 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	\$3,149,250	n/a	RSUs: \$128,109	n/a	n/a
Nelson Gentiletti	\$1,548,566		RSUs: \$60,773		n/a
Allen B. Graham	\$774,151		RSUs: \$20,763		n/a
Michael DiLollo	\$707,569		RSUs: \$17,194		n/a
Denis Pétrin	\$518,884		RSUs: \$11,947		n/a

(1) Represents the amount calculated based on the price per share on October 31, 2010; RSUs: 2008-2011 and 2009-2012 cycles only as RSUs for the 2007-2010 cycle have vested normally on October 31, 2010. There are no additional benefits for RSUs, which are all redeemable in the event of any type of departure.

Table of the Value of the Benefits in the Event of Termination of Employment in a Change of Control Context as at October 31, 2010

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 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	\$3,779,100	\$760,770	RSUs: \$471,671	\$0	n/a
Nelson Gentiletti	\$1,782,113	\$521,493	RSUs: \$227,097	\$95,138	\$140,000 ⁽³⁾
Allen B. Graham	\$1,032,202	\$232,019	RSUs: \$76,443	\$80,416	n/a
Michael DiLollo	\$943,425	\$222,420	RSUs: \$69,335	\$41,285	n/a
Denis Pétrin	\$691,845	\$150,375	RSUs: \$45,321	\$26,626	n/a

(1) The value indicated is for Options that have not vested and which would vest further to termination of employment in a change of control context on October 31, 2010.

(2) The value indicated represents all RSUs at the price per share on October 31, 2010, which would all vest in the event of a change of control as defined in the plan. There are no additional or accelerated benefits for DSUs.

(3) 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.

6.9 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 CEO, Chief Operating Officer and all other senior management positions.

Overall, senior management succession candidates progress 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 is supplemented by psychometric evaluations, individual development plans and coaching by the President and CEO, the Chief Operating Officer and the Vice-President, Human Resources and Chief Talent Officer.

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 November 1, 2009 and their progression is constant.

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.

6.10 *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, 2010	Weighted average exercise price of outstanding options, warrants and rights as at October 31, 2010	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) as at October 31, 2010
	(a)	(b)	(c)
Equity compensation plans approved by securityholders⁽¹⁾	1,722,302	\$16.04	1,512,738
Equity compensation plans not approved by securityholders	n/a	n/a	n/a
Total	1,722,302	\$16.04	1,512,738

(1) As at October 31, 2010, an aggregate of 16,383 voting shares were available for future issuance under the Former Plan and an aggregate of 1,496,355 voting shares were available for future issuance under the 2009 Plan.

7. STATEMENT OF CORPORATE GOVERNANCE PRACTICES

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, Jean-Yves Leblanc and Jacques Simoneau. Please note that Mr. Jean-Marc Eustache attends the meetings of the Committee upon invitation.

7.1 *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.

Eight (8) of the eleven (11) 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.

7.2 *Performance Assessment*

During December 2010 and January 2011, 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.

7.3 *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. This item is included on the agenda of each Board meeting. During the year ended October 31, 2010, the independent directors held three (3) in-camera sessions.

7.4 *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 conversion to the IFRS (International Financial Reporting Standards) was given to the directors during the meeting of the Board held on September 8, 2010.

7.5 *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.

7.6 *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 the 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 is reviewed on a regular basis by the disclosure committee, in order to update it in relation to the Corporation's practices concerning disclosure within the Corporation.

8. ADDITIONAL DISCLOSURE

8.1 *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.

8.2 *Professional Services Agreements*

The Corporation renewed the 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, as renewed, is valid from November 1, 2010 to October 31, 2011, 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, as renewed, includes a confidentiality and non-solicitation undertaking. These professional services agreements are filed and available on the SEDAR website at www.sedar.com.

8.3 *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, 2011, 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.

8.4 *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.

8.5 *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, 2011.

8.6 *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, 2011.

BY ORDER OF THE BOARD OF DIRECTORS

Transat A.T. Inc.



Bernard Bussi eres
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, 2010, the Board of Directors is composed of eleven (11) directors, of whom eight (8) are independent, namely André Bisson, Jean Pierre Delisle, W. Brian Edwards, H. Clifford Hatch Jr., Jean-Yves Leblanc, Jacques Simoneau, John D. Thompson and Dennis Wood.</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. Each of these directors is considered to have a material relation with the Corporation due to the executive officer position they hold or have held in the Corporation and the role that each of them has played as founder.</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, may 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. This item is included on the agenda of each Board meeting. Since November 1, 2009, the Board has held ten (10) meetings, each having an agenda which specifically provided for an in-camera session. Independent directors held three (3) in-camera sessions since November 1, 2009, 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 (excluding certain exceptional cases) 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. The Board assumes the responsibility of defining the main risks related to the Corporation's activities and the implementation of appropriate systems allowing management of these risks.</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</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 was updated in September 2010 and is available on Transat's website at</p>

Requirement	Implementation by the Corporation
<p>and responsibilities of each such position.</p> <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>www.transat.com.</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> <p>i) the role of the board, its committees and its directors, and</p> <p>ii) the nature and operation of the issuer's business.</p> <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. All the new directors receive a copy of the issuer's key documents, particularly the Code of Ethics, the policies on insider trading, and up-to-date information on the Corporation's activities and financial reporting. They may also ask questions about the nature of the issuer and its activities. 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. Training sessions are held during certain Board meetings, in addition to regular presentations offered to Board members. For example, a presentation on the IFRS (International Financial Reporting Standards) conversion project was given to the directors during the meeting of the Board held on September 8, 2010. The directors are also informed regularly of the strategic issues affecting the Corporation, the Corporation's competitive environment and any other new fact likely to have a material effect on the Corporation.</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> <p>i) disclose how a person or company may obtain a copy of the code;</p>	<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</p>

Requirement	Implementation by the Corporation
	<p>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 and 2010, is made available to every employee of Transat and is posted on the Corporation's 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>
<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. The Corporation requires its directors, officers and employees to acknowledge that they have read the Code and agree to comply with it.</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>

Requirement	Implementation by the Corporation
<p>6. Nomination of Directors</p>	
<p>a) Describe the process by which the board identifies new candidates for board nomination.</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>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 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 5 of this Circular and details of the executive officers' compensation are disclosed in section 6.</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>

Requirement	Implementation by the Corporation
<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. All members of these committees are independent directors.</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. The members of the Board can also discuss the performance of another member freely at any time with the Chairman of the Board.</p>

SCHEDULE B
2011 RIGHTS PLAN RATIFICATION RESOLUTION

BE IT RESOLVED:

THAT the Amended and Restated Shareholder Rights Plan between the Corporation and CIBC Mellon, which was initially adopted by the Board of Directors of the Corporation on February 3, 1999 and ratified by the shareholders on March 24, 1999, which was renewed by the Board of Directors on February 12, 2002 and ratified by the shareholders on March 27, 2002, which was again renewed by the Board of Directors on March 15, 2005, and ratified by the shareholders on April 27, 2005, which was renewed by the Board of Director for a third time on January 16, 2008 and ratified by the shareholders on March 12, 2008 and which was renewed again by the Board of Directors for a fourth time on January 12, 2011, the whole as described in the Management Proxy Circular attached hereto, be ratified;

THAT any officer or director of the Corporation be and is hereby authorized to execute and deliver such documents and instruments and to take such other actions as such officer or director may deem necessary or advisable to give effect to this resolution in his entire discretion, his determination being conclusively evidence by the execution and delivery of such documents or instruments and the taking of such actions.

SCHEDULE C 2011 RIGHTS PLAN

The 2011 Rights Plan will take effect at the time the Meeting terminates and will expire at the close of the annual meeting of shareholders of the Corporation to be held in 2014, unless it is terminated prior to such meeting.

Issue of Rights

In order to implement the 2011 Rights Plan, the Board of Directors authorized the Corporation to issue one right in respect of each Variable Voting Share and in respect of each Voting Share outstanding as of 5:00 p.m. (Montreal time) on March 10, 2011 (the "Effective Date"). One Right will also be issued and attached to each subsequently issued Variable Voting Share and Voting Share.

Rights-Exercise Privilege

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

The acquisition permitting a person (an "Acquiring Person"), including others acting jointly or in concert with such person, to hold 20% or more of the outstanding Variable Voting Shares or of the Voting Shares, other than by way of a Permitted Bid or a Competing Permitted Bid, is referred to as a "Flip-in Event." Any Rights held by an Acquiring Person on or after the earlier of the Separation Time or the first date of public announcement (the "Stock Acquisition Date") by the Corporation or an Acquiring Person that an Acquiring Person has become such, will become null and void upon the occurrence of a Flip-in Event. Ten trading days after the occurrence of the Stock Acquisition Date, each Right (other than those held by the Acquiring Person) will permit the holder to purchase for the exercise price, that number of shares determined as follows: a value of twice the exercise price divided by the average weighted market price for the last 20 trading days preceding the Stock Acquisition Date. The exercise price is currently \$100 per Right, subject to adjustment in accordance with the 2011 Rights Plan.

To the knowledge of the senior executives of the Corporation, as of January 21, 2011, no natural or legal person (other than Connor, Clark & Lunn Investment Management Ltd. and Norges Bank, which qualify as "Investment Managers" under the 2011 Rights Plan) owns or owned 20% or more of the Variable Voting Shares or of the Voting Shares of the Corporation.

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

Lock-Up Agreements

A bidder may enter into lock-up agreements with the shareholders of the Corporation whereby such shareholders agree to tender their shares to the take-over bid (the "Subject Bid") without a Flip-in Event occurring. Any such agreement must permit or must have the effect to permit the shareholder to withdraw the shares to tender to another take-over bid or to support another transaction that exceeds the value of the Subject Bid.

Certificates and Transferability

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

Permitted-Bid Requirements

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

- (i) The bid must be made to all holders of voting shares;
- (ii) The bid must include a condition without reservation providing that no share tendered pursuant to the bid will be taken up prior to the expiry of a period of not less than 60 days and only if at such date more than 50% in aggregate of the outstanding shares held by the shareholders other than the bidder, its associates and affiliates, and persons acting jointly or in concert with such persons (the "Independent Shareholders") have been tendered pursuant to the bid and not withdrawn;
- (iii) The bid must include a condition to the effect that the shares may be tendered pursuant to the bid, unless the bid is withdrawn, at all times during the bid period and that all the shares tendered may be withdrawn until they are taken up and paid for; and
- (iv) If more than 50% in aggregate of the shares held by independent Shareholders are tendered to the bid within the 60-day period, the bidder must make a public announcement of that fact and the bid must remain open for deposits of shares for an additional 10 business days from the date of such public announcement.

The 2011 Rights Plan allows a competing Permitted Bid (a "Competing Permitted Bid") to be made while a Permitted Bid is in existence. A Competing Permitted Bid is a take-over bid that is initiated while a Permitted Bid is outstanding and that satisfies all the requirements of a Permitted Bid except that it may expire on the latest of the following date; (i) on the same date as the Permitted Bid; or (ii) 35 days after the launch of such Competing Permitted Bid. The reduction of the time allotted for the acceptance of a Competing Permitted Bid is intended to permit, to the extent that is afforded by such reduction, that all take-over bids on which the shareholders of the Corporation must decide may be considered during the same prescribed time.

Waiver and Redemptions

The Board of Directors acting in good faith may, prior to a Flip-in Event, waive the dilutive effects of the 2011 Rights Plan in respect of a particular Flip-in Event that would result from a takeover bid made by way of takeover bid circular to all holders of shares, in which event such waiver would be deemed also to be a waiver in respect of any other Flip-in Event. The Board of Directors may also waive the 2011 Rights Plan in respect of a particular Flip-in Event that has occurred through inadvertence, provided that the Acquiring Person that inadvertently triggered such Flip-in Event reduces its beneficial holdings to less than 20% of the outstanding Variable Voting Shares or Voting Shares within 14 days or any other period that may be specified by the Board of Directors. At any time prior to the occurrence of a Flip-in Event, the Board of Directors may, subject to the prior approval of the holders of shares, elect to redeem all, but not less than all, of the outstanding Rights at a price of \$0.0001 per Right.

Exemption for Investment Managers

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

Supplements and Amendments

The Corporation is authorized to make amendments to the 2011 Rights Plan to correct any clerical or typographical error or to maintain the validity of the 2011 Rights Plan as a result of changes in laws or regulations. Prior to the Meeting, the Corporation is authorized to amend or supplement the 2011 Rights Plan as the Board of Directors may in good faith deem necessary or advisable. The Corporation will issue a press release relating to any material amendment made to the 2011 Rights Plan prior to the Meeting and will advise the shareholders of any such amendment at the Meeting. Material amendments or supplements to the 2011 Rights Plan will require, subject to the regulatory authorities, the prior approval of the shareholders or, after the Separation Time, holders of Rights.

Canadian Income Tax consequences of the 2011 Rights Plan

Under the *Income Tax Act* (Canada) (the "Tax Act"), while the matter may be debated, the issue of the Rights under the 2011 Rights Plan may be a taxable benefit, the fair market value of which must be included in the income of a recipient. The Corporation considers that the Rights, when issued, will have no or negligible monetary value, there being only a remote possibility that the Rights will ever be exercised.

The Rights will be considered to have been acquired at no cost. The holder of Rights may realize income or be subject to withholding tax under the Tax Act if the Rights become exercisable, are exercised or are otherwise disposed of.

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

Eligibility for investment

Provided that (i) each person who is an annuitant, a beneficiary, an employer or a subscriber under a particular plan deals at arm's length with the Corporation, and (ii) the Corporation remains a "public corporation" for purposes of the Tax Act, the Rights will, based on the law applicable on the date hereof, be qualified investments under the Tax Act for Registered Retirement Savings Plans, Registered Retirement Income Funds, Registered Education Savings Plan and Deferred Profit Sharing Plans. The Issue of Rights will not affect the status of the shares as qualified investments under the Tax Act and the regulations thereunder, nor will it affect the eligibility of such securities as investments for investors subject to certain Canadian and provincial legislation governing insurance companies, trust companies, loan companies and pension plans.

