



## **TRANSAT A.T. INC.**

NOTICE OF THE SPECIAL MEETING OF SHAREHOLDERS AND  
MANAGEMENT PROXY CIRCULAR  
CONCERNING THE

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### **SPECIAL MEETING OF SHAREHOLDERS**

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TO BE HELD AT THE FAIRMOUNT THE QUEEN ELIZABETH,  
900 RENÉ-LÉVESQUE BLVD WEST, MONTREAL, QUÉBEC, CANADA

ON FEBRUARY 24, 2005 AT 10:30 A.M. (EASTERN TIME)



January 25, 2005

Dear Shareholders:

Pursuant to the *Canada Transportation Act*, Air Transat A.T. Inc. (“Air Transat”) must be able to establish at all times that it is “Canadian” within the meaning of this act in order to hold the operating licenses necessary for its activities as an air carrier. Because Air Transat is wholly owned by Transat A.T. Inc. (“Transat”), we must also qualify as a Canadian under the *Canada Transportation Act*, meaning that a maximum of 25% of our shares to which a voting interest is attached can be owned or controlled by non-Canadians.

Presently, in order to respect the rule prescribed by the *Canada Transportation Act*, our Articles impose restrictions on the subscription, issue and transfer of our Common Shares.

On November 15, 2004, based on information known at that time and following unusually high trading volumes since September 2004, we published a press release announcing that our non-Canadian ownership level was close to 25%. Due to this uncertainty, we immediately implemented special procedures governing the issue and transfer of our voting shares to non-Canadians. Pursuant to these special procedures, all our Common Shares held by participants in The Canadian Depository System for Securities Limited (“CDS”) and in The Depository Trust Company (“DTC”) on behalf of non-Canadians were to be withdrawn from the book positions of CDS and DTC, and share certificates representing these Common Shares were to be issued. In addition, the non-Canadians who wish to acquire our Common Shares have to file an application with our transfer agent, Computershare Trust Company of Canada. These applications are processed when Transat is satisfied that such transfers and issuance would not result in violating the non-Canadian ownership limit prescribed by the *Canada Transportation Act*. Transfers to a non-Canadian which are not done in accordance with the special procedures are not permitted.

Currently, we believe that the procedures in place do not allow the free circulation of our Common Shares, and consequently, due to the demonstrated interest of non-Canadians in these shares, that these procedures are no longer the most appropriate measures.

In this context, in order to reduce the inconveniences explained above and to ensure Transat’s continuous compliance with the requirement to qualify as Canadian, we believe that it is desirable to introduce a variable voting share structure into our share capital, as proposed in the special resolution to be presented to you at the upcoming special meeting of shareholders. Under this new structure, Class A Variable Voting Shares (the “Variable Voting Shares”) and Class B Voting Shares (the “Voting Shares”) would replace existing Transat Common Shares. The Variable Voting Shares would be owned or controlled by non-Canadians and would carry one vote per share unless, notably, the number of issued and outstanding Variable Voting Shares exceeded 25% of all the issued and outstanding Transat shares, in which case the vote attached to the Variable Voting Share would decrease so that the class of Variable Voting Shares would never carry more than 25% of the vote. The Voting Shares would only be owned and controlled by Canadians and would always carry one vote per share. For both classes of shares, all the other rights, privileges, conditions and restrictions would remain the same as the existing Transat Common Shares. **For a description of the procedure for the issue of new share certificates representing the Voting Shares and Variable Voting Shares, please see the section entitled “Proposed amendments to the Articles of Transat – Share Certificates” of the Management Proxy Circular attached hereto.**

We consider that the proposed variable voting share structure would ensure that our securities circulate freely enough to satisfy the significant interest of non-Canadians in our securities. This new structure also provides a permanent solution to our growth objectives and future capital needs, while ensuring our continuous compliance with the 25% non-Canadian ownership or control level under the *Canada Transportation Act*.

With this perspective in mind, on behalf of the Board of Directors, I am pleased to invite you to a special meeting of Transat shareholders to be held at the Fairmount The Queen Elizabeth, 900 René-Lévesque Blvd West, Montreal, Québec, Canada, on February 24, 2005 at 10:30 a.m. (Eastern Time) for the purposes of voting on the resolutions which are fully described in the Notice of the 2005 Special Meeting of Shareholders and the Management Proxy Circular which accompany this letter.

If you are unable to attend the special meeting of Transat shareholders in person, please date, sign and promptly return the enclosed proxy form in the envelope provided for this purpose. If you do intend to be present at this meeting, you may nevertheless find it convenient to express your views in advance by completing and returning your proxy.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'J.M. Eustache', written over a horizontal line.

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

## NOTICE OF THE 2005 SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that a Special Meeting of Shareholders (the "Meeting") of Transat A.T. Inc. ("Transat," "we," "us" and other similar expressions) will be held at the Fairmount The Queen Elizabeth, 900 René-Lévesque Blvd West, Montreal, Québec, Canada, on February 24, 2005 at 10:30 a.m. (Eastern Time), for the following purposes:

1. to consider and, should it be deemed appropriate, to adopt a special resolution (the text of which is attached hereto at Schedule "A"), with or without amendments, for the purpose of amending the Articles of Transat in order to create two new classes of shares, the Class A Variable Voting Shares and Class B Voting Share. Each Transat Common Share which is not owned and controlled by a Canadian within the meaning of the *Canada Transportation Act* will then be converted into one Class A Variable Voting Share, and each Transat Common Share which is owned and controlled by a Canadian will be converted into one Class B Voting Share.
2. to consider and, should it be deemed appropriate, to adopt an ordinary resolution (the text of which is attached hereto at Schedule "E"), with or without amendments, for the purposes of confirming the amendments made to our By-law No. 1999-1 that confer our Board of Directors with the powers to implement and apply the restrictions on the issue, transfer and ownership of Class A Variable Voting Shares and Class B Voting Shares.
3. to consider and, should it be deemed appropriate, to adopt an ordinary resolution (the text of which is attached hereto at Schedule "G"), with or without amendments, for the purposes of confirming the amendments made to our By-law No. 2003-1 (our General By-laws) requiring, in certain circumstances, a vote by ballot in order to ensure that the voting rights attached to the Class A Variable Voting Shares are adjusted at shareholders' meetings according to the mechanism provided in the Articles of Amendment submitted for approval at the Meeting.
4. to transact such other business as may properly come before the meeting or nay adjournment thereof.

We hope you will take the time to familiarize yourself with the information on these matters set out in this Management Proxy Circular (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, at which you will have the opportunity to ask questions and meet with our management and Board of Directors as well as your fellow shareholders. **This Circular is furnished in connection with the solicitation, by Transat's management, of proxies for use at the Meeting of the Common Shareholders of Transat.**

Made at Montreal, Québec, on January 25, 2005  
BY ORDER OF THE BOARD OF DIRECTORS



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

**In order that the greatest possible number of shares may be represented and voted at the Meeting, registered shareholders who are unable to attend the Meeting should return their completed proxies to our transfer agent, Computershare Trust Company of Canada, before 5:00 p.m. (Eastern Time), February 23, 2005 or, in the event that the Meeting is adjourned or postponed, by no later than 5:00 p.m. (Eastern Time) on the business day prior to the day fixed for the adjourned or postponed Meeting. Proxies can be sent to our transfer agent: (i) by MAIL by completing, dating, signing and returning the enclosed form of proxy to Computershare Trust Company of Canada in the enclosed prepaid envelope provided for that purpose, before the above mentioned date and time; or (ii) by FAX at 1 (866) 249-7775 (toll-free within North America only) or at (416) 263-9524. Please refer to the annexed Circular for details. If you are not a registered shareholder (i.e., if your Common Shares are held through a bank, trust company, securities broker or other nominee), please refer to the section entitled "How can a Non-registered Shareholder Vote" in the Circular, which explains how to vote your shares.**

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## Management Proxy Circular

### INFORMATION REGARDING THE MEETING

To ensure representation of your shares at the Special Meeting of Shareholder (the “Meeting”), please select the most convenient way for you to express your voting instructions (by fax or by mail) and follow the relevant instructions. Unless otherwise indicated, the information contained herein is given as at January 25, 2005. In this management proxy 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.

#### WHO IS SOLICITING MY PROXY?

The management of Transat A.T. Inc. (“Transat,” “we,” “us,” “our” and other similar expressions), is soliciting your proxy for use at the Meeting scheduled to be held at the Fairmount The Queen Elizabeth, 900 René-Lévesque Blvd West, Montreal, Québec, Canada, on February 24, 2005 at 10:30 a.m. (Eastern Time).

#### WHAT WILL I BE VOTING ON?

You will be voting on the adoption of a special resolution (the “Special Resolution”) in order to amend our Articles to:

- (i) authorize us to issue an unlimited number of Class A Variable Voting Shares (the “Variable Voting Shares”) and Class B Voting Shares (the “Voting Shares”);
- (ii) convert each issued and outstanding Common Share which is not owned and controlled by a Canadian within the meaning of the *Canada Transportation Act*, S.C. 1996, ch. 10 (the “Canada Transportation Act”), as constituted at close of market on the day prior to the date of amendment on the Certificate of Amendment to be issued by the Director pursuant to the *Canada Business Corporations Act*, R.S.C. (1985), ch. C-44 (the “CBCA”) following the filing of the Articles of Amendment, into one Variable Voting Share and to cancel it;
- (iii) convert each issued and outstanding Common Share which is owned and controlled by a Canadian within the meaning of the Canada Transportation Act, as constituted at close of market on the day prior to the date of amendment on the Certificate of Amendment to be issued by the Director pursuant to the CBCA following the filing of the Articles of Amendment, into one Voting Share and to cancel it;
- (iv) cancel all unissued Transat Common Shares, it being understood that the Variable Voting Shares and the Voting Shares are substituted, with the required adaptations, for the purpose of exercising all rights of subscription, purchase or conversion relating to the Common Shares which are hereby cancelled; and
- (v) supersede the restrictions on the subscription, issue and transfer of the voting shares of our share capital.

You will also be voting (i) on the adoption of an ordinary resolution (the “Resolution Concerning By-law No. 1999-1”) in order to confirm the amendments made to our By-law No. 1999-1 that confer our Board of Directors with the powers necessary to implement and apply the restrictions on the ownership of Variable Voting Shares and Voting Shares, and (ii) on the adoption of an ordinary resolution (the “Resolution Concerning the General By-laws”) in order to confirm the amendments made to our By-law No. 2003-1 (our General By-laws) requiring, in certain circumstances, a vote by ballot in order to ensure that the voting rights attached to the Variable Voting Shares are adjusted according to the mechanism provided in the Articles of Amendment submitted for approval at this Meeting.

#### **HOW WILL THESE MATTERS BE DECIDED AT THE MEETING?**

A majority of not less than two-thirds of the votes cast by Transat shareholders, either by proxy or in person at the Meeting, will constitute approval of the Special Resolution specified in this Circular. The Resolution Concerning By-law No. 1999-1 and the Resolution Concerning the General By-laws must be approved by a majority of the votes cast by Transat shareholders, either by proxy or in person, at the Meeting.

#### **HOW MANY VOTES DO I HAVE?**

Subject to the voting restrictions outlined below, you will have one vote for every Transat Common Share that you own at the close of business on February 2, 2005, 5:00 p.m. (Eastern Time), the record date for the Meeting.

To vote Common Shares you acquired subsequent to the record date, you must, not later than ten days before the Meeting:

- (i) request that we add your name to the voting list; and
- (ii) produce properly endorsed share certificates or otherwise establish that you own the Common Shares.

#### **HOW MANY SHARES CONFER A VOTING RIGHT?**

As of January 25, 2005, Transat had a total of 34,618,134 issued and outstanding Common Shares. Each Common Share confers one voting right.

#### **RESTRICTIONS ON VOTING SHARES**

Pursuant to the Canada Transportation Act, Air Transat A.T. Inc. (“Air Transat”) must establish, at all times, that it is “Canadian” within the meaning of such act in order to hold the licences necessary to operate an air service. Because Air Transat is wholly owned by Transat, we must qualify as “Canadian” in order for Air Transat to qualify as “Canadian.” In other words, we must ensure that no more than 25% of our voting shares are owned or controlled by non-Canadians.

In this respect, our Articles provide that we:

- (i) will not accept any subscription of our voting shares;
- (ii) will not issue any of our voting shares; and
- (iii) will not register or acknowledge the transfer of any of our voting shares;

if such subscription, issue or transfer causes us to cease being “Canadian” within the meaning of the Canada Transportation Act.

For the foregoing purposes, “voting share” means a share conferring a right to vote in all circumstances or by reason of an event which occurred or is occurring, and includes a security convertible into such a share, as well as an option or a right which may be exercised to acquire such a share or security, and in particular the Transat Common Shares.

The terms under this section, which are not defined herein but are defined in the CBCA shall have the meanings ascribed to them under the CBCA.

Transat and its registrar and transfer agent, Computershare Trust Company of Canada (“Computershare”), have put in place Guidelines Respecting Shareholders’ Declarations to assist us in the monitoring and control of the ownership of our voting shares in accordance with the provisions of our Articles and the Canada Transportation Act. These Guidelines provide for a monitoring mechanism based on declarations to be provided by registered shareholders upon transfer or registration, and by participants in the Canadian Depository for Securities Limited’s (“CDS”) book-based system for unregistered holders at least four times a year and at any time upon request.

To the best of our knowledge, as of January 25, 2005, approximately 21.61% of the voting shares of our share capital were owned or controlled by non-Canadians.

#### **WHO ARE OUR PRINCIPAL HOLDERS?**

To the knowledge of our directors and officers, as of January 25, 2005, no person or entity owned or controlled 10% or more of the voting shares of Transat’s share capital.

#### **HOW DO I VOTE?**

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. You have two ways of voting by proxy :

- (i) by fax, by completing and signing the enclosed proxy form and forwarding it by fax to 1 (866) 249-7775 (toll-free within North America only) or to (416) 263-9524; or
- (ii) by mail, by completing and signing the enclosed proxy form and mailing it in the prepaid envelope provided.

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?”.

#### **VOTING BY PROXY**

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

#### **HOW WILL MY VOTING RIGHTS BE EXERCISED?**

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 in the case of either a vote by show of hands or a vote by ballot.

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, Common Shares represented by proxies received by management will be voted IN FAVOUR of the adoption of (i) the proposed Special Resolution, (ii) the proposed Resolution Concerning By-law No. 1999-1 and (iii) the proposed Resolution Concerning the General By-laws.**

#### **WHAT IF THERE ARE AMENDMENTS OR IF OTHER MATTERS ARE BROUGHT BEFORE THE MEETING?**

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

As of the time of printing of the Circular, management is not aware of any amendments to the matters set out in the notice of meeting or of other matter to be presented at the Meeting. However, if other matters duly 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 by the proxy form with respect to such matters.

#### **BY WHEN MUST I VOTE?**

No later than 5 :00 p.m. (Eastern Time) on February 23, 2005 (if you do not attend the Meeting in person). All shares represented by appropriate proxies received by Computershare prior to such time will be voted for or against the approval of the Special Resolution, the Resolution Concerning By-law No. 1999-1 and the Resolution Concerning the General By-laws, in accordance with your instructions as specified in the proxy form, on any ballot that may be called at the Meeting.

#### **CAN I CHANGE MY MIND AND REVOKE MY PROXY?**

You can revoke your proxy at any time before it is exercised. To do this, clearly state in writing that you want to revoke your proxy and deliver this written statement to the Vice-President, General Counsel and Corporate Secretary at: Place du Parc, 300 Léo-Pariseau Street, Suite 600, Montreal, Québec, H2X 4C2, no later than on the last business day before the Meeting, namely February 23, 2005 at 5:00 p.m. (Eastern Time) or to the Chairman of the Meeting on the day of the Meeting or any adjournment thereof, or in any other manner prescribed by law.

#### **WHO COUNTS THE VOTES?**

Proxies are counted by Computershare.

#### **HOW ARE PROXIES SOLICITED?**

Our management requests that you sign and return the proxy form to ensure that 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 incurred by them in connection with these services. Transat has retained Innisfree M&A Incorporated, a proxy solicitation firm, for assistance in connection with the solicitation of proxies for the Meeting for a fee of approximately \$31,000 plus additional charges related to telephone calls and other services. Arrangements will also be made with brokerage houses and other custodians, nominees and fiduciaries for the forwarding of solicitation material to the beneficial owners of shares registered in the names of these persons, and Transat may reimburse them for their reasonable transaction and clerical expenses.

## **HOW CAN A NON-REGISTERED SHAREHOLDER VOTE?**

If your Common 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 the manner in which to vote your shares. This is why you have received the 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 that your shares are voted. If you are a non-registered shareholder who has voted and want to change your mind and vote in person, contact your nominee to obtain information on the procedure to follow, where possible.

## **HOW CAN A NON-REGISTERED SHAREHOLDER VOTE IN PERSON AT THE MEETING?**

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. In so doing, you are instructing your nominee to appoint you as proxyholder. Then follow the signing and return instructions provided by your nominee. It is not necessary to otherwise complete the form, as you will be voting at the Meeting.

## MATTERS ON THE AGENDA

### PROPOSED AMENDMENTS TO THE ARTICLES OF TRANSAT

A Meeting has been convened in order for the shareholders to examine and, should they deem appropriate, adopt the Special Resolution, the text of which is attached hereto at Schedule “A”, authorizing us to amend our Articles in accordance with the CBCA.

### Background and Purpose of the Proposed Amendments to our Articles

#### Legislative Framework Surrounding the Activities of Transat

Transat owns all of Air Transat’s issued and outstanding shares. As an air carrier, Air Transat is notably governed by the Canada Transportation Act, which provides that the operation of an air service is subject to obtaining certain licences provided for therein. Air Transat currently holds one licence to operate a domestic service, another to operate a non-scheduled international service and 14 licences to operate scheduled international services, all issued in accordance with the Canada Transportation Act.

The Canada Transportation Act provides that the Canadian Transportation Agency may issue a licence to operate an air service to a Canadian within the meaning of the act or, in the particular case of a licence to operate a scheduled international service, to a person designated as eligible by the Minister. The definition of the term “Canadian” in the Canada Transportation Act can be summarized as follows:

- (i) any Canadian citizen or permanent resident within the meaning of the *Immigration and Refugee Protection Act*, R.S.C. (1985 ) c. I-2;
- (ii) any government in Canada or an agent of such a government; or
- (iii) any corporation or other entity that is incorporated or formed under the laws of Canada or a province, that is controlled in fact by Canadians and of which at least 75%, or such lesser percentage as the Governor in Council may by regulation specify, of the voting interests are owned and controlled by Canadians.

Any person holding a licence to operate an airline service who ceases to be a Canadian within the meaning of the Canada Transportation Act can have his licence suspended or cancelled.

Because Air Transat is wholly owned by Transat, if Air Transat is to qualify as Canadian within the meaning of the Canada Transportation Act, we must qualify as a Canadian under that same act. In other words, no more than 25% of our issued and outstanding voting shares can be owned or controlled by non-Canadians.

#### Control and Supervision Measures Implemented by Transat

In 1999, we amended our Articles to impose restrictions on the subscription, issue and transfer of voting shares of our share capital that could result in Transat ceasing to be a Canadian within the meaning of the Canada Transportation Act. At the same time, we adopted administrative by-laws to apply the provisions restricting the issue and transfer of voting shares of our share capital, and implemented Guidelines Respecting Shareholders’ Declarations in conjunction with Computershare. Since these Guidelines were introduced, a mechanism has been put in place to help us monitor and control the ownership of our voting shares in accordance with the provisions of our Articles and the Canada Transportation Act. For more information on this topic, see the section entitled “Restrictions on Voting shares.”

Until recently, the restrictions provided for in our Articles relating to the subscription, transfer and issue of voting shares to non-Canadians, combined with the measures set out in the Guidelines Respecting

Shareholders' Declarations, allowed us to monitor and control our non-Canadian ownership in order to keep it below the 25% limit prescribed by the Canada Transportation Act.

On November 15, 2004, based on information then available and following unusually high trading volumes since September 2004, we published a press release announcing that the level of non-Canadian ownership of Transat's voting shares was nearing the 25% limit. In light of this uncertainty respecting the percentage of non-Canadian ownership, we immediately implemented special procedures for the transfer and issue of our voting shares to non-Canadians. These special procedures were implemented pursuant to Transat's Guidelines Respecting Shareholders' Declarations mentioned above. The goal of these special procedures is to monitor any change in non-Canadian ownership of Transat's voting shares and ensure continuous compliance with the 25% limit placed on the ownership or control of outstanding voting shares by non-Canadians.

### **Amendment to the Articles**

Our management considers that the application of the Guidelines Respecting Shareholders' Declarations combined with the implementation of the special procedures are perhaps no longer the most appropriate measures to ensure that our securities circulate freely enough to satisfy the significant interest non-Canadians have shown in our Common Shares, especially since September 2004. Moreover, we have realized that the operation of our business on the Canadian market has reached a certain saturation point, forcing any growth to take the form of foreign expansion, from which we currently draw approximately 24% of our total revenue. For our corporation, gaining a foothold in world capital markets is essential to the financing of this global expansion. The proposed amendments to our Articles will therefore allow us to qualify as Canadian within the meaning of the Canada Transportation Act, while providing a permanent solution to our growth objectives and future capital needs.

On March 29, 2001, the Canadian government amended the *Canada Business Corporations Regulations (2001)*, SOR/2001-512 to authorize corporations that are subject to Canadian ownership and control requirements under the Canada Transportation Act to impose constraints on the ownership of shares of any class or series to meet these Canadian ownership and control requirements. This amendment allows corporations governed by the Canada Transportation Act to create classes or series of shares carrying constraints on non-Canadian ownership, something that was not possible in 1999 when we last amended our Articles.

With this perspective in mind, our management has recommended that our Board of Directors proceed with amending the Articles of Transat to, among other things:

- (i) authorize us to issue an unlimited number of Variable Voting Shares and Voting Shares;
- (ii) convert each issued and outstanding Common Share which is not owned and controlled by a Canadian within the meaning of the Canada Transportation Act, as constituted at close of market on the day prior to the date of amendment on the Certificate of Amendment to be issued by the Director pursuant to the CBCA following the filing of the Articles of Amendment, into one Variable Voting Share and cancel it;
- (iii) convert each issued and outstanding Common Share which is owned and controlled by a Canadian within the meaning of the Canada Transportation Act, as constituted at close of market on the day prior to date of amendment stated on the Certificate of Amendment to be issued by the Director pursuant to the CBCA following the filing of the Articles of Amendment, into one Voting Share and cancel it;
- (iv) cancel all of our unissued Common Shares it being understood that the Variable Voting Shares and Voting Shares are substituted, with the required adaptations, for the purpose of exercising all rights of subscription, purchase or conversion relating to the Common Shares which are hereby cancelled; and

- (v) supersede the restrictions on the subscription, issue and transfer of voting shares of our share capital.

A copy of the Special Resolution authorizing us to amend our Articles in accordance with the terms and conditions set out below is attached to this Circular as Schedule “A”.

### **Distribution to Shareholders**

After the 9/11 attacks and the subsequent financial difficulties sustained by the airline industry and by Transat, we implemented an action plan to ensure the financial viability of Transat, which specifically included significant reductions in many expenses. We also procured additional cash on hand for working capital purposes by renewing our renewable credit facility and issuing debentures in an additional amount of approximately \$71 million. Furthermore, we reviewed our tour operating activities, which specifically resulted in the restructuring of the activities of Look Voyage and in the sale of CaiD S.A., operating under the business name Anyway, for a consideration of about \$83.32 million. Together, these measures allowed us to progressively increase our cash on hand so that as at October 31, 2004, we had a total of approximately \$310 million in cash and cash equivalents.

During a September 9, 2004 conference call regarding the results for the third quarter ended July 31, 2004, Transat indicated that it was examining several options to optimize its capital structure. Our management then announced that it expected to present a plan for its use of cash in January 2005. As part of that plan, Transat also indicated that it would consider distributing capital to its shareholders.

Transat’s management believes that an issuer bid would be an appropriate form of capital distribution for Transat and its shareholders. However, due to the 25% non-Canadian ownership or control limit imposed by the Canada Transportation Act, this option may be difficult to carry out if the proposed amendments to our Articles are not approved. Transat’s management therefore believes that the proposed amendments to our Articles, if adopted by our shareholders, would allow us to consider an issuer bid should Transat decide to proceed with a capital distribution.

Therefore, until the shareholders have pronounced themselves on the proposed amendments to our Articles and due to the market conditions outlined in the “Outlook” section of our press release dated January 13, 2005, Transat has decided to postpone its decision as to whether to proceed with any capital distribution and is in the process of assessing all of its alternatives.

### **Summary of the Rights, Privileges, Restrictions and Conditions Attached to the Variable Voting Shares and Voting Shares**

The summary below describes the rights, privileges, restrictions and conditions attached to the Variable Voting Shares and the Voting Shares. The complete text describing these rights, privileges, restrictions and conditions is included in the Articles of Amendment, a copy of which is attached hereto as Schedule “B”.

#### Variable Voting Shares

##### *Exercise of Voting Rights*

The holders of Variable Voting Shares are entitled to receive notice of, to attend and vote at all meetings of our shareholders, except those at which the holders of a specific class are entitled to vote separately as a class under the CBCA.

Variable Voting Shares carry one vote per share held, except where (i) the number of outstanding Variable Voting Shares exceeds 25% of the total number of all issued and outstanding Variable Voting Shares and Voting Shares (or any greater percentage 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 vote attached to each Variable Voting Share will decrease automatically without further act or formality. Under the circumstances described in paragraph (i) above, the Variable Voting Shares as a class cannot carry more than 25% (or any greater percentage that the Governor in Council may specify pursuant to the Canada Transportation Act) of the total voting rights attached to the aggregate number of issued and outstanding Variable Voting Shares and Voting Shares of Transat. Under the circumstances described in paragraph (ii) above, the Variable Voting Shares as a class cannot, for a given shareholders' meeting, carry more than 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 said meeting.

#### *Dividends*

Subject to the rights, privileges, restrictions and conditions attached to any other class of Transat shares ranking prior to the Variable Voting Shares, the holders of Variable Voting Shares are entitled to receive any dividends that are declared by Transat's directors at the times and for the amounts that our Board of Directors may, from time to time, determine. The Variable Voting Shares and the Voting Shares shall rank equally as to dividends on a share-for-share basis. All dividends shall be declared in equal or equivalent amounts per share on all Variable Voting Shares and Voting Shares then outstanding, without preference or distinction.

#### *Subdivision or Consolidation*

No subdivision or consolidation of the Variable Voting Shares or Voting Shares shall occur unless simultaneously, the Variable Voting Shares or Voting Shares, as the case may be, are subdivided or consolidated in the same manner so as to maintain and preserve the relative rights of the holders of each of these classes of shares.

#### *Rights in the Case of Liquidation, Winding-Up or Dissolution*

Subject to the rights, privileges, restrictions and conditions attached to the other classes of Transat shares ranking prior to the Voting Shares, in the case of liquidation, dissolution or winding-up of Transat, the holders of Voting Shares and Voting Shares shall be entitled to receive Transat's remaining property and shall be entitled to share equally, share for share, in all distributions of such assets.

#### *Conversion*

Each issued and outstanding Variable Voting Share shall be automatically converted into one Voting Share, without any further intervention on the part of Transat or the holder, if (i) the Variable Voting Share is or becomes owned and controlled by a Canadian; or if (ii) the provisions contained in the Canada Transportation Act relating to foreign ownership restrictions are repealed and not replaced with other similar provisions.

In the event that an offer is made to purchase Voting Shares and the offer is one which is required, pursuant to applicable securities legislation or the rules of a stock exchange on which the Voting Shares are then listed, to be made to all or substantially all the holders of Voting Shares in a given province of Canada to which these requirements apply, each Variable Voting Share shall become convertible at the option of the holder into one Voting Share at any time while the offer is in effect until one day after the time prescribed by applicable securities legislation for the Offeror to take up and pay for such shares as are to be acquired pursuant to the offer. The conversion right may only be exercised in respect of Variable Voting Shares for the purpose of depositing the resulting Voting Shares pursuant to the offer, and for no other reason, including notably with respect to voting rights attached thereto, which are deemed to remain subject to the provisions concerning voting rights for Variable Voting Shares notwithstanding their conversion. Our transfer agent shall deposit the resulting Voting Shares on behalf of the holder.

Should the Voting Shares issued upon conversion and tendered in response to the offer be withdrawn by shareholders or not taken up by the Offeror, or should the offer be abandoned or withdrawn, the Voting Shares resulting from the conversion shall be automatically reconverted, without further intervention on the part of Transat or on the part of the holder, into Variable Voting Shares.

Variable Voting Shares may not be converted into Voting Shares, and *vice-versa*, other than in accordance with the conversion procedure set out in our Articles of Amendment.

*Constraints on Share Ownership*

Variable Voting Shares may only be owned or controlled by non-Canadians.

Voting Shares

*Exercise of Voting Rights*

The holders of Voting Shares shall be entitled to receive notice of, and to attend and vote at all meetings of our shareholders, except those at which holders of a specific class are entitled to vote separately as a class under the CBCA. Each Voting Share shall confer the right to one vote at all meetings of our shareholders.

*Dividends*

Subject to the rights, privileges, restrictions and conditions attached to any class of Transat shares ranking prior to the Voting Shares, holders of Voting Shares are entitled to receive any dividends declared by our directors at the times and for the amounts that the Board of Directors may, from time to time, determine. The Voting Shares and the Variable Voting Shares shall rank equally as to dividends on a share-for-share basis. All dividends declared shall be declared in equal or equivalent amounts per share on all Voting Shares and Variable Voting Shares then outstanding, without preference or distinction.

*Subdivision or Consolidation*

No subdivision or consolidation of the Voting Shares or Variable Voting Shares shall occur unless simultaneously, the Voting Shares or the Variable Voting Shares, as the case may be, are subdivided or consolidated in the same manner so as to maintain and preserve the respective rights of the holders of each of these classes of shares.

*Rights in the Case of Liquidation, Winding-Up or Dissolution*

Subject to the rights, privileges, restrictions and conditions attached to any class of shares ranking prior to the Voting Shares, in the case of liquidation, dissolution or winding-up of Transat, the holders of Voting Shares and Variable Voting Shares shall be entitled to receive Transat's remaining property and shall be entitled to share equally, share for share, in all distributions of such assets.

*Conversion*

Each issued and outstanding Voting Share shall be converted into one Variable Voting Share, automatically and without any further act of Transat or the holder, if such Voting Share is or becomes owned or controlled by a person who is not a Canadian.

In the event that an offer is made to purchase Variable Voting Shares and the offer is one which is required, pursuant to applicable securities legislation or the rules of a stock exchange on which the Variable Voting Shares are then listed, to be made to all or substantially all the holders of Variable Voting Shares, each Voting Share shall become convertible at the option of the holder into one Variable Voting Share at any time while the offer is in effect until one day after the time prescribed by applicable securities legislation for the Offeror to take up and pay for such shares as are to be acquired pursuant to the offer. The conversion right may only be exercised in respect of Voting Shares for the purpose of depositing the resulting Variable Voting Shares pursuant to the offer, and for no other reason, including notably with respect to voting rights attached thereto, which are deemed to remain subject to the provisions concerning the voting rights for Voting Shares notwithstanding their conversion. Our transfer agent shall deposit the resulting Variable Voting Shares on behalf of the holder.

Should the Variable Voting Shares issued upon conversion and tendered in response to the offer be withdrawn by the shareholders or not taken up by the offeror, or should the offer be abandoned or withdrawn, the Variable Voting Shares resulting from the conversion shall be automatically reconverted, without further intervention on the part of Transat or on the part of the holder, to Voting Shares.

The Voting Shares may not be converted into Variable Voting Shares, or *vice-versa*, other than in accordance with the conversion procedure set out in the Articles of Amendment.

#### *Constraints on Share Ownership*

The Voting Shares may only be owned and controlled by Canadians.

#### **Shareholder Approval and Coming into Force of the Special Resolution**

Our Board of Directors adopted a resolution on January 12, 2005 authorizing the submission of the Special Resolution to the shareholders.

In order to come into force, the Special Resolution must be adopted by at least two thirds of the votes cast at the Meeting by all Transat shareholders who are present or represented by proxy. If the Special Resolution is approved by the shareholders, the amended Articles will only come into force once the Articles of Amendment are filed with the Director under the CBCA and when, in accordance with the provisions of the CBCA, a Certificate of Amendment is issued in respect of the amendments contemplated by the Special Resolution. Under the Special Resolution, our directors have the power to revoke the Special Resolution at their discretion before any effect is given thereto by filing the Articles of Amendment with the Director under the CBCA. Our directors may exercise this power if one or many shareholders exercise their right to dissent related to the Special Resolution.

**Unless a shareholder indicates otherwise, the voting rights attached to the shares represented by the proxy form given to our management will be voted IN FAVOUR of the Special Resolution in order to approve the proposed amendments to our Articles.**

#### **Right to Dissent**

Under the CBCA, Transat shareholders are entitled to send us a written objection to the Special Resolution. In addition to any other right the holders of Common Shares may have, once the proposed amendments to our Articles contemplated by this Special Resolution take effect, any Transat shareholder who follows the CBCA procedures for exercising his right to dissent (the “Dissenting Shareholder”) will be entitled to receive payment from Transat of the fair value of the Common Shares he holds with respect to which he expressed his dissent. This fair value will be determined upon the close of business on the day preceding the adoption of the Special Resolution.

The procedure set out in the CBCA to exercise one’s right to dissent is summarized in Schedule “C” attached hereto. Any holder of Common Shares who wishes to exercise his right to dissent to the Special Resolution is invited to examine it. Any Dissenting Shareholder who fails to abide by all CBCA requirements for the exercise of the right to dissent risks losing this right under the law. **Executing or exercising a proxy does not constitute a written objection for the purposes of the CBCA.**

Our Board of Directors reserves the right, at its discretion, to refrain from submitting the Special Resolution to shareholders or not to submit the Articles of Amendment with the Director pursuant to the CBCA, if the number of Dissenting Shareholders is too high, or if, for any other reason, it deems that it is not in the best interests of Transat to follow through on the proposed amendment of our Articles set out in the Special Resolution.

#### **Share Certificates**

If the Special Resolution is passed at the Meeting and our directors do not revoke it, Transat intends to file the Articles of Amendment with the Director under the CBCA shortly thereafter. We currently expect that the date for the coming into force and effect of the Articles of Amendment would be March 4, 2005 at 12:01 a.m. Accordingly, the record date for determining the registered shareholders would be set at the close of business on March 3, 2005 (hereafter designed the “Record Date” under this heading). On or about March 8, 2005, Transat or its transfer agent will mail, to shareholders who were registered as at the Record Date, share certificates representing the Variable Voting Shares or the Voting Shares, as the case may be, and to which they are entitled as a result of the Articles of Amendment. **On the date of amendment on the**



**Certificate of Amendment to be issued by the Director pursuant to the CBCA following the filing of the Articles of Amendment, existing share certificates representing Transat Common Shares will be void and of no effect.** Holders of Common Shares should not forward their certificates representing Common Shares to Transat or its transfer agent. Pursuant to the rules of the Toronto Stock Exchange, the Variable Voting Shares and the Voting Shares will commence trading at the opening of business on March 1, 2005, the second trading day preceding the Record Date.

### **Events Subsequent to the Approval**

Should the shareholders approve the Special Resolution in the manner described above, we will file the Articles of Amendment necessary to give effect to the proposed amendments to our shortly after the meeting, unless our directors repeal the Special Resolution prior to filing the Articles of Amendment.

### **Canadian Securities Legislation Considerations**

#### **Distribution and Resale of Variable Voting Shares and Voting Shares**

Subject to the explanation below, the placement of Variable Voting Shares and Voting Shares with our holders of Common Shares pursuant to the amendment of our Articles, will be exempt from prospectus and registration requirements under Canadian securities legislation.

In order to comply with Québec securities legislation, an exemption from prospectus and registration requirements has been obtained from the Autorité des marchés financiers concerning the distribution of the Variable Voting Shares and Voting Shares in the context of the amendments to our Articles. Subject to certain disclosure and other regulatory requirements, as well as the usual restrictions to the distribution of shares from “control blocks,” the Variable Voting Shares and Voting Shares issued in the context of the amendments to our Articles can be resold in all Canadian provinces without restrictions, subject however to restrictions set out in our Articles as well as to usual conditions which stipulate that no unusual effort or, in certain circumstances, no effort was made to prepare the market or create the demand for the securities and no commission or unusual consideration is granted with respect to the sale.

#### **Early Warning Reports**

Under Canadian securities legislation, a person whose interest in any class of a reporting issuer’s voting shares reaches or exceeds 10% must issue and file with the Canadian securities authorities a press release and report containing the information prescribed by regulation, unless the control was acquired by means of a take-over carried out in accordance with the procedure prescribed by Canadian securities legislation.

If the Special Resolution is approved by the shareholders and not repealed by our directors, the issued and outstanding Transat Common Shares will be converted into Voting Shares or Variable Voting Shares, depending on whether the Common Shares are owned and controlled by Canadians or not. As at January 25, 2005, 34,618,134 Common Shares were issued and outstanding, of which 27,138,699 were owned and controlled by Canadians, and 7,479,435 were owned or controlled by non-Canadians.

#### **Going-Private Transaction**

The proposed amendments to our Articles may be interpreted so as to constitute a going-private transaction within the meaning of Policy Statement Q-27 – *Protection of Minority Securityholders in the Course of Certain Transactions* (“Policy Q-27”). Accordingly, unless an exemption applies or is obtained from the Autorité des marchés financiers, an issuer proposing to carry out a going-private transaction is required to (i) prepare a valuation of the affected securities and to provide the holders of the affected securities a summary of such valuation and to (ii) require minority shareholder approval. An exemption from the requirements of Policy Q-27 has been obtained from the Autorité des marchés financiers.

The proposed amendments to our Articles are not subject to the Ontario Securities Commission Rule 61-501 – *Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions*.

## **Shareholder Rights Plan**

Our Shareholder Rights Plan (the “Rights Plan”), as updated in 2002, will come to an end at the adjournment of this year’s annual shareholder meeting, to be held on April 27, 2005, unless it is renewed. The Rights Plan ensures that, in the event of a take-over bid, all shareholders are treated fairly and have enough time to assess the advantages of the bid adequately and without undue pressure, all the while facilitating the presentation of competing bids. Our Rights Plan can be applied to the share capital structure as it will exist once the proposed amendment to our Articles takes effect without requiring any formal amendment. Nonetheless, we intend to review and update the existing Rights Plan once the amendments to our Articles take effect, and a proposal in this respect will be presented to our shareholders at the next annual shareholder meeting.

## **Canadian Federal Income Tax Considerations**

In the opinion of our counsel, Fasken Martineau DuMoulin LLP, the following is an adequate summary of the principal Canadian federal income tax considerations under the *Income Tax Act* (Canada), R.S.C. (1985) ch. 1 (5<sup>th</sup> Supp) (the “Tax Act”) concerning the amendment to Transat’s share capital, the conversion of the Common Shares of Transat’s share capital into Variable Voting Shares or Voting Shares of its share capital, and the subsequent holding and disposition of these shares of Transat’s share capital generally applicable to holders who, at all relevant times, hold Transat Common Shares and will hold Variable Voting Shares or Voting Shares as capital property, deal at arm’s length with Transat and are not affiliated persons with Transat within the meaning of the Tax Act. The shares of Transat’s share capital will generally constitute capital property to a holder thereof, provided that the holder does not hold such shares in the course of carrying on a business or has not acquired such shares in a transaction or transactions considered to be an adventure in the nature of trade. Certain holders who are Canadian residents within the meaning of the Tax Act and whose shares of Transat’s share capital might not otherwise qualify as capital property may, in certain circumstances, be entitled to have the shares treated as capital property by making an irrevocable election as provided by subsection 39(4) of the Tax Act.

This summary is based on the current provisions of the Tax Act and the regulation adopted pursuant thereto (the “Regulation”) and on our counsel’s understanding of the current published administrative practices and policies of the Canada Revenue Agency (the “Tax Practices”) publicly released as of the date hereof. This summary also takes into account specific proposals to amend the Tax Act and the Regulation publicly announced by the Minister of Finance (Canada) prior to the date hereof (the “Tax Proposals”) and assumes that all such Tax Proposals will be enacted in the form proposed. However, no assurance can be given that the Tax Proposals will be enacted in the form proposed, if at all.

This summary, with the exception of the Tax Proposals, does not take into account or anticipate any changes in the law or Tax Practices, whether by legislative, regulatory, administrative or judicial means. This summary does not take into account Canadian provincial, territorial or foreign tax considerations, which may differ significantly from those set out herein.

The Tax Act contains provisions relating to securities held by certain financial institutions (the “Mark-to-Market Rules”). This summary does not take into account such Mark-to-Market Rules, therefore, holders that are financial institutions for the purposes of such rules should consult their own tax advisors.

**This summary is not exhaustive of all Canadian federal income tax considerations. This summary is of a general nature only and is not intended to be, nor should it be construed to be, tax or legal advice to any particular holder. Changes in the law or Tax Practices or future court decisions may affect your tax treatment. Accordingly, holders should consult their own tax advisors with respect to their own particular circumstances, including the application and considerations of income tax legislation and other tax legislation of a country, province, territory, state or local tax authority.**

## **Holders Resident of Canada**

The following portion of this summary applies to holders who, at all relevant times, are resident or deemed to be resident of Canada for the purposes of the Tax Act (a “Canadian Holder”).

### Conversion of Existing Transat Common Shares

A Canadian Holder whose Transat Common Shares are converted into Voting Shares will not realize a capital gain or capital loss as a result of the conversion. The Canadian Holder will be considered to have disposed of the Transat Common Shares for proceeds of disposition equal to the aggregate adjusted cost base of the Transat Common Shares that he owned immediately prior to the conversion, and to have acquired the Voting Shares received upon conversion at a cost equal to such adjusted cost base. The adjusted cost base to a Canadian Holder of a Voting Share acquired subsequent to the conversion will be established by computing the average adjusted cost base of all other Voting Shares held by the Canadian Holder as capital property.

### Taxation of Dividends on Voting Shares

A Canadian Holder will be required to include in the calculation of income for a given taxation year any dividends received or deemed to be received on Voting Shares. In the case of Canadian Holders who are individuals (with the exception of certain trusts), such dividends will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations. In the case of Canadian Holders that are corporations, an amount equal to the dividend received shall be included in the calculation of their income, and will usually be deductible in the calculation of their taxable income.

Canadian Holders that are “private corporations” or “subject corporations” within the meaning of the Tax Act, will generally be liable to pay a refundable tax at the rate of 33 1/3 % under Part IV of the Tax Act on dividends received or deemed to be received on Voting Shares, to the extent that such dividends are deductible in the calculation of their taxable income.

### Disposition of Voting Shares – Taxation of Capital Gains and Capital Losses

Upon the disposition or deemed disposition of Voting Shares, a Canadian Holder will realize a capital gain (or capital loss) to the extent that the proceeds of disposition, less any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such shares for the Canadian Holder.

In general, a Canadian Holder is required to include one-half of the amount of any capital gain (a “Taxable Capital Gain”) realized, in the calculation of income in a taxation year, and can deduct one-half of the amount of any capital loss (an “Allowable Capital Loss”) realized in a taxation year against Taxable Capital Gains of that year, subject to and in accordance with the rules provided in the Tax Act. In accordance with the detailed rules of the Tax Act, the amount by which the Allowable Capital Losses exceed the Taxable Capital Gains of a given year may generally be carried back and deducted from the Taxable Capital Gain realized over the three preceding taxation years, or carried forward and deducted in any subsequent taxation year against Taxable Capital Gains realized in such year. A Taxable Capital Gain realized by a Canadian Holder who is an individual or a trust (with the exception of certain defined trusts) may also give rise to alternative minimum tax. Canadian Holders should consult their own tax advisors as regards the provisions of the Tax Act relating to alternative minimum tax.

The amount of any capital loss realized on the disposition of the Voting Shares by a Canadian Holder that is a corporation may be reduced from the amount of any dividend received or deemed to have been received by that Canadian Holder on Transat Voting Shares and Common Shares, to the extent and in the circumstances prescribed by the Tax Act. Similar rules may also apply where a corporation is a member of a partnership or a beneficiary of a trust that owns Transat Voting Shares or Common Shares, directly or indirectly, through a partnership or trust.

A Canadian Holder that is a “Canadian-controlled private corporation” within the meaning of the Tax Act is subject to an additional 6 2/3% refundable tax on certain investment income, including Taxable Capital Gains.

### Right to Dissent

A Canadian Holder who exercises his right to dissent will be deemed to have received a taxable dividend equal to the amount by which any amount paid by Transat for its Common Shares exceeds the paid-up capital on such shares immediately prior to that time. For a holder other than a corporation, this taxable dividend will be subject to the tax rules that apply to any other taxable dividends. For a holder that is a corporation, this taxable dividend may be subject to the tax rules that apply to any other taxable dividends or may result in the realization of a capital gain in accordance with the detailed rules of the Tax Act. A holder thinking about exercising his right to dissent should consult his own tax advisor concerning the resulting tax consequences.

### Eligibility for Investment

Upon their date of issue, the Transat Voting Shares will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans and deferred profit sharing plans under the Tax Act, and will not constitute foreign property within the meaning and for the purposes of the Tax Act.

### Automatic Conversion of Voting Shares into Variable Voting Shares

The automatic conversion of one Voting Share into one Variable Voting Share provided for in Transat's Articles will be deemed not to constitute either a disposition of the Voting Share or an acquisition of the Variable Voting Share for the purposes of the Tax Act. The cost of the Variable Voting Shares to the Canadian Holder upon conversion of the Voting Shares will be deemed to be equal to the total adjusted cost base to the Canadian Holder of the Voting Shares immediately prior to the conversion.

### **Holders Non-Resident of Canada**

The following portion of this summary applies to a holder who, at all relevant times for the purposes of the Tax Act, is neither resident nor deemed to be resident of Canada (a "Non-Resident Holder"). Furthermore, this section does not apply to a Non-Resident Holder who uses or holds Transat Common Shares in the course of carrying on a business in Canada, or to an insurer or an authorized foreign bank that carries on an insurance business or banking business in Canada and abroad.

### Conversion of Transat Common Shares

A Non-Resident Holder whose Transat Common Shares are converted into Variable Voting Shares will not realize a capital gain or a capital loss as a result of the conversion. The Non-Resident Holder will be considered to have disposed of the Transat Common Shares for proceeds of disposition equal to the adjusted cost base of the Transat Common Shares immediately prior to the conversion, and to have acquired the Variable Voting Shares received upon conversion at a cost equal to such adjusted cost base. The adjusted cost base to a Non-Resident Holder of a Variable Voting Share acquired subsequent to the conversion will be established by computing the average adjusted cost base of all other Variable Voting Shares held by the Non-Resident Holder as capital property.

### Taxation of Dividends on Variable Voting Shares

Dividends paid or deemed to be paid by Transat to a Non-Resident Holder on Variable Voting Shares will be subject to Canadian withholding tax of 25%. This withholding tax may, however, be reduced under an applicable income tax treaty or convention.

### Disposition of Variable Voting Shares – Taxation of Capital Gains and Capital Losses

A Non-Resident Holder will not be subject to tax under the Tax Act on any Taxable Capital Gain (and will not be entitled to deduct any Allowable Capital Loss in computing taxable income earned in Canada to offset any Taxable Capital Gain) realized on a disposition of Variable Voting Shares unless the Variable Voting Shares constitute "taxable Canadian property" within the meaning of the Tax Act at the time

of their disposition, and such gain is not otherwise exempt from tax under the Tax Act pursuant to the provisions of an applicable income tax treaty or convention. Provided they are listed on a prescribed stock exchange (which includes the TSX) at the time of the disposition, the Variable Voting Shares will not generally constitute taxable Canadian property to a Non-Resident Holder unless, at any time during the 60-month period immediately preceding the disposition, the Non-Resident Holder, persons with whom the Non-Resident Holder did not deal at arm's length, or the Non-Resident Holder together with such persons, owned 25% or more of the issued shares of any class of Transat's share capital.

In the event that a Variable Voting Share constitutes "taxable Canadian property" for a Non-Resident Holder within the meaning of the Tax Act, any Taxable Capital Gain (or any Allowable Capital Loss) realized by the Non-Resident Holder upon the disposition of the Variable Voting Share may be exempt from tax under the Tax Act (or may be refused to offset Taxable Capital Gain in calculating taxable income earned in Canada) pursuant to an applicable income tax treaty or convention. Non-Resident Holders should consult their own tax advisors with respect to the availability of any relief under the terms of any applicable income tax treaty or convention in their particular circumstances.

In the event that a Variable Voting Share constitutes "taxable Canadian property" for a Non-Resident Holder within the meaning of the Tax Act, and that any Taxable Capital Gain (or Allowable Capital Loss) realized by a Non-Resident Holder upon the disposition of such share is not exempt from tax under the Tax Act (or may be used to offset any Taxable Capital Gain in computing taxable income earned in Canada) pursuant to an applicable income tax treaty or convention, then the tax consequences described above in the first two paragraphs under the heading "Holders Resident of Canada – Disposition of Voting Shares – Taxation of Capital Gains and Capital Losses" will generally apply.

Provided that the Variable Voting Shares are listed on a stock exchange prescribed by Regulation, a Non-Resident Holder will not be subject to the requirements of section 116 of the Tax Act, and no amount will be required to be withheld and remitted from the proceeds of disposition of the Variable Voting Shares in compliance with the provisions of the Tax Act.

#### Right to Dissent

A Non-Resident Holder who exercises his right to dissent will be deemed to have received a taxable dividend equal to the amount by which any amount paid by Transat for its Common Shares exceeds the paid-up capital on such shares immediately prior to that time. This taxable dividend will be subject to the tax rules that apply to any other taxable dividend described above under the heading "Holders Non-Resident of Canada – Taxation of Dividends on Variable Voting Shares."

#### Automatic Conversion of Variable Voting Shares into Voting Shares

The same tax treatment applies as that described earlier under the heading "Holders Resident of Canada – Automatic Conversion of Voting Shares into Variable Voting Shares."

#### **PROPOSED AMENDMENTS TO TRANSAT BY-LAW NO. 1999-1**

Our Board of Directors is authorized to adopt administrative by-laws in order to apply the restrictions on the issue, transfer and ownership of our voting shares. In 1999, our Board of Directors adopted By-law No. 1999-1 which conferred upon it the powers to implement and apply the restrictions on the issue and transfer of our voting shares. Because Transat proposes to amend its Articles according to the Special Resolution in order to impose ownership restrictions on its voting shares, our Board of Directors adopted, on January 12, 2005, a resolution amending By-law No. 1999-1 and authorizing the submission to our shareholders of the Resolution Concerning By-law No. 1999-1. The amendments to By-law No. 1999-1 confer our Board of Directors with the powers necessary to implement and apply the restrictions on the issue, transfer and ownership on our voting shares. If the Special Resolution is adopted, you will be invited to examine and, if you deem appropriate, confirm the amendments to By-law No. 1999-1. You will find a blackline version of By-law No. 1999-1 at Schedule "F" of this Circular illustrating the proposed changes.

Our Board of Directors recommends confirming the amendments proposed in By-law No. 1999-1 which will allow us to implement the mechanisms and procedures linked to the ownership of our voting shares in order for Transat to maintain its Canadian Status under the Canada Transportation Act.

**Approval by the Shareholders and the Coming into Force of the Resolution Concerning By-law No. 1999-1**

Pursuant to a resolution adopted on January 12, 2005, our Board of Directors authorized the submission of the Resolution Concerning By-law No. 1999-1 to our shareholders.

In order for it to come into force, the Resolution Concerning By-law No. 1999-1 must be adopted by at least the majority of the votes exercised by Transat Shareholders, either in person or by proxy, at the Meeting. If the Resolution concerning By-law No. 1999 is approved by the shareholders, the amendments to By-law No. 1999-1 will only come into force at the moment that the amendments to our Articles, as proposed by the Special Resolution, will come into effect.

**Unless a shareholder indicates otherwise, the voting rights attached to the shares represented by a proxy form given to our management will be voted IN FAVOUR of the Resolution Concerning By-Law No. 1999-1 in order to confirm the proposed amendments to our By-law No. 1999-1.**

**PROPOSED AMENDMENTS TO TRANSAT BY-LAW NO. 2003-1**

Our Board of Directors is authorized to adopt and amend administrative By-laws which must then be confirmed by our shareholders at the subsequent shareholders' meeting. In order to ensure that the proposed amendments to our Articles are in compliance with the Canada Transportation Act, the Canadian Transportation Agency, the regulatory agency responsible for the application of this law, requires that we amend our By-law No. 2003-1 (our General By-laws) so as to require a vote by ballot at shareholders' meetings in certain circumstances.

This amendment to By-law No. 2003-1 requires a vote by ballot where 5% or more of the votes represented by proxies and attached to shares that might be exercised at the shareholders' meeting, either by proxyholders or by shareholders, represent votes contrary to the matter before the shareholders. This amendment, consistent with the CBCA, ensures that the voting rights attached to the Variable Voting Shares are adjusted at shareholders' meetings in accordance with the mechanism provided in the proposed Articles of Amendment.

On January 18, 2005, our Board of Directors adopted a resolution amending By-law No. 2003-1 and authorizing the submission to our shareholders of the Resolution Concerning the General By-laws. Pursuant to this resolution a paragraph concerning compulsory ballot votes has been added at the end of Subsection 2.7 of By-law No. 2003-1, so that it will read:

*Show of Hands* – Unless a voice vote or a vote by ballot is held, the vote shall be taken by a show of hands. In such case, the shareholders or their proxyholders shall vote by raising one of their hands, and the number of votes shall be calculated in accordance with the number of raised hands, irrespective of the number of shares held or represented by each said shareholder or proxyholder.

*Voice Vote* – If the chairperson of the meeting so orders and if a vote by ballot is not requested, a voice vote shall be taken. In such case, each shareholder or proxyholder shall verbally (or, as the case may be, electronically) declare his name and that of each shareholder for whom he holds a proxy, the total number of votes he has and the manner in which he shall cast such votes. The number of votes so cast shall determine whether or not a resolution is carried.

*Ballot* – If the chairperson of the meeting so orders or a shareholder or proxyholder entitled to vote so requests, the vote shall be taken by ballot. A request for a vote by ballot may be

made at any time prior to the adjournment of the meeting, even after the holding of a vote by show of hands (but not after a voice vote) and such a request may also be withdrawn. The ballot is taken in such manner as the chairperson directs, and a prior vote by show of hands on the same matter has no effect.

*Joint Shareholders* – In the case of joint shareholders and if more than one of such person is present at any meeting, in person or by proxy, that one of the said persons so present whose name stands first in the securities register of the Corporation in respect of such shares shall alone be entitled to vote in respect thereof.

*Compulsory Ballot Vote* – Notwithstanding anything in this Subsection 2.7, a ballot shall be conducted where proxies representing at least 5% of the votes attached to shares represented at the meeting, either by shareholders personally or by proxy, require the proxyholders to vote against a matter.”

If the Special Resolution is adopted, you will be invited to examine and, if you deem appropriate, confirm the amendments to By-law No. 2003-1, as set out in the Resolution Concerning the General By-laws at Schedule “G”.

Our Board of Directors recommends confirming the amendments proposed to By-law No. 2003-1 which will allow us to fulfill the requirements of the Canadian Transportation Agency, in order to qualify as Canadian under the Canada Transportation Act.

#### **Approval by the Shareholders and the Coming into Force**

Pursuant to the resolution adopted on January 18, 2005, our Board of Directors authorized the submission of the Resolution Concerning the General By-laws to our shareholders.

In order for it to come into force, the Resolution Concerning the General By-laws must be adopted by at least the majority of the votes exercised by Transat shareholders, either in person or by proxy, at the Meeting. The Resolution Concerning the General By-laws will only come into force at the moment that the amendments to our Articles, as proposed by the Special Resolution, come into effect.

**Unless a shareholder indicates otherwise, the voting rights attached to the shares represented by a proxy form given to our management will be voted IN FAVOUR of the Resolution Concerning the General By-laws in order to confirm the proposed amendments to our By-law No. 2003-1.**

## INFORMATION CONCERNING TRANSAT

### INTEREST OF OUR DIRECTORS AND EXECUTIVE OFFICERS

The following information describes the direct or indirect interest of each person who has been a director or executive officer of Transat during in the last fiscal year, particularly as beneficial owners of the securities, in the adoption of the Special Resolution, the Resolution Concerning By-law No. 1999-1 and the Resolution concerning our General By-laws. The following information is given as at January 25, 2005 and is based on the declarations of our directors or executive officers, as applicable.

Director or executive officer	Common Shares beneficially owned or over which control or direction is exercised	Convertible debentures held (\$)	Non-convertible debentures held <sup>(1)</sup> (\$)	Number of Common Shares that may be subscribed under subscription warrants	Number of Common Shares that may be acquired under the Stock Option Plan	DSU (Deferred Share Unit Plan)
JEAN-MARC BÉLISLE	23,482	—	10,000	650	41,306	334
ANDRÉ BISSON, O.C.	14,262	—	100,000	6,500	10,864	—
BERNARD BUSSIÈRES	18,233	—	5,000	325	29,237	418
LINA DE CESARE	122,861	—	200,000	13,000	75,435	1,377
ANDRÉ DE MONTIGNY	22,362	—	15,000	—	30,255	423
BENOÎT DESCHAMPS	10,062	—	100,000	6,500	10,864	—
JEAN-MARC EUSTACHE	603,156	—	500,000	32,500	272,654	3,825
NELSON GENTILETTI	6,846	—	—	—	41,055	516
DANIEL GODBOUT	24,554	—	—	—	34,405	473
ALLEN B. GRAHAM	8,796	—	—	—	34,370	545
JEAN GUERTIN	5,596	—	15,000	—	7,689	—
H. CLIFFORD HATCH JR.	1,749	—	25,000	1,625	7,477	—
LOUISE PICHÉ	6,222	—	—	—	22,922	422
JACQUES SIMONEAU <sup>(2)</sup>	—	—	—	—	7,477	—
HELEN K. SINCLAIR	5,690	—	—	—	4,903	—
PHILIPPE SUREAU	362,065	—	300,000	—	60,417	1,377
JOHN D. THOMPSON	16,262	25,000	50,000	3,250	10,864	—
DENNIS WOOD, O.C.	7,143	—	—	—	956	—

(1) All non-convertible debentures were redeemed by Transat on January 10, 2005.

(2) Until November 19, 2004, Mr. Jacques Simoneau was under the employment of the Fonds de solidarité des travailleurs du Québec (the “F.T.Q.”) and sat on our Board of Directors as an F.T.Q. representative. Due to this position, and pursuant to the F.T.Q.’s code of ethics, Mr. Simoneau was not authorized to hold Transat Common Shares.

### REPORT OF THE HUMAN RESOURCES AND COMPENSATION COMMITTEE

#### Composition of the 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 remuneration 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 remuneration of the executive officers, which are subject to the approval of our Board of Directors.



The Committee is currently composed of Messrs. Jean Guertin (Chairman of the Committee), H. Clifford Hatch Jr. and John D. Thompson. 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 Transat's executive officers is a member of the board of directors of the corporations that employ Messrs. Jean Guertin, H. Clifford Hatch Jr. and John D. Thompson. Note that Mr. J.M. Eustache participates in Committee meetings upon invitation.

### **Executive Compensation Policy**

Our executive compensation policy is intended to align our executive officers' aggregate compensation with our values, objectives and business strategy, and to determine the amount of such compensation in accordance with our financial performance and the creation of added value for our shareholders. With regards to Transat's French subsidiaries, the compensation policy is based on similar principles, but is adjusted to reflect the specific context of the French market. More precisely, the goals of the policy are established as follows:

- (i) to attract and retain competent executive officers in order to ensure our long-term success, as well as that of our subsidiaries;
- (ii) to motivate executive officers to meet and surpass the targeted performance objectives we have set; and
- (iii) to offer executive officers an aggregate compensation set at the first quartile of our reference market when the performance objectives and the objectives with respect to the creation of added value for the shareholders are attained.

Our policy consists in offering an aggregate compensation to our executive officers, which is established by drawing a comparison with a reference market of Canadian public corporations chosen on the basis of criteria such as the nature and complexity of their operations, their market segments and the scope of their operating activities (Canada-wide and international). Our reference market currently consists of more than 30 corporations, selected with the help of an external advisor, operating in market segments similar to those of Transat and which altogether posted an average income for their last fiscal year similar to that of Transat. With the help of an external advisor, the Committee annually reviews the composition of our reference market, updates the aggregate compensation data drawn therefrom and reviews, when necessary, our positioning within this market to ensure that it remains appropriate.

The aggregate compensation of our executive officers is comprised of the following elements:

- (i) a base salary;
- (ii) a Short-Term Incentive Program in the form of an annual bonus;
- (iii) a Long-Term Incentive Program with three components: a stock option plan, a permanent stock ownership incentive plan and a deferred share unit plan ("DSU");
- (iv) a Perquisites Program; and
- (v) a Benefits Package, including a group insurance plan and retirement arrangements for executive officers.

The key elements of the aggregate compensation of executive officers have been developed in accordance with the principles outlined below.

## Base Salary

Our executive officer positions and those of our subsidiaries are compared to other similar executive officer positions in corporations making up our reference market, and the salary data gathered are then analyzed to establish the median salaries\* in the market. Wage scales with minimums and maximums are then developed based on the market medians, allowing for the consideration of performance and experience in office. The target for salaries paid for each executive officer position is the median of the reference market.

For the purposes of internal equity, our equity officer positions (as well as all jobs within Transat) are initially evaluated and classified into six different classes of remuneration (from one to six) based on responsibilities, qualification, requirements and other conditions specific to each position. Each of these classes corresponds to the above-mentioned wage sales.

## Short-Term Incentive Program

The annual bonus for executive officers is based on our performance in relation to a consolidated financial performance measurement applicable to Transat, the financial objectives applicable to each of our subsidiaries and to individual performance. The annual bonus for each executive officer position is targeted to fall within the first quartile of the reference market, with a potential to exceed this reference market. The target bonus and maximum bonus vary depending on the class of the position considered and can reach, respectively, 25% to 33% (25% to 40% as of 2004-2005) and 62.5% to 82.5% (62.5% to 100% as of 2004-2005) of the base salary for executive officers, with the exception of the Chairman of the Board and Chief Executive Officer. Any bonus paid under the Short-Term Incentive Program is meant as a reward for exceeding the earnings per share (“EPA”) and earnings before taxes (“EBT”) budgeted by Transat, depending on the position, and the EBT budgeted for each subsidiary, as well as the individual performance of each employee.

The goal targeted by applying the compensation principles described above is to provide a cash remuneration (base salary and annual bonus) situated in the first quartile of the reference market when the targeted objectives are attained, with the potential to exceed the reference market when targeted objectives are exceeded and the maximum objectives are attained.

## Long-Term Incentive Program

The Long-Term Incentive Program has the following three permanent components, namely:

- (i) Stock Option Plan: The objective of the Common Stock Option Plan for our directors, officers and employees is to align part of the executive officers’ compensation with the creation of added value for our shareholders. Subject to the approval of the Board of Directors, the Chairman of the Board and Chief Executive Officer recommends to the Committee which other executive officers are to be granted stock options as well as the aggregate number of options that may be granted.\*\*
- (ii) Permanent Stock Ownership Incentive Plan: The Permanent Stock Ownership Incentive Plan is designed to promote the acquisition and holding by our eligible executive officers of a significant block of Transat Common Shares, in order to motivate them to create added value for shareholders and to help us retain these executive officers. Subject to participation in the Share Purchase Plan offered to all our employees, by subscribing annually for a number of Common Shares, the total subscription price of which is equal to 5% or 10% of the executive officer’s salary, depending on the position held, we will annually grant to each eligible executive officer a number of Common Shares the total subscription price of which shall be equal to the aforementioned percentage of salary contributed. The Common Shares we thus

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\* “Median salary” means a salary set at the 50<sup>th</sup> percentile of the reference market.

\*\* See “Stock Option Plan” for a summary of the terms and conditions of this plan.

grant will vest progressively to the eligible executive officer, subject to his retaining, during the vesting period, all the Common Shares subscribed for under our Share Purchase Plan.\*

- (iii) Deferred Share Unit Plan: The goal of this plan is to reinforce the convergence of the interests of the executive officers with those of the shareholders through the holding of units of the same value as Transat shares and the interest these executive officers have in increasing the price of Transat's shares.

Under the DSU plan, each executive officer will be granted a number of DSUs each year. With the exception of the Chairman of the Board and Chief Executive Officer, the number of DSUs granted can be obtained by dividing 3% or 6% of the base salary of the given executive officer, depending on the position held, by the market price of the Transat share at the time of granting.

DSUs thus granted will be held by the executive officer until his departure, death or retirement, whichever is the earliest, at which time all credited DSUs will be redeemed in cash by Transat at the market price of the Transat share at that time.\*\*

We have adopted guidelines governing the ownership of Transat shares or DSUs by executive officers requiring the latter to hold the equivalent of 1.5, 1.0 or 0.5 times their base salary after five (5) years in office, depending on the position held, with the exception of the Chairman of the Board and Chief Executive Officer, for whom this multiple is set at 2.0 times his salary.

The objective of the Long-Term Incentive Program is to ensure a target compensation value that serves to position the aggregate compensation (base salary, annual bonus, options and stock ownership) in the first quartile of our reference market when all targeted objectives are reached, with the potential to exceed the reference market when all maximum targets are attained.

### **Perquisites Program**

The Perquisites Program is designed to provide a certain degree of flexibility with regard to the personal and financial situation of executive officers. The program provides for the allocation of a dollar value expressed as a percentage of base salary (which varies according to the position held), allowing an executive officer to benefit from certain perquisites chosen among a range of perquisites we have predetermined.

The objective of the Perquisites Program is to ensure a target compensation value anchored to the median position of the reference market.

### **Benefits Package**

The Benefits Package is designed to provide adequate protection to executive officers and their families in the event of death, disability, illness, etc., including retirement, by means of retirement arrangements that provide for the payment to eligible executive officers of a retirement income based on a percentage of the executive officer's salary at the end of his or her career, which is determined based on the number of years of service and a percentage of the executive officer's salary per year of service.

The objective in providing a Benefits Package is to ensure a target compensation value positioned at the median of the reference market.

The Committee reviews the executive compensation policy regularly, with the assistance of external advisors if necessary, in order to ensure that Transat meets the aforementioned objectives efficiently and that the policy remains competitive in relation to the reference market.

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\* See "Permanent Stock Ownership Incentive Plan" for a summary of the terms and conditions of this plan.

\*\* See "Deferred Share Unit Plan" for a summary of the terms and conditions of this plan.

### **Compensation of the Chairman of the Board and Chief Executive Officer**

The aggregate compensation of the Chairman of the Board and Chief Executive Officer is determined according to the same policy, principles and objectives as those applicable to other executive officers, including as regards base salary, but based on similar positions in the corporations making up the reference market. In addition, under the Short-Term Incentive Program, the Chairman of the Board and Chief Executive Officer is entitled to a bonus representing 45% of his annual base salary (50% as of 2004-2005). This bonus can reach a maximum of 112.5% of his annual base salary (125 % as of 2004-2005). Under the Long-Term Incentive Program, the Chairman of the Board and Chief Executive Officer is also eligible to receive stock options representing 1.0 time his base salary. He is also eligible to participate in the Permanent Stock Ownership Incentive Plan up to a maximum of 10% of his base salary. Each component of the aggregate compensation of the Chairman of the Board and Chief Executive Officer is reviewed annually by the Committee, in the absence of the Chairman of the Board and Chief Executive Officer and in accordance with the objectives and principles described under the heading "Executive Compensation Policy."

In 2004, Mr. Jean-Marc Eustache received an annual base salary of \$600,000 in his capacity as Chairman of the Board and Chief Executive Officer of Transat. As regards his aggregate compensation for the year ended October 31, 2003, Mr. Eustache received a bonus of \$607,800 under the Short-Term Incentive Program, namely 101.3% of his base salary for 2004.

The Committee also granted Mr. Eustache 38,253 stock options in 2004 in accordance with the terms and conditions of this plan.

The Committee adopts and ensures follows up on the annual performance objectives set by the Chairman of the Board and Chief Executive Officer. This evaluation is conducted annually by the Committee, sent to the Board of Directors and discussed in the absence of the Chairman of the Board and Chief Executive Officer.

While the aggregate compensation of the Chairman of the Board and Chief Executive Officer is above the market median and near the first quartile of the reference market, it better reflects Transat's compensation policy, which aims for the first quartile or better when objectives have been reached or surpassed. The Committee therefore believes that the aggregate compensation of the Chairman of the Board and Chief Executive Officer of Transat reflects his superior performance, as evidenced by Transat's exceptional results in 2004.

Submitted on behalf of the Committee by:

JEAN GUERTIN, CHAIRMAN, H. CLIFFORD HATCH JR., JOHN D. THOMPSON

## EXECUTIVE COMPENSATION

### Summary Compensation Table

The following table sets forth the aggregate compensation we paid during each of the last three financial years to the Chairman of the Board and Chief Executive Officer, the Chief Financial Officer and the three most highly compensated executive officers of Transat. The persons appearing in the table are hereinafter referred to as the “Named Executive Officers.”

Name and principal position	Year	Annual Compensation			Long-term Compensation			
		Annual Salary (\$)	Annual Bonus <sup>(1)</sup> (\$)	Other Annual Compensations <sup>(2)</sup> (\$)	Awards		Payouts	
					Securities Under Options/SAUs Granted <sup>(3)</sup> (#)	Shares or Units Subject to Resale Restrictions <sup>(4)</sup> (\$)	LTIP Payouts <sup>(5)</sup> (\$)	All Other Compensation (\$)
<b>Jean-Marc Eustache</b> Chairman of the Board, Chairman of the Board and Chief Executive Officer of Transat; President, Look Voyages S.A.; and Chairman of the Board, Transat Tours Canada Inc.	2004	600,000	607,800	—	38,253/N/A.	59,994/60,000	239,715	—
	2003	560,000	126,000	—	147,368/N/A	53,994	—	—
	2002	428,000	481,500	—	61,230/ 30,615	39,130	—	—
<b>Philippe Sureau</b> President, Global Distribution, and President, Consultour Inc.	2004	360,000	267,480	—	15,378/N/A	N/A/21,600	130,683	—
	2003	312,700	51,596	—	55,134/N/A	30,140	—	—
	2002	259,250	213,881	—	24,849/ 16,690	7,110	—	—
<b>Lina De Cesare</b> President, World Tour Operators, President, Cameleon Hotel Management Corporation, and President, Transat Tours Canada Inc.	2004	360,000	297,000	—	15,378/N/A	35,987/21,600	122,540	—
	2003	312,700	111,596	—	55,134/N/A	30,140	—	—
	2002	243,100	200,558	—	23,301/ 15,650	11,110	—	—
<b>Nelson Gentiletti</b> <sup>(6)</sup> Vice-President, Finances and Administration, Chief Financial Officer of Transat and Executive Vice-President of Transat Tours Canada Inc.	2004	275,000	189,025	—	18,607/N/A	26,998/8100	126,016	—
	2003	250,000	87,500	—	32,974/N/A	24,101	—	—
	2002	47,115	35,337	—	10,000/ 16,094	N/A	—	—
<b>Allen B. Graham</b> <sup>(7)</sup> President and Chief Executive Officer, Air Transat	2004	285,000	213,750	—	9,085/N/A	28,494/8550	83,311	—
	2003	265,000	99,375	—	34,868/N/A	25,548	—	—
	2002	212,500	159,275	—	15,200/ 10,640	—	—	—

N/A = Not applicable

- (1) Short-term incentive bonuses earned in a given year are paid out the following year.
- (2) Ancillary benefits and other personal benefits are not included because they did not exceed the minimum thresholds stipulated for disclosure purposes.
- (3) The term “SAU(s)” means the unit(s) of appreciation of Transat’s share price granted under Transat’s Share Appreciation Units Plan for the 2002 financial year only.
- (4) The value of the restricted shares or restricted share units granted under the Permanent Stock Ownership Incentive Plan or the DSU Plan is calculated by multiplying the number of shares granted to each Named Executive Officer by the closing price of Transat Common Shares on the Toronto Stock Exchange on the date of the grant, namely \$16.08 for 2004, \$5.50 for 2003 and \$6.40 for 2002.
- (5) Amounts paid upon the maturity, on January 30, 2004, of the SAUs granted once only in 2002.
- (6) Mr. Gentiletti was hired by Transat as Vice-President, Finances and Administration and Chief Financial Officer in August 2002, and was then promoted Executive Vice-President of Transat Tours Canada Inc. on August 30, 2004. At the time of this promotion, his annual salary as Executive Vice-President of Transat Tours Canada Inc. was increased to \$300,000.
- (7) Mr. Graham was promoted to President and Chief Executive Officer of Air Transat in May of 2002, before which he was Executive Vice-President and Chief Operating Officer of Air Transat since May 2000.

### Stock Option Plan

On December 5, 1995, the Board of Directors adopted a common stock option plan for our directors, officers and employees. This plan was amended on February 27, 1997, May 11, 1999 and April 17, 2002 (the “Option Plan”).

The Option Plan allows us to grant stock options (the “Options”) to eligible persons, at a price per share equal to the average weighted market price of Transat Common Shares on the Toronto Stock Exchange over the five trading days preceding the granting of Options. As at October 31, 2004, a balance of 1,161,679 Options were available for granting. Our Board of Directors or, as the case may be, its Executive

Committee, upon recommendation of the Human Resources and Compensation Committee, may determine, from time to time and in its entire discretion, which directors, officers and employees 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 holders may purchase shares. The Options granted under the Option Plan expire ten years after the grant date, or earlier if the option holder ceases to hold a position with Transat or any of its subsidiaries or if he or she dies.

Notwithstanding the foregoing, in the event of a successful take-over bid or exchange bid for Transat shares, within the meaning of the *Securities Act* (Québec), R.S.Q., c. v-1.1, providing for the purchase of shares or securities conferring on the offeror direct or indirect ownership of 20% or more of the votes that may be cast to elect Transat's directors (the "Offer") or 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 our Board of Directors. Unless a contrary decision is made by our 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 unacquired option or the exercised forced by the Board of Directors is conditional on the Offer's success.

For the purposes of the Option 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, 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; (ii) if individuals who constitute our Board of Directors on March 27, 2002, 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 27, 2002, 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; (iii) if our assets representing 50% or more of the book value of all our assets are sold, liquidated or otherwise assigned, if a majority of voting securities allowing the election of the directors of Air Transat or Transat Tours Canada Inc. are sold or assigned, or if substantially all of the assets of Air Transat or Transat Tours Canada Inc. are sold or assigned; (iv) if our assets representing 10% or more of the book value of all our assets or if securities entitling the holder thereof to exercise 10% or more of the aggregate voting rights for the election of our directors have been transferred pursuant to a take over, seizure or dispossession resulting or related notably to nationalization, expropriation, confiscation, coercion, force, constraint or any other similar action, or the introduction of a tax, assessment, or any other charge or levy for seizure; or (v) any other event that our Board of Directors may determine from time to time, subject to the applicable regulatory approvals.

Stock Options are granted annually in multiples of the salary based on the class of the position held; the multiples that apply to executive officers vary between 0.50 and 0.67 times their salary, with the exception of the Chairman of the Board and Chief Executive Officer.

## Option Grants During the Financial Year Ended October 31, 2004

The following table indicates the Options granted to the Named Executive Officers during the last completed financial year.

Name	Securities pursuant to Options Granted (#)	% of Total Options Granted to Employees in Financial Year	Exercise or Base Price <sup>(1)</sup> (\$)	Market Value of Securities Underlying Options on the Date of Grant (\$)	Expiration Date
Jean-Marc Eustache	38,253	23.3	15,685	15.00	18-05-14
Philippe Sureau	15,378	9.39	15,685	15.00	18-05-14
Lina De Cesare	15,378	9.39	15,685	15.00	18-05-14
Nelson Gentiletti	8,607 10,000	11.36	15,685 22.25	15.00 22.50	18-05-14 08-09-14
Allen B. Graham	9,085	5.54	15,685	15.00	18-05-14

(1) Exercise Price means the average market price over the five-day period preceding the date of grant; this explains the difference with the market price on the date of grant.

As at October 31, 2004, a total of 1,125,678 Options were issued and outstanding. During the financial year ended October 31, 2004, 67,153 Options were granted at \$15.685 to holders other than the Named Executive Officers; 95,947 Options were cancelled and/or expired during this financial year. 1,231,541 Options were exercised in the last financial year.

## Options Exercised During the Financial Year Ended October 31, 2004

The following table sets forth the Options exercised by the Named Executive Officers during the last completed financial year.

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options at FY-End (#)		Value of Unexercised In-the-Money Options at FY-End <sup>(1)</sup> (\$)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Jean-Marc Eustache	160,485	2,109,552	128,496	144,158	1,671,227	2,327,683
Philippe Sureau	90,000	1,100,676	5,126	55,291	34,959	885,725
Lina De Cesare	85,461	1,172,165	20,660	54,775	275,892	877,772
Nelson Gentiletti	17,657	205,722	6,202	37,722	20,400	503,828
Allen B. Graham	97,409	1,059,767	—	34,370	—	554,598

(1) The value of unexercised in-the-money options\* was calculated using the closing price of Transat Common Shares on the Toronto Stock Exchange on October 29, 2004, (namely, \$22.50), less the exercise price of the in-the-money options.

(\*NOTE: An option is regarded as being "in-the-money" at financial year-end if the market value of the underlying securities on that date is higher than the option exercise price.)

## Share Purchase Plan for the Benefit of All Employees and Executives

On February 12, 1989, our Board of Directors introduced a share purchase plan contemplating the Transat Common Shares for the benefit of its employees and executives as well as the employees and executives of its subsidiaries (the "Share Purchase Plan"). This plan was amended on February 6, 1991, May 22, 1992, May 14, 1993, December 5, 1995, and October 19, 2004.

The purpose of the Share Purchase Plan is to enable employees of Transat and its subsidiaries to purchase on an annual basis (and on a monthly basis starting in January 2005), by means of salary withholdings, new Common Shares issued out of Transat's treasury shares at the then current market price, less a 10% discount. No member may sell all or part of the Common Shares contemplated by this plan prior to July 1 of the year following that in which the shares were subscribed.

Notwithstanding the foregoing, a member may sell, upon prior written notice to Transat, all of the Common Shares subject to this plan prior to the July 1 date mentioned above should Transat be subject to a change of control. For the purposes of the Share Purchase Plan, a change of control occurs when an event or series of events that are unsolicited by Transat, with the exception of events listed in point (iv) below,

triggers a *de facto* control of Transat other than what was in place at the time of the coming into force of the Share Purchase Plan, either directly or indirectly, through the ownership of securities, by way of agreement or in any other manner whatsoever. 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* 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 November 1, 2004, 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 November 1, 2004, 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, if a majority of voting securities allowing the election of the directors of Air Transat or Transat Tours Canada Inc. are sold or assigned, or if substantially all of the assets of Air Transat or Transat Tours Canada Inc. are sold or assigned; or (v) if our assets of 10% or more of the book value of all our assets or if securities entitling the holder thereof to exercise 10% or more of the aggregate voting rights for the election of our directors have been transferred pursuant to a take over, seizure or dispossession resulting or related notably to nationalization, expropriation, confiscation, coercion, force, constraint or any other similar action or the introduction of a tax, assessment, or any other charge or levy for seizure.

The number of shares for which each member may subscribe pursuant to the Share Purchase Plan may not at any time exceed 5% of the number of issued and outstanding Transat Common Shares. No member may subscribe, throughout each enrolment period, for a number of shares the aggregate subscription price of which exceeds 10% of his or her gross annual salary in effect upon the subscription date.

During this financial year, we issued 44,047 Common Shares under the Share Purchase Plan and, as at October 31, 2004, we are authorized to issue 672,977 Common Shares.

### **Stock Ownership and Capital Accumulation Incentive Plan for Managers**

On October 19, 2004, our Board of Directors adopted the Stock Ownership and Capital Accumulation Incentive Plan for Managers (“Transcapital”). Only managers working in positions belonging to salary grades 7 through 10 at Transat are eligible to participate in Transcapital, with the exception of top managers (salary grades 1 through 6), who are eligible to participate in the Permanent Stock Ownership Incentive Plan described below.

In each enrolment period beginning November 1, 2004, eligible managers have the option to enrol in Transcapital through monthly contributions by means of payroll deductions of 1%, 2%, 3% or 4% of their base salary to Transat’s Share Purchase Plan, for the purposes of subscribing to issued Transat shares at 90% of their market price. Transat will attribute to each member of Transcapital a number of shares purchased on the secondary market at a price corresponding to 25%, 33 1/3% or 50% of the member’s monthly contribution, depending on the salary grade of his or her position. Members may contribute more than 4% and up to 10% of their salary, but without benefiting from any attribution of additional shares by Transat above and beyond 4% of their salary.

Shares for which a member subscribes may not be sold prior to July 1 of the following year. Moreover, shares attributed by Transat in a given year will only vest to the member at a rate of 1/3 on January 10 of the following year, 1/3 on July 1 of the following year and 1/3 on the second July 1.

Notwithstanding the foregoing, a member may sell, upon prior written notice to Transat, all of the Common Shares subject to this plan prior to the July 1 date mentioned above should Transat be subject to a



change of control. For the purpose of Transcapital, the notion of change of control is similar to the one for the Share Purchase Plan.

Transcapital is directly related to the Share Purchase Plan 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 insider of Transat.

### **Permanent Stock Ownership Incentive Plan for Top Managers**

On June 29, 1999, our Board of Directors adopted a permanent stock ownership incentive plan (the “Stock Ownership Incentive Plan”). The Stock Ownership Incentive Plan was in effect for an initial term of five years. On October 19, 2004, our Board of Directors amended this plan with respect to admissibility 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. During this period, our Board of Directors or the Human Resources and Compensation Committee may determine, from time to time and at its entire discretion, which top managers are eligible (salary grades 1 through 6 of Transat) to join the Stock Ownership Incentive Plan.

Accordingly, subject to participation in the Share Purchase Plan which is open to all of our employees by subscribing (monthly as of January 2005) to a number of Common Shares the aggregate subscription price of which is equal to 5% or 10% of their salary, depending on the position held, we will grant each eligible top manager the number of Common Shares for which total purchase price is equal to the aforementioned percentage of salary contributed. These attributed shares are bought on the secondary market. One third of the Common Shares so granted by Transat shall vest to each eligible top manager on January 10, the second January 10 and the third January 10 respectively following the date of the grant, provided the top manager holds on to all Common Shares subscribed for under our Share Purchase Plan at each of these dates. In the event that the eligible top manager ceases to occupy his or her position or in the event that he or she dies, the said top manager or his or her assigns, as the case may be, shall become the owner of the attributed Common 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 Common Shares granted by Transat do not confer any rights on the eligible top manager prior to vesting.

Notwithstanding the foregoing, in the event of a change of control of Transat, any eligible top manager will acquire, automatically and in advance, the right to those shares granted 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 granting. For the purposes of the Stock Ownership Incentive Plan, the notion of change of control is similar to the one for the Share Purchase Plan.

This plan is directly related to the Share Purchase Plan 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 the insiders of Transat.

### **Common Shares Granted During the Financial Year Ended October 31, 2004**

The following table indicates the Common Shares granted during the last financial year to the Named Executive Officers.

Name	Securities, Units or Other Rights <sup>(1)</sup> (#)	Performance Period or Other Period to Maturity <sup>(2)</sup>
Jean-Marc Eustache	3,731	23-02-2007
Nelson Gentiletti	—	—
Philippe Sureau	2,238	23-02-2007
Lina De Cesare	1,679	23-02-2007
Allen B. Graham	1,772	23-02-2007

(1) Common Shares granted on February 23, 2004.

(2) Maturity date on which all granted shares vest, subject to each Named Executive Officer having retained all the Common Shares subscribed for under Transat’s Share Purchase Plan.

## Retirement Agreements

We have entered into a standard retirement agreement with certain of our executive officers (the “Participant”) regarding a defined benefits retirement plan (the “Retirement Benefits Plan”), in order to provide the Participant with monthly retirement income for life. The standard retirement agreements came into effect on May 1, 1999 and were revised in April 2001, then again in November 2002, November 2003 and November 2004, for certain agreements only.

Under the terms of the Retirement Benefits Plan, the Participant is eligible, starting at the age of 65 and for the remainder of his or her life, to a monthly retirement allowance. The amount of this allowance represents one twelfth of 1.5 % multiplied by the number of eligible years of service\* and by the average eligible earnings,\*\* from which an amount equal to one twelfth of the annual retirement benefit payable upon turning 65 is subtracted. This amount is the actuarial equivalent value of the amount accrued by the Participant, on the date of his or her retirement, in Transat’s Pension Plan for our non-unionized employees (the “Pension Plan”) consisting of a group registered retirement savings plan and of a deferred profit sharing plan and an amount equal to the maximum annual retirement benefit payable upon turning 65 under the Quebec Pension Plan, as determined on the Participant’s retirement date multiplied by the number of eligible years of service and divided by 35.

The eligible earnings include the base salary and the target bonus. The annualized eligible earnings of each Named Executive Officer for 2004 are as follows:

Name	Eligible Earnings (\$)
Jean-Marc Eustache	756,320
Philippe Sureau	406,681
Lina De Cesare	390,149
Nelson Gentiletti	340,589
Allen B. Graham-	357,500

\* The number of eligible years of service is the aggregate of the number of calendar years and portions of calendar years served with Transat by the Participant after the date of coming into force of the standard retirement agreement, plus seven ninths (nine ninths as of November 2004) of the number of calendar years and portions of calendar years served with Transat by the Participant before the date of coming into force of the standard retirement agreement.

\*\* The average eligible earnings are equal to the average of the Participant’s five years of eligible service in which the aggregate of his or her base salary and target bonus under Transat’s short-term incentive plan are the highest.

For the purpose of calculating their retirement allowances, on October 31, 2004, Mr. Jean-Marc Eustache had 21.262 recognized eligible years of service, Mr. Philippe Sureau, 21.262, Ms. Lina de Cesare, 19.621, Mr. Nelson Gentiletti, 2.181, and Mr. Allen B. Graham, 2.0. Beginning November 1, 2004, the following must be added to the recognized eligible years of service: 4.504 years for Mr. Jean-Marc Eustache, 4.504 years for Mr. Philippe Sureau and 4.035 years for Ms. Lina De Cesare.

The following table indicates the estimated annual retirement allowances\* payable to the Named Executive Officers upon retirement at the age of 65 in respect of a specific amount of average eligible earnings and eligible years of service pursuant to the standard retirement agreement.

Average Eligible Earnings	Eligible Years of Service				
	15	20	25	30	35
\$300,000	\$67,500	\$90,000	\$112,500	\$135,000	\$157,500
\$400,000	\$90,000	\$120,000	\$150,000	\$180,000	\$210,000
\$500,000	\$112,500	\$150,000	\$187,500	\$225,000	\$262,500
\$600,000	\$135,000	\$180,000	\$225,000	\$270,000	\$315,000
\$700,000	\$157,500	\$210,000	\$262,500	\$315,000	\$367,500
\$800,000	\$180,000	\$240,000	\$300,000	\$360,000	\$420,000

\* The standard retirement agreement provides that the estimated annual retirement allowances indicated in the table above must be reduced by the following: (i) an amount equal to the annual retirement benefit payable upon reaching 65, which is the actuarial equivalent value of the amount accumulated by the Participant in the Pension Plan at the date of his retirement; and (ii) an amount equal to the maximum annual retirement benefit payable upon turning 65 under the Quebec Pension Plan multiplied by the number of the Participant’s eligible years of service divided by 35.

The Retirement Benefits Plan also contains the following terms and conditions:

- (i) Unless the Participant gives prior written notice to Transat, the retirement allowance is payable on a monthly basis to the Participant throughout his or her lifetime, commencing the first day of the month that coincides with, or immediately follows, the date of his or her retirement and that ends on the first day of the month following the date of his or her death. In the event that the Participant dies within the first 120 months following the date of his retirement, monthly payments will continue to be made to the Participant's beneficiary until the 120 monthly payments are exhausted. In the event that the Participant gives us such notice prior to the date of his or her retirement, the monthly payments may be made according to any other equivalent form of monthly payment usually available upon retirement and acceptable to Transat.
- (ii) 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 allowance is reduced by 5/12% for every full month that the retirement was taken before the participant's 60<sup>th</sup> birthday. Where early retirement is taken between the ages of 60 and 65, no reduction applies to the retirement allowance.
- (iii) Payment to the Participant of a retirement allowance is conditional on his or her continuous and uninterrupted participation in the Pension Plan until the date of his or her retirement, at the prescribed contribution level required under the terms thereof.
- (iv) 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 allowance in existence on the date of termination of employment, payable when the Participant turns 65, except in the case of dismissal for cause or the Participant's interruption of his or her participation in the Pension Plan, which results in the automatic cancellation of the Participant's right to any retirement allowance pursuant to the standard retirement agreement.

All obligations stemming from the retirement allowances are guaranteed by an irrevocable letter of credit held by a third party trustee. This letter of credit can be drawn in the case of (i) default of payment by Transat under the Retirement Benefits Plan, (ii) change of control (this expression having the same meaning as in the Share Purchase Plan), (iii) insolvency or bankruptcy, or (iv) upon Transat's failure to renew the said letter of credit.

On October 31, 2004 (November 1, 2004), the amount of the estimated annual retirement allowances payable at the usual retirement age of 65, to the Named Executive Officers under the standard retirement agreements, without taking into account deductions of benefits payable pursuant to the Pension Plan and those payable under the Quebec Pension Plan is equal to \$241,213 (\$292,310) for Mr. Jean-Marc Eustache, \$129,202 (\$157,178) for Mr. Philippe Sureau, \$114,287 (\$138,440) for Ms. Lina De Cesare, \$11,142 for Mr. Nelson Gentiletti, and \$10,725 for Mr. Allen B. Graham.

### **Employment Contracts and Change of Control Agreements**

We entered into standard agreements with four 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, as defined in such agreement. These standard agreements were entered into in order to ensure that such executive officers would continue to adequately see to the best long-term interests of Transat.

For the purposes of the standard agreement, an acquisition of control occurs when an event or series of events that are unsolicited by Transat, with the exception of events listed in point (iv) below, triggers a change of control of Transat. A "change of control" means a situation which creates a *de facto* control of Transat other than what was in place at the time of the coming into force of the standard agreement, either directly or indirectly, through the ownership of securities, by way of agreement or in any other manner

whatsoever. 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* becomes the owner or beneficial owner 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 at the moment of coming into force of the standard agreement, 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 at the moment of coming into force of the standard agreement, 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, if a majority of voting securities allowing the election of the directors of Air Transat or Transat Tours Canada Inc. are sold or assigned, or if substantially all of the assets of Air Transat or Transat Tours Canada Inc. are sold or assigned; or (v) if our assets of 10% or more of the book value of all our assets or if securities entitling the holder thereof to exercise 10% or more of the aggregate voting rights for the election of our directors have been transferred pursuant to a take over, seizure or dispossession resulting or related notably to nationalization, expropriation, confiscation, coercion, force, constraint or any other similar action or to the introduction of a tax, assessment, or any other charge or levy for seizure.

Therefore, for a period of two years following a take-over of Transat, the standard agreement provides that, if the purchaser terminates the employment of the Named Executive Officer (otherwise than for cause, or in the event of the disability or death of the Named Executive Officer) or if the Named Executive Officer terminates his or her employment for a “sufficient reason” (as defined in the agreement), the Named Executive Officer will be entitled to the payment of a severance package following termination of his employment. The severance package is primarily composed of the following elements, depending on the position held by the Named Executive Officer:

- (i) a lump sum amount equal to the base salary of the Named Executive Officer for a period of 18 or 24 months, plus one or two months for each full year of service, up to a maximum period of 24, 30 or 36 months; and
- (ii) a lump sum amount equal to the target bonus applicable to his or her position for the period set out in (i) above.

The Named Executive Officer cannot draw any benefit from the agreement unless there is a take-over of Transat and termination of his or her employment occurs as described in the standard agreement prior to its expiration. The standard agreement also contains non-solicitation and non-competition undertakings that apply following termination of employment. Accordingly, the Named Executive Officer undertakes not to solicit our customers or employees for a period equal to the maximum severance period (24, 30 or 36 months) and not to enter into competition with Transat, namely not operate or 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 (18 or 24 months).

We also entered into a standard agreement with four 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. The standard agreements were 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 standard agreement stipulates that, should we terminate the employment of an executive officer (otherwise than for cause or further to his or her disability or death) or should the executive officer terminate his or her employment for a “sufficient reason” (as defined in the agreement), the executive officer would be entitled to the payment of a severance package following the termination of employment.

The severance package consists primarily of the following elements, depending on the position held by the executive officer:

- (i) a lump sum equal to the base salary of the executive officer for a period of 12 or 18 months, plus one or two months per full year of service, up to a maximum of 18, 24 or 30 months; and
- (ii) a lump sum equal to the target bonus applicable to his or her position for the period determined in accordance with paragraph (i) hereinabove.

The executive officer undertakes not to solicit our customers or employees for a period equal to the maximum severance period (18, 24 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).

### **COMPENSATION OF DIRECTORS**

For the financial year which ended on October 31, 2004, the annual fees were \$15,000 per annum, \$3,750 of which was payable in Transat Common Shares for directors who were not our employees or the employees of one of our subsidiaries. Additional annual fees for each chairman of the Board of Directors Committees or each chief officer were at \$3,500 per annum.

Each director who was not our employee or an employee of our subsidiaries was entitled to receive attendance fees of \$1,000 for each Board or Committee meeting, unless the meeting was conducted by conference call, in which case the attendance fee was \$600. Compensation in cash was paid quarterly. Each director who was not our employee was entitled annually to a grant of Stock Options in accordance with the terms and conditions of our Stock Option Plan. The number of Options granted during a regular annual granting to a director who is not our employee is equal to \$15,000, divided by the price\* per share at the time of granting. In 2004, a total of 7,648 options were granted at a price of about \$15.69 to directors not employed by Transat.

Furthermore, in 2004 we implemented a Deferred Share Unit Plan ("DSU") to better link the compensation of directors to the creation of added value for shareholders. Under this plan, directors may request that 0 to 75% of their fees be credited as differed share units. Each DSU will be valued at the market value of each Transat Common Share on the dates that such DSUs are credited. When the directors cease being directors, all DSUs credited to their name will be redeemed in cash by Transat based on the market value of the shares at that time.

Commencing November 1, 2004, the annual fees are \$15,000 in cash, plus an additional amount of \$3,000 per year paid at a quarterly rate of \$750 in DSUs valued at the market value of each Transat Common Share at the time that the DSUs are credited. The additional amounts for each chairman of the Board of Directors Committees or each chief officer are \$5,000 per year while for each Committee member they are \$2,000 per year.

The attendance fee is \$1,200 for each Board or Committee meeting unless it is held by conference call, in which case the attendance fee is \$750. The director also has the right to an annual granting of Stock Options equal to \$15,000. The director can choose to have 0 to 100% of the annual fees and supplements paid in the form of DSUs.

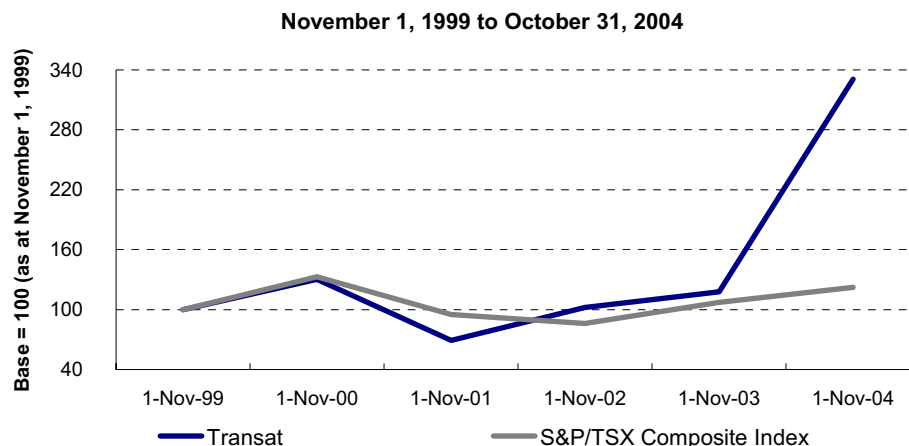
Under the guidelines adopted by Transat, each director who is not an employee must hold a number of shares or DSUs equivalent to three times the base annual fees to which they are entitled after having served three years as director.

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\* The price per share is equal to the weighted average value of the share price upon closing of the Toronto Stock Exchange during the five trading days preceding the date of exercise.

## RETURN ON THE SHARES

The following graph compares the cumulative total return obtained on an investment of \$100 in the Common Shares of Transat made on November 1, 1999 to the cumulative total return of the TSX Composite Index of the Toronto Stock Exchange over the last five fiscal years.\*



## INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

None of Transat's directors, executive officers or senior officers is indebted to us or any one of our subsidiaries, or has contracted any loan that is secured by a security interest, 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 securities interest, 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, senior officers or nominees for the position of director of Transat.

## 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, including Look Voyage.

For the period beginning December 1, 2003 and ending November 30, 2004, our insurance policy provides a maximum coverage of \$50,000,000 per claim, subject to a deductible of \$100,000 payable by Transat. The premium paid under the policy for 12 months coverage was \$334,000.

## ADDITIONAL INFORMATION

More information on us is available on the SEDAR website at [www.sedar.com](http://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.

\* All prices of the Transat Common Shares are taken from the files of the Toronto Stock Exchange, and the results represent those of the last trade carried out on the Transat securities on the Toronto Stock Exchange, on October 31 of the year in question.

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 Management Proxy Circular with each of these provinces' securities commissions. We also file an annual information form with these same commissions.

**APPROVAL OF THE MANAGEMENT PROXY CIRCULAR**

The content and the sending of this Circular have been approved by our directors.

Montreal, January 25, 2005

BY ORDER OF THE BOARD OF DIRECTORS



Bernard Bussières  
Vice-President, General Counsel and Corporate Secretary

**CONSENT OF FASKEN MARTINEAU DUMOULIN LLP**

To: The directors of Transat A.T. Inc.

We refer to the attached Management Proxy Circular of Transat A.T. Inc. dated January 25, 2005 (the "Circular") and relating to the special meeting of shareholders to be held on February 24, 2005.

We hereby consent to the reference to our opinion in the Circular and the use of our name under the heading "Matters on the Agenda – Proposed Amendments to the Articles of Transat - Canadian Federal Income Tax Considerations".

Montreal, Canada  
January 25, 2005

**FASKEN MARTINEAU DuMOULIN LLP**

*Fasken Martineau Dumoulin LLP*



## SCHEDULE "A"

### SPECIAL RESOLUTION

"IT IS RESOLVED, BY SPECIAL RESOLUTION:

THAT the provisions relating to the classes of shares that Transat is authorized to issued be, and they are, hereby amended, which changes will take effect as of the date appearing on the certificate of amendment to be issued by the Director under the *Canada Business Corporations Act*, R.S.C. (1985), ch. C-44 (the "CBCA") after filing of the Articles of Amendment, by:

- (i) creating an unlimited number of a new class of shares entitled "Class A Variable Voting Shares," which will carry the rights, privileges, conditions and restrictions appearing in Schedule A to the Articles of Amendment submitted to the Shareholders for approval;
- (ii) creating an unlimited number of a new class of shares entitled "Class B Voting Shares," which will carry the rights, privileges, conditions and restrictions appearing in Schedule A to the Articles of Amendment submitted to the Shareholders for approval;
- (iii) cancelling the unissued Common Shares of Transat, it being understood that the Class A Variable Voting Shares and the Class B Voting Shares are substituted, with the required adaptations, for the purposes of exercising all rights of subscription, purchase or conversion relating to Common Shares which are hereby cancelled;
- (iv) replacing all reference to the Common Shares in the description of the rights, privileges, conditions and restrictions attaching to the preferred shares by the reference to Class A Variable Voting Shares and Class B Voting Shares;
- (v) removing the restrictions on the issue and transfer of voting shares in the share capital of Transat set out in Schedule A to the Certificate of Amendment dated March 26, 1999.

THAT each issued and outstanding Common Share of the share capital of Transat owned or controlled by a person who is not a Canadian within the meaning of the *Canada Transportation Act*, S.C. 1996, ch. 10 and the regulations adopted pursuant to such act, as amended from time to time (the "Canada Transportation Act"), as established at the close of market on the day prior to the date of amendment on the Certificate of Amendment to be issued by the Director pursuant to the CBCA following the filing of the Articles of Amendment be, and it is, hereby converted into one Class A Variable Voting Share, as created pursuant to the terms and conditions of said Articles of Amendment, and cancelled, and this as of the date of amendment appearing on the certificate of amendment to be issued by the Director under the CBCA following filing of the said Articles of Amendment;

THAT each issued and outstanding Common Share of the share capital of Transat that is owned and controlled by a person who is a Canadian within the meaning of the Canada Transportation Act as established at the close of market on the day prior to the date of amendment on the Certificate of Amendment to be issued by the Director pursuant to the CBCA following the filing of the Articles of Amendment be, and it is, hereby converted into one Class B Voting Share, as created pursuant to the terms and conditions of said Articles of Amendment, and cancelled, and this as of the date of amendment appearing on the Certificate of Amendment to be issued by the Director under the CBCA following filing of the said Articles of Amendment;

THAT the draft Articles of Amendment submitted to the shareholders for approval be, and they are, hereby approved;

THAT the directors be, and they are, hereby authorized to revoke this resolution, in their entire discretion, at any time prior to filing of the Articles of Amendment without any further approval of the shareholders, specifically if a shareholder should exercise his right to dissent pursuant to this Special Resolution;

THAT any director or officer of Transat be, and he is, hereby authorized to execute and deliver for and on behalf of Transat any document, act or other written instrument, including Articles of Amendment substantially similar in content and form to the draft Articles of Amendment approved by the shareholders in accordance herewith, and take any other action which, in his opinion, may be necessary or useful to give effect to this resolution and the matters contemplated herein."



## SCHEDULE "B"

### ARTICLES OF AMENDMENT

Industry Canada	Industrie Canada	<b>FORM 4</b>	<b>FORMULAIRE 4</b>
Canada Business Corporations Act	Loi canadienne sur les sociétés par actions	<b>ARTICLES OF AMENDMENT (SECTION 27 OR 177)</b>	<b>CLAUSES MODIFICATRICES (ARTICLES 27 OU 177)</b>

1 -- Name of the Corporation - Dénomination sociale de la société <b>TRANSAT A.T. INC</b>	2 -- Corporation No. - N° de la société <b>215599-1</b>
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3 -- The articles of the above-named corporation are amended as follows:

Les statuts de la société mentionnée ci-dessus sont modifiés de la façon suivante:

The Corporation is authorized to issue, in addition to its Common Shares and Preferred Shares issuable in series, an unlimited number of Class A Variable Voting Shares and an unlimited number of Class B Voting Shares.

Each issued and outstanding Common Share which is not owned and controlled by a Canadian within the meaning of the *Canada Transportation Act*, 1996, c. 10, as constituted at close of market on the date of amendment on the Certificate of Amendment to be issued by the Director pursuant to the *Canada Business Corporations Act*, R.C.S. (1985), ch. C-44 following the filing of the Articles of Amendment, is hereby converted into one Class A Variable Voting Share of the share capital of the Corporation and cancelled.

Each issued and outstanding Common Share owned and controlled by a Canadian within the meaning of the *Canada Transportation Act*, 1996, c. 10, as constituted at close of market on the day prior to the date of amendment on the Certificate of Amendment to be issued by the Director pursuant to the *Canada Business Corporations Act*, R.C.S. (1985), ch. C-44 following the filing of the Articles of Amendment, is hereby converted into one Class B Voting Share of the Share Capital of the Corporation and cancelled.

The unissued Common Shares of the Corporation are cancelled, it being understood that the Class A Variable Voting Shares and the Class B Voting Shares are substituted, with the required adaptations, for the exercise of all rights to subscribe, purchase or conversion relating to common shares which are hereby cancelled.

Any reference to Common Shares in the description of the rights, privileges, restrictions and conditions attached to the Preferred Shares shall be read as Class A Variable Voting Shares and Class B Voting Shares.

The rights, privileges, restrictions and conditions attached to Class A Variable Voting Shares and Class B Voting Shares are described in Schedule A attached hereto, which forms an integral part of this form.

Paragraph 4 of the Corporation's Articles of Incorporation is hereby modified in order to supersede the restrictions on the issue and transfer of the voting shares of the share capital of the Corporation set out in Schedule A of the Certificate of Amendment dated March 26, 1999.

Signature	Printed Name - Nom en lettres moulées <b>Bernard Bussières</b>	4 - Capacity of - En qualité de <b>Vice President, General Counsel and Corporate Secretary</b>	5 - Tel. No. - N° de tél. <b>(514) 984-6874</b>
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## Schedule "A"

### 1. INTERPRETATION

#### 1.1 Definitions

For purposes of this Schedule "A", the following terms have the following meanings:

"Aggregate Votes" means the aggregate of the votes attached to all voting shares of the Corporation that may ordinarily be cast to elect directors of the Corporation;

"Canadian" shall have the meaning set forth in Subsection 55(1) of the CTA or as specified in any regulation made thereunder, as the same may be amended, supplemented or replaced, from time to time;

"CBCA" means the *Canada Business Corporations Act*, R.S.C. (1985), Ch. C-44;

"CBCA Regulations" means the *Canada Business Corporations Regulations* (2001), SOR/2001-512;

"corporation" includes a body corporate, partnership and unincorporated organization;

"CTA" means the *Canada Transportation Act*, S.C. 1996, Ch. 10;

"person" includes an individual, corporation, association, entity, government or agency thereof, trustee, executor, administrator and other legal representative;

"Transfer Agent" means the transfer agent and the registrar of the Corporation;

"Voting Share" means the Class B Voting Shares of the share capital of the Corporation;

"Variable Voting Share" means the Class A Variable Voting Shares of the share capital of the Corporation; and

"voting share" means the Variable Voting Shares and the Voting Shares of the share capital of the Corporation.

#### 1.2 Control

For purposes of this Schedule "A",

1.2.1 a body corporate is controlled by a person if:

- (i) securities of the body corporate to which are attached more than fifty percent (50%) of the votes that may be cast to elect directors of the body corporate are held, otherwise than by way of security only, by or for the benefit of that person; and
- (ii) the votes attached to those securities are sufficient, if exercised, to elect a majority of the directors of the body corporate; and

1.2.2 a partnership or unincorporated organization is controlled by a person if an ownership interest therein representing more than fifty percent (50%) of the assets of the partnership or organization is held, otherwise than by way of security only, by or for the benefit of that person.

### 1.3 Undefined Terms

All terms used in this Schedule “A” that are not defined herein shall have the meanings ascribed thereto in the CBCA. Any provision of this Schedule “A” shall be read so as to be consistent with the CBCA.

## 2. CLASS A VARIABLE VOTING SHARES

Subject to the rights, privileges, restrictions and conditions which attach to any other class of shares, the Class A Variable Voting Shares (hereinafter the “Variable Voting Shares”) shall, as a class, have the following rights, privileges, restrictions and conditions:

### 2.1 Voting

The holders of the Variable Voting Shares shall be entitled to receive notice of, and to attend and vote at, all meetings of the shareholders of the Corporation, except where the holders of a specified class are entitled to vote separately as a class as provided in the CBCA.

The Variable Voting Shares shall carry one vote per Variable Voting Share, unless:

2.1.1 the number of issued and outstanding Variable Voting Shares exceeds 25% of the total number of all issued and outstanding voting shares (or any higher percentage that the Governor in Council may specify pursuant to the CTA); or

2.1.2 the total number of votes cast by or on behalf of holders of Variable Voting Shares at any meeting exceeds 25% (or any higher percentage that the Governor in Council may specify pursuant to the CTA) 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 vote attached to each Variable Voting Share will decrease automatically and without further act or formality. Under the circumstance described in subparagraph 2.1.1 above, the Variable Voting Shares as a class cannot carry more than 25% (or any higher percentage that the Governor in Council may specify pursuant to the CTA) of the Aggregate Votes attached to all issued and outstanding voting shares of the Corporation. Under the circumstance described in subparagraph 2.1.2 above, the Variable Voting Shares as a class cannot, for a given shareholders’ meeting, carry more than 25% (or any higher percentage that the Governor in Council may specify pursuant to the CTA) of the total number votes that can be exercised at the said meeting.

### 2.2 Dividends

Subject to the rights, privileges, restrictions and conditions attached to any other class of shares of the Corporation ranking prior to the Variable Voting Shares, the holders of Variable Voting Shares shall be entitled to receive any dividend declared by the directors of the Corporation at the times and for the amounts that the Board of Directors may, from time to time, determine. The voting shares shall rank equally as to dividends on a share for share basis, and all dividends declared in any fiscal year of the Corporation shall be declared in equal or equivalent amounts per share on all voting shares then outstanding, without preference or distinction.

### 2.3 Subdivision or Consolidation

No subdivision or consolidation of the Variable Voting Shares or the Voting Shares shall occur unless, simultaneously, the Variable Voting Shares or the Voting Shares, as the case may be, are subdivided or consolidated in the same manner, so as to maintain and preserve the relative rights of the holders of the shares of each of the said classes.

## 2.4 Liquidation, Dissolution or Winding-up

Subject to the rights, privileges, restrictions and conditions attaching to any other class of shares of the Corporation ranking prior to the Variable Voting Shares, in the case of liquidation, dissolution or winding-up of the Corporation, the holders of voting shares shall be entitled to receive the remaining property of the Corporation and shall be entitled to share equally, share for share, in all distributions of such assets.

## 2.5 Conversion

### 2.5.1 Automatic

Each issued and outstanding Variable Voting Share shall be automatically converted into one Voting Share without any further act on the part of the Corporation or of the holder, if:

- (i) such Variable Voting Share is or becomes owned and controlled by a Canadian; or
- (ii) the provisions contained in the CTA relating to foreign ownership restrictions are repealed and not replaced with other similar provisions.

### 2.5.2 Upon an Offer

In the event that an offer is made to purchase Voting Shares and the offer is one which is required, pursuant to applicable securities legislation or the rules of a stock exchange on which the Voting Shares are then listed, to be made to all or substantially all the holders of Voting Shares in a province of Canada to which the requirement applies, each Variable Voting Share shall become convertible at the option of the holder into one Voting Share at any time while the offer is in effect until one day after the time prescribed by applicable securities legislation for the Offeror to take up and pay for such shares as are to be acquired pursuant to the offer. The conversion right may only be exercised in respect of Variable Voting Shares for the purpose of depositing the resulting Voting Shares pursuant to the offer, and for no other reason, including notably with respect to voting rights attached thereto, which are deemed to remain subject to section 2.1, notwithstanding their conversion. The Transfer Agent shall deposit the resulting Voting Shares on behalf of the holder.

To exercise such conversion right, the holder or his attorney duly authorized in writing shall:

- (i) give written notice to the Transfer Agent of the exercise of such right and of the number of Variable Voting Shares in respect of which the right is being exercised;
- (ii) deliver to the Transfer Agent the share certificate or certificates representing the Variable Voting Shares in respect of which the right is being exercised; and
- (iii) pay any applicable stamp tax or similar duty on or in respect of such conversion.

No share certificates representing the Voting Shares resulting from the conversion of the Variable Voting Shares shall be delivered to the holders on whose behalf such deposit is being made.

If Voting Shares resulting from the conversion and deposited pursuant to the offer are withdrawn by the holder or are not taken up by the Offeror; or the offer is abandoned or withdrawn by the Offeror or the offer otherwise expires without such Voting Shares being taken up and paid for, the Voting Shares resulting from the conversion will be re-converted into Variable Voting Shares and a share certificate representing the Variable Voting Shares will be sent to the holder by the Transfer Agent. Voting Shares resulting from the conversion and taken up and paid for by the Offeror shall be re-converted into Variable

Voting Shares at the time the Offeror is required under the applicable securities legislation to take up and pay for such shares if the Offeror is not a Canadian.

In the event that the Offeror takes up and pays for the Voting Shares resulting from conversion, the Transfer Agent shall deliver to the holders thereof the consideration paid for such shares by the Offeror.

There will be no right to convert the Variable Voting Shares into Voting Shares in the following cases:

- (i) the offer to purchase Voting Shares is not required under applicable securities legislation or the rules of a stock exchange on which the Voting Shares are then listed to be made to all or substantially all of the holders of Voting Shares in a province of Canada to which the requirement applies, that is, the offer is an “exempt take-over bid” within the meaning of the foregoing securities legislation; or
- (ii) an offer to purchase Variable Voting Shares is made concurrently with the offer to purchase Voting Shares and the two offers are identical in respect of price per share, percentage of outstanding shares for which the offer is made, and in all other material respects, including in respect of the conditions attaching thereto. The offer to purchase the Variable Voting Shares must be unconditional, subject to the exception that the offer for the Variable Voting Shares may contain a condition to the effect that the Offeror is not required to take up and pay for Variable Voting Shares deposited to the offer if no shares are purchased pursuant to the contemporaneous offer for the Voting Shares; or
- (iii) holders of Voting Shares representing, in the aggregate, more than sixty-six and two-thirds percent (66 2/3%) of the then outstanding Voting Shares (excluding shares owned immediately prior to the offer by the Offeror and any joint actor) certify to the Transfer Agent and to the secretary of the Corporation that they will not deposit any shares in response to the offer for the Voting Shares.

### 3. CLASS B VOTING SHARES

Subject to the rights, privileges, restrictions and conditions which attach to the shares of any other class, the Class B Voting Shares (hereinafter the “Voting Shares”), as a class, shall have attached thereto the following rights, privileges, restrictions and conditions.

#### 3.1 Voting

The holders of Voting Shares shall be entitled to receive notice of, and to attend and vote at, all meetings of the shareholders of the Corporation, except where the holders of a specified class are entitled to vote separately as a class as provided in the CBCA. Each Voting Share shall confer the right to one vote at all meetings of shareholders of the Corporation.

#### 3.2 Dividends and Distributions

Subject to the rights, privileges, restrictions and conditions attached to any class of shares of the Corporation ranking prior to the Voting Shares, holders of Voting Shares shall be entitled to receive the dividends declared by the directors of the Corporation at the times and for the amounts that the Board of Directors may, from time to time, determine. The voting shares shall rank equally as to dividends on a share for share basis and all dividends declared in any fiscal year of the Corporation shall be declared in equal or equivalent amounts per share on all voting shares then outstanding, without preference or distinction.

### 3.3 Subdivision or Consolidation

No subdivision or consolidation of the Voting Shares or the Variable Voting Shares shall occur unless, simultaneously, the Voting Shares or the Variable Voting Shares, as the case may be, are subdivided or consolidated in the same manner, so as to maintain and preserve the respective rights of the holders of the shares of each of the said classes.

### 3.4 Liquidation, Dissolution or Winding-up

Subject to the rights, privileges, restrictions and conditions attaching to any class of shares ranking prior to the Voting Shares, in the case of liquidation, dissolution or winding-up of the Corporation, the holders of voting shares shall be entitled to receive the remaining property of the Corporation and shall be entitled to share equally, share for share, in all distributions of such assets.

### 3.5 Conversion

#### 3.5.1 Automatic

Subject to the foreign ownership restrictions of the CTA, an issued and outstanding Voting Share shall be converted into one Variable Voting Share, automatically and without any further act of the Corporation or the holder, if such Voting Share is or becomes owned or controlled, by a person who is not a Canadian.

#### 3.5.2 Upon an Offer

In the event that an offer is made to purchase Variable Voting Shares and the offer is one which is required, pursuant to applicable securities legislation or the rules of a stock exchange on which the Variable Voting Shares are then listed, to be made to all or substantially all the holders of Variable Voting Shares, each Voting Share shall become convertible at the option of the holder into one Variable Voting Share at any time while the offer is in effect until one day after the time prescribed by applicable securities legislation for the Offeror to take up and pay for such shares as are to be acquired pursuant to the offer. The conversion right may only be exercised in respect of Voting Shares for the purpose of depositing the resulting Variable Voting Shares pursuant to the offer, and for no other reason, including notably with respect to voting rights attached thereto, which are deemed to remain subject to section 3.1, notwithstanding their conversion. The Transfer Agent shall deposit the resulting Variable Voting Shares on behalf of the holder.

To exercise such conversion right, the holder or his attorney duly authorized in writing shall:

- (i) give written notice to the Transfer Agent of the exercise of such right and of the number of Variable Voting Shares in respect of which the right is being exercised;
- (ii) deliver to the Transfer Agent the share certificate or certificates representing the Variable Voting Shares in respect of which the right is being exercised; and
- (iii) pay any applicable stamp tax or similar duty on or in respect of such conversion.

No share certificates representing the Variable Voting Shares resulting from the conversion of the Voting Shares will be delivered to the holders on whose behalf such deposit is being made.

If Variable Voting Shares resulting from the conversion and deposited pursuant to the offer are withdrawn by the holder or are not taken up by the Offeror; or the offer is abandoned or withdrawn by the Offeror or the offer otherwise expires without such Variable Voting Shares being taken up and paid for, the Variable Voting Shares resulting from the conversion will be re-converted into Voting Shares and

a share certificate representing the Voting Shares will be sent to the holder by the Transfer Agent. Variable Voting Shares resulting from the conversion and taken up and paid for by the Offeror shall be re-converted into Voting Shares at the time the Offeror is required under the applicable securities legislation to take up and pay for such shares if the Offeror is Canadian.

In the event that the Offeror takes up and pays for the Variable Voting Shares resulting from conversion, the Transfer Agent shall deliver to the holders thereof the consideration paid for such shares by the Offeror.

There will be no right to convert the Voting Shares into Variable Voting Shares in the following cases:

- (i) the offer to purchase Variable Voting Shares is not required under applicable securities legislation or the rules of a stock exchange on which the Variable Voting Shares are then listed to be made to all or substantially all of the holders of Variable Voting Shares, that is, the offer is an “exempt take-over bid” within the meaning of the foregoing securities legislation; or
- (ii) an offer to purchase Voting Shares is made concurrently with the offer to purchase Variable Voting Shares and the two offers are identical in respect of price per share, percentage of outstanding shares for which the offer is made, and in all other material respects, including in respect of the conditions attaching thereto. The offer to purchase the Voting Shares must be unconditional, subject to the exception that the offer for the Voting Shares may contain a condition to the effect that the Offeror is not required to take up and pay for Voting Shares deposited to the offer if no shares are purchased pursuant to the contemporaneous offer for the Variable Voting Shares; or
- (iii) holders of Variable Voting Shares representing, in the aggregate, more than sixty-six and two-thirds percent (66 2/3%) of the then outstanding Variable Voting Shares (excluding shares owned immediately prior to the offer by the Offeror and any joint actor) certify to the Transfer Agent and to the secretary of the Corporation that they will not deposit any shares in response to the offer for the Variable Voting Shares.

#### 4. CONSTRAINTS ON OWNERSHIP OF SHARES

##### 4.1 Variable Voting Shares

The Variable Voting Shares may only be owned or controlled by persons who are not Canadians.

##### 4.2 Voting Shares

The Voting Shares may only be owned and controlled by Canadians.

##### 4.3 CBCA Constraints

In the event that any Canadian federal or provincial legislation applicable to the Corporation should become prescribed for the purposes of subsection 46(1) or subsection 174(1)(c) of the CBCA, this Schedule “A” shall be read as if it included additional constraints that assist the Corporation or any of its affiliates or associates (within the meaning of the CBCA) to qualify under such prescribed law to receive licenses, permits, grants, payments or other benefits by reason of attaining or maintaining a specified level of Canadian ownership and control and such specified level of Canadian ownership and control shall be the level of Canadian ownership and control designated by such prescribed law of Canada or a province.



#### 4.4 Joint Ownership

For the purposes of this Schedule “A”, where voting shares of the Corporation are owned or controlled by several persons jointly, the number of voting shares owned or controlled by any one such person shall include the number of voting shares owned or controlled jointly with such other persons. Where the voting shares are owned or controlled jointly by a person who is not Canadian and another person or persons, the voting shares shall be deemed to be owned or controlled by such person who is not a Canadian.

#### 4.5 Exceptions

4.5.1 Nothing in this Schedule “A” shall be construed to apply in respect of voting shares of the Corporation that:

- (i) are held by one or more underwriters solely for the purpose of distributing the shares to the public; or
- (ii) are held by any person that is acting in relation to the shares solely in its capacity as an intermediary in the payment of funds or the delivery of securities, or both, in connection with trades in securities and that provides centralized facilities for the clearing of trades in securities.

4.5.2 The constraints imposed pursuant to this section 4 do not apply to the extent that a person who is not a Canadian holds voting shares by way of security only and such holding by way of security only is evidenced in such form as may be prescribed by the by-laws or resolutions adopted by the shareholders or directors of the Corporation and filed by such holder with the Corporation.

#### 4.6 Powers of Directors

4.6.1 In the administration of this Schedule “A”, the directors of the Corporation shall enjoy, in addition to the powers set forth herein, all of the powers necessary or desirable, in their opinion, to carry out the intent and purpose hereof, including but not limited to all powers contemplated by the provisions relating to constrained share corporations in the CBCA and the CBCA Regulations.

4.6.2 Neither any shareholder of the Corporation nor any other interested person shall have any claim or action against the Corporation or against any director or officer of the Corporation nor shall the Corporation have any claim or action against any director or officer of the Corporation arising out of any act (including any omission to act) performed pursuant to or in intended pursuance of the provisions of this Schedule “A” or any breach or alleged breach of such provisions.

## **SCHEDULE “C”**

### **SUMMARY OF THE PROCEDURE FOR EXERCISING THE RIGHT TO DISSENT**

*The following is a summary of the procedure established in section 190 of the Canada Business Corporations Act (“CBCA”) that shareholders must follow if they intend to exercise their right to dissent to the Special Resolution amending our Articles (the “Special Resolution”) described in the Management Proxy Circular attached hereto and want to request that we purchase their Common Shares in exchange for the fair value thereof, determined as of the close of business on the day before the Special Resolution is adopted.*

Section 190 provides that a shareholder may exercise his right to dissent only with respect to all shares of a class that he holds on behalf of a beneficial owner and registered in the name of the dissenting shareholder. One of the consequences of this provision is that a shareholder can only exercise his right to dissent under Section 190 with respect to shares registered in his name. In many cases, shares that are beneficially owned by a person (“Non-Registered Holder”) are registered (i) in the name of an intermediary with whom the Non-Registered Holder does business with respect to the shares (for example, banks, trust companies, securities brokers, trustees or directors of self-directed RRSPs, RRIFs, RESPs and other similar plans, as well as their nominees), or (ii) in the name of a clearing agency (such as The Canadian Depository for Securities Limited (“CDS”)) of which the intermediary is a member. As a result, the Non-Registered Holder will not be entitled to exercise the right to dissent set out in Section 190 directly (unless the shares are registered again in the name of the Non-Registered Holder). A Non-Registered Holder who wants to exercise his right to dissent should immediately contact the intermediary with whom he does business in respect of the shares and either (i) instruct him to exercise the right to dissent on behalf of the Non-Registered Holder (which would require, should the shares be registered in the name of CDS or another clearing agency, that the share first be registered again in the name of an intermediary), or (ii) instruct the intermediary to register the shares in the name of the Non-Registered Holder, who may then exercise the right to dissent directly.

A registered shareholder who wants to avail himself of the provisions of Section 190 of the CBCA must send us a written objection to the Special Resolution (the “Notice of Objection”) no later than by the time set for the shareholder meeting at which the Special Resolution is to be voted on. The fact of having sent a Notice of Objection does not deprive a registered shareholder of his right to vote on the Special Resolution, but a vote, whether cast in person or by proxy, against the Special Resolution does not constitute a Notice of Objection. A vote in favour of the Special Resolution will divest the registered shareholder of any additional right he might have under Section 190 of the CBCA.

Within ten days after the shareholders have adopted the Special Resolution, we shall send a written notice to each shareholder who filed a Notice of Objection and who did not vote in favour of the Special Resolution nor withdraw his objection (the “Dissenting Shareholder”) informing him that the Special Resolution has been adopted. The Dissenting Shareholder must then, within 20 days of receiving notice that the Special Resolution has been adopted or, if he does not receive such notice, within 20 days of learning that the Special Resolution has been adopted, send us a written notice (the “Demand for Payment”) stating his name and address, the number and class of shares in respect of which he dissents and a Demand for Payment of the fair value of his shares. Within 30 days of sending this Demand for Payment, the Dissenting Shareholder shall send the certificates representing the shares in respect of which he dissents to Transat or the transfer agent. Transat or the transfer agent shall endorse on the share certificates a notice that their holder is a Dissenting Shareholder under Section 190 of the CBCA and forthwith return the shares to the Dissenting Shareholder.

If a Dissenting Shareholder fails to send in a Notice of Objection, Demand for Payment or share certificates, he may lose his right to make a claim under Section 190 of the CBCA.

Upon sending a Demand for Payment, the Dissenting Shareholder will lose all rights he might have as the holder of shares in respect of which he has exercised his right to dissent other than the right to be paid the fair value of said shares, as determined under Section 190 of the CBCA, except where (i) the Dissenting Shareholder withdraws his Demand for Payment before we make a written offer to pay (the “Offer to Pay”), (ii) we fail to make a timely Offer to Pay to the Dissenting Shareholder and the Dissenting Shareholder

withdraws his Demand for Payment or (iii) our directors revoke the Special Resolution, in all of which cases the Dissenting Shareholder's rights as a shareholder will be reinstated.

No later than seven days after the later of the day on which the amendment takes effect or the day on which we receive the Demand for Payment, we shall send to each Dissenting Shareholder who has sent a Demand for Payment an Offer to Pay contemplating the shares of the Dissenting Shareholder in respect of which the Dissenting Shareholder exercised his right to dissent in the amount our directors consider to be their fair value, accompanied by a statement showing how the fair value was determined. Every Offer to Pay made to Dissenting Shareholders with respect to the same class of shares shall be on the same terms. Within ten days after an Offer to Pay has been accepted, we shall pay the amount specified in the Offer to Pay that was accepted by the Dissenting Shareholder, but the offer will lapse if we do not receive an acceptance thereof within 30 days of the Offer to Pay.

If we fail to make, or a Dissenting Shareholder fails to accept, an Offer to Pay, we may, within 50 days after the amendment takes effect or within such further period as a court may allow, apply to a court to fix a fair value for the shares of any dissenting shareholder. If we fail to apply to the court, the Dissenting Shareholder may apply to the court for the same purpose within a further period of 20 days or within such further period as the court may allow. A Dissenting Shareholder is not required to give security for costs in an application before the court. Any application Transat or a Dissenting Shareholder may make to a court must be made in the province of Québec or in the province where the Dissenting Shareholder resides if Transat carries on business in that province.

On an application to the court, Transat shall notify each Dissenting Shareholder of the date, place and consequences of the application and of his right to appear and be heard in person or by counsel. All Dissenting Shareholders shall be joined as parties for the purposes of the application that the court establish the fair value of their shares, and they will be bound by the decision of the court as part of the procedure taken subsequent to the said application. The court has the authority to determine if a person is a Dissenting Shareholder who should be joined as a party for purposes of the application.

The court shall fix the fair value for the shares of the Dissenting Shareholders and may, in its discretion, allow a reasonable rate of interest on the amount payable to each Dissenting Shareholder from the date the amendment takes effect until the date of payment of the amount ordered by the court. The fair value fixed by the court may be greater or less than the amount stipulated in the Offer to Pay. The final order handed down by the court in answer to an application presented by Transat or the Dissenting Shareholders shall be rendered against Transat in favour of each Dissenting Shareholder who did not accept the Offer to Pay.

**The above text is only a summary of the highly technical and complex provisions of the CBCA respecting Dissenting Shareholders. You will find a complete version of these provisions in Schedule "D" of this Circular. Transat Shareholders who would like to exercise their right to dissent should seek the advice of legal advisors, as failure to comply strictly with the CBCA provisions could entail the loss of their right to dissent or ability to avail themselves of their rights thereunder.**

## **SCHEDULE “D”**

### **ARTICLE 190 OF THE CANADA BUSINESS CORPORATIONS ACT**

#### **190(1) Right to dissent**

(1) Subject to sections 191 and 241, a holder of shares of any class of a corporation may dissent if the corporation is subject to an order under paragraph 192(4)(d) that affects the holder or if the corporation resolves to

- a) amend its Articles under section 173 or 174 to add, change or remove any provisions restricting or constraining the issue, transfer or ownership of shares of that class;
- b) amend its Articles under section 173 to add, change or remove any restriction on the business or businesses that the corporation may carry on;
- c) amalgamate otherwise than under section 184;
- d) be continued under section 188;
- e) sell, lease or exchange all or substantially all its property under subsection 189(3); or
- f) carry out a going-private transaction or a squeeze-out transaction.

#### **190(2) Further right**

(2) A holder of shares of any class or series of shares entitled to vote under section 176 may dissent if the corporation resolves to amend its Articles in a manner described in that section.

##### **190(2.1) If one class of shares**

(2.1) The right to dissent described in subsection (2) applies even if there is only one class of shares.

#### **190(3) Payment for shares**

(3) In addition to any other right the shareholder may have, but subject to subsection (26), a shareholder who complies with this section is entitled, when the action approved by the resolution from which the shareholder dissents or an order made under subsection 192(4) becomes effective, to be paid by the corporation the fair value of the shares in respect of which the shareholder dissents, determined as of the close of business on the day before the resolution was adopted or the order was made.

#### **190(4) No partial dissent**

(4) A dissenting shareholder may only claim under this section with respect to all the shares of a class held on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.

#### **190(5) Objection**

(5) A dissenting shareholder shall send to the corporation, at or before any meeting of shareholders at which a resolution referred to in subsection (1) or (2) is to be voted on, a written objection to the resolution, unless the corporation did not give notice to the shareholder of the purpose of the meeting and of their right to dissent.

#### **190(6) Notice of resolution**

(6) The corporation shall, within ten days after the shareholders adopt the resolution, send to each shareholder who has filed the objection referred to in subsection (5) notice that the resolution has been adopted, but such notice is not required to be sent to any shareholder who voted for the resolution or who has withdrawn their objection.

#### **190(7) Demand for payment**

(7) A dissenting shareholder shall, within twenty days after receiving a notice under subsection (6) or, if the shareholder does not receive such notice, within twenty days after learning that the resolution has been adopted, send to the corporation a written notice containing

- a) the shareholder's name and address;
- b) the number and class of shares in respect of which the shareholder dissents; and
- c) a demand for payment of the fair value of such shares.

**190(8) Share certificate**

(8) A dissenting shareholder shall, within thirty days after sending a notice under subsection (7), send the certificates representing the shares in respect of which the shareholder dissents to the corporation or its transfer agent.

**190(9) Forfeiture**

(9) A dissenting shareholder who fails to comply with subsection (8) has no right to make a claim under this section.

**190(10) Endorsing certificate**

(10) A corporation or its transfer agent shall endorse on any share certificate received under subsection (8) a notice that the holder is a dissenting shareholder under this section and shall forthwith return the share certificates to the dissenting shareholder.

**190(11) Suspension of rights**

(11) On sending a notice under subsection (7), a dissenting shareholder ceases to have any rights as a shareholder other than to be paid the fair value of their shares as determined under this section except where

- a) the shareholder withdraws that notice before the corporation makes an offer under subsection (12),
- b) the corporation fails to make an offer in accordance with subsection (12) and the shareholder withdraws the notice, or
- c) the directors revoke a resolution to amend the Articles under subsection 173(2) or 174(5), terminate an amalgamation agreement under subsection 183(6) or an application for continuance under subsection 188(6), or abandon a sale, lease or exchange under subsection 189(9),

in which case the shareholder's rights are reinstated as of the date the notice was sent.

**190(12) offer to pay**

(12) A corporation shall, not later than seven days after the later of the day on which the action approved by the resolution is effective or the day the corporation received the notice referred to in subsection (7), send to each dissenting shareholder who has sent such notice

- a) a written offer to pay for their shares in an amount considered by the directors of the corporation to be the fair value, accompanied by a statement showing how the fair value was determined; or
- b) if subsection (26) applies, a notification that it is unable lawfully to pay dissenting shareholders for their shares.

**190(13) Same terms**

(13) Every offer made under subsection (12) for shares of the same class or series shall be on the same terms.

**190(14) Payment**

(14) Subject to subsection (26), a corporation shall pay for the shares of a dissenting shareholder within ten days after an offer made under subsection (12) has been accepted, but any such offer lapses if the corporation does not receive an acceptance thereof within thirty days after the offer has been made.

**190(15) Corporation may apply to court**

(15) Where a corporation fails to make an offer under subsection (12), or if a dissenting shareholder fails to accept an offer, the corporation may, within fifty days after the action approved by the resolution is

effective or within such further period as a court may allow, apply to a court to fix a fair value for the shares of any dissenting shareholder.

#### **190(16) Shareholder application to court**

(16) If a corporation fails to apply to a court under subsection (15), a dissenting shareholder may apply to a court for the same purpose within a further period of twenty days or within such further period as a court may allow.

#### **190(17) Venue**

(17) An application under subsection (15) or (16) shall be made to a court having jurisdiction in the place where the corporation has its registered office or in the province where the dissenting shareholder resides if the corporation carries on business in that province.

#### **190(18) No security for costs**

(18) A dissenting shareholder is not required to give security for costs in an application made under subsection (15) or (16).

#### **190(19) Parties**

(19) On an application to a court under subsection (15) or (16),

a) all dissenting shareholders whose shares have not been purchased by the corporation shall be joined as parties and are bound by the decision of the court; and

b) the corporation shall notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to appear and be heard in person or by counsel.

#### **190(20) Powers of court**

(20) On an application to a court under subsection (15) or (16), the court may determine whether any other person is a dissenting shareholder who should be joined as a party, and the court shall then fix a fair value for the shares of all dissenting shareholders.

#### **190(21) Appraisers**

(21) A court may in its discretion appoint one or more appraisers to assist the court to fix a fair value for the shares of the dissenting shareholders.

#### **190(22) Final order**

(22) The final order of a court shall be rendered against the corporation in favour of each dissenting shareholder and for the amount of the shares as fixed by the court.

#### **190(23) Interest**

(23) A court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective until the date of payment.

#### **190(24) Notice that subsection (26) applies**

(24) If subsection (26) applies, the corporation shall, within ten days after the pronouncement of an order under subsection (22), notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.

#### **190(25) Effect where subsection (26) applies**

(25) If subsection (26) applies, a dissenting shareholder, by written notice delivered to the corporation within thirty days after receiving a notice under subsection (24), may

a) withdraw their notice of dissent, in which case the corporation is deemed to consent to the withdrawal and the shareholder is reinstated to their full rights as a shareholder; or

b) retain a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.

**190(26) Limitation**

(26) A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that

a) the corporation is or would after the payment be unable to pay its liabilities as they become due; or

b) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities.

## **SCHEDULE “E”**

### **RESOLUTION CONCERNING BY-LAW NO. 1999-1**

“BE IT RESOLVED:

THAT the amendments to By-law No. 1999-1 of Transat, being the by-law conferring powers on the Board of Directors to implement and apply constraints on the issue, transfer and ownership of voting shares of Transat’s share capital, as provided in Schedule “F” of this Circular, be and is hereby confirmed;

THAT the amendments to By-law No. 1999-1, being the by-law conferring powers on the Board of Directors to implement and apply constraints on the issue, transfer and ownership of voting shares of Transat, come into force on the date of amendment on the Certificate of Amendment of the Articles of Transat to be issued by the Director pursuant to the *Canadian Business Corporations Act*, R.S.C. (1985), ch. C-44 after the filing of the Articles of Amendment; and

THAT any director or officer of Transat be and is hereby authorized to execute and deliver any agreement, instrument or document and to take any measure and do anything in the name of or on behalf of Transat that in his entire discretion is necessary or useful in order to give effect to this resolution.”



## SCHEDULE “F”

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

### 1. DEFINITIONS AND INTERPRETATION

#### 1.1 Definitions

In ~~the~~<sup>is</sup> by-law and in notices or other written communications pertaining hereto, unless otherwise dictated by the context, the following expressions have the meanings ascribed to them respectively ~~hereinbelow~~<sup>herein below</sup>:

“**Act**” means the *Canada Business Corporations Act*, R.S.C. (1985), c. C-44 and the regulations made under such Act, as amended from time to time;

“**Agent**” means a Person appointed to act on behalf of another;

“**Canada Evidence Act**” means the *Canada Evidence Act*, R.S.C. (1985), c. C-5 and the regulations made under such Act, as amended from time to time;

“**Canada Transportation Act**” means the *Canada Transportation Act*, (1996) c. 10 and the regulations made under such Act, as amended from time to time;

“**Canadian**” means a Canadian within the meaning of the *Canada Transportation Act*;

“**Corporation**” means Transat A.T. Inc.;

“**Declaration**” means a declaration within the meaning of subsection 2.3 of this by-law;

“**Depository**” means Caisse canadienne de dépôt de valeurs Limitée /~~The~~ Canadian Depository for Securities Limited or any other Person acting as an intermediary for the payment or delivery of securities in respect of securities transactions and providing centralized services for the compensation of securities transactions or providing centralized services as a depository in respect of the compensation of securities transactions;

“**Non-Canadian**” means a Person who is not a Canadian within the meaning of the *Canada Transportation Act*;

“**Participant**” means a holder of Voting Shares or the Agent of such holder registered with the Depository;

“**Person**” means an individual, partnership, association, body corporate, trustee, executor, administrator or legal representative;

“**Registration System**” means the services offered by the Depository;

“**Transfer Agent**” means ~~Montreal~~<sup>Computershare</sup> Trust Company ~~of Canada~~ or any other corporation designated by the Board of Directors to act as Transfer Agent of the Corporation;

“**Voting Share**”~~means a share that carries voting rights under all circumstances or by reason of an event that has occurred and is continuing and includes a security convertible into such a share and an exercisable option or right to acquire such a share or convertible security and, in particular, the common shares of the Corporation.~~ means the Class A Variable Voting Shares and the Class B Voting Shares of the share capital of the Corporation.

## 1.2 Interpretation

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

## 2. DECLARATIONS

### 2.1 Holder

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

### 2.2 Transfer or issue of shares

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

### 2.3 Declaration and other information

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

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

### 2.4 Failure to provide a declaration or any other information

When a Person, the Agent of such Person, the Participant in whose name the Voting Shares of the Corporation are registered, or the Depository are required to ~~furnish~~provide a

Declaration or any other information required pursuant to this by-law and fail to comply with such obligation, the directors may take the following measures until such Person, the Agent of such Person, the Participant, or the Depository has ~~furnished~~provided the Declaration or the information concerned:

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

### 3. ADDITIONAL POWERS

The Board of Directors may, when it deems it appropriate in order to apply the provisions concerning the restrictions ~~to~~on the issue ~~and,~~ transfer and ownership of ~~the~~ Voting Shares of the Corporation set out in the Act, the aArticles of the Corporation and this by-law:

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

### 4. SHARE CERTIFICATES

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

## SCHEDULE “G”

### RESOLUTION CONCERNING THE GENERAL BY-LAWS

“BE IT RESOLVED:

THAT the following text be added to the end of Subsection 2.7 of By-law No. 2003-1 (being the General By-laws) (the “**Amendment to the General By-laws**”):

“*Compulsory Ballot Vote* – Notwithstanding anything in this Subsection 2.7, a ballot shall be conducted where proxies representing at least 5% of the votes attached to shares represented at the meeting, either by shareholders personally or by proxy, require the proxyholders to vote against a matter.”

THAT the Amendments the General By-laws of Transat, come into force on the date on the Certificate of Amendment of the Articles of Transat to be issued by the Director pursuant to the *Canadian Business Corporations Act*, R.C.S. (1985), ch. C-44 after the filing of the Articles of Amendment under the terms of special resolution;

THAT any director or officer of Transat be and is hereby authorized to execute and deliver any agreement, instrument or document and to take any measure and do anything in the name of or on behalf of Transat that in his entire discretion is necessary or useful in order to give effect to this resolution.”