



## **NOTICE OF THE ANNUAL GENERAL MEETING OF SHAREHOLDERS**

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting (the “Meeting”) of the holders of Class A Subordinate Voting Shares and of Class B Shares of TRANSCONTINENTAL INC. (the “Corporation”) will be held at the Omni Mont-Royal Hotel, 1050 Sherbrooke Street West, Salon des Saisons, Montreal, Quebec, Canada, on Wednesday, March 22, 2006 at 4 p.m. for the following purposes:

1. to receive the consolidated financial statements of the Corporation for the fiscal year ended October 31, 2005 with the auditor’s report thereon;
2. to elect the Corporation’s directors for the coming year;
3. to appoint Samson Bélair/Deloitte & Touche LLP as auditor and to authorize the directors to fix its remuneration;
4. to transact such other business as may properly be brought before the Meeting.

A copy of the Annual Report, the consolidated financial statements and the auditor’s report accompany this notice. The specific details of all matters proposed to be put before the Meeting are set forth in the Management Proxy Circular attached hereto.

The directors have by resolution fixed the close of business on February 15, 2006 as the record date for the determination of the shareholders of the Corporation entitled to receive notice of the Meeting.

Shareholders who are unable to attend the Meeting are entitled to be represented by proxy and are requested to date, sign and return the enclosed form of proxy in the envelope provided for that purpose or, alternatively, to vote by telephone, or over the Internet or in person at their discretion, the whole in accordance with the enclosed instructions. To be valid, proxies must be received at the Toronto office of the Corporation’s transfer agent, CIBC Mellon Trust Company, 200 Queen’s Quay East, Unit 6, Toronto, Ontario, M5A 4K9 no later than 4 p.m. (Montreal time) two (2) business days prior to the day of the Meeting or any adjournment thereof or must be given to the chairman of the Meeting on the day of the meeting or any adjournment thereof.

Dated at Montreal, this 27<sup>th</sup> day of January, 2006.

**By order of the Board of Directors,**

A handwritten signature in black ink that reads 'Christine Desaulniers'.

Christine Desaulniers  
Vice President, Chief Legal Officer  
and Corporate Secretary

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**TRANSCONTINENTAL INC.  
MANAGEMENT PROXY CIRCULAR**

**1. Solicitation of Proxies**

This Management Proxy Circular (the “Circular”) is furnished in connection with the solicitation of proxies by the Management of Transcontinental Inc. (the “Corporation”) for use at the Annual General Meeting of Shareholders (the “Meeting”) of the Corporation to be held on Wednesday, March 22, 2006 at the Omni Mont-Royal Hotel at 4 p.m., for the purposes set forth in the notice of such Meeting. Unless otherwise specified, the information herein contained is given as of January 27, 2006.

The record date to determine the shareholders entitled to receive notice of the Meeting has been established as February 15, 2006. In order to be entitled to vote, a holder of Class A Subordinate Voting Shares or Class B Shares who has acquired his shares after this date must, at least ten (10) days before the Meeting, request that the Corporation enter his name on the list of shareholders entitled to vote.

**Proxies in the enclosed form are solicited by management** and the cost of printing and mailing same will be borne by the Corporation. In addition to the solicitation of proxies by mail, proxies may be solicited personally by telephone or fax machine by officers and employees of the Corporation who will receive no compensation therefor in addition to their regular remuneration. The cost of any such solicitation is expected to be nominal and will be borne by the Corporation. The Corporation may also reimburse brokers and other persons holding shares in their name or in the name of nominees for their costs incurred in sending proxy forms and related materials to their principals in order to obtain their proxies. Such costs are expected to be nominal and will be borne by the Corporation.

**2. Appointment of Proxies**

The persons named as proxies in the enclosed proxy form are officers or directors of the Corporation. **Each shareholder is entitled to appoint a person other than the individuals named in the form of proxy enclosed to represent such shareholder at the meeting.**

A shareholder who is unable to be present at the Meeting and who wishes to appoint some other person (who need not be a shareholder of the Corporation) to represent him at the Meeting may do so either by striking out the names set forth in the form of proxy and by inserting such person’s name in the blank space provided therein or by completing another proper form of proxy, and, in either case, by sending the completed proxy to the Secretary of the Corporation, c/o CIBC Mellon Trust Company, 200 Queen’s Quay East, Unit 6, Toronto, Ontario, M5A 4K9, for delivery before 4 p.m., two (2) business days prior to the day of the Meeting or any adjournment thereof, or by giving it to the chairman at the Meeting or any adjournment thereof.

**3. Revocation of Proxies**

A shareholder who has given a proxy pursuant to this Circular has the power to revoke such proxy by an instrument in writing executed by the shareholder or by his representative authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or representative thereof duly authorized, and deposited: (i) either at the registered office of the Corporation at 1 Place Ville Marie, Suite 3315, Montreal, Quebec, H3B 3N2 at any time up to and including the last business day preceding the day of the Meeting where it is to be used, or any adjournment thereof; or (ii) as to any matter on which a vote has not already been cast pursuant to the authority conferred by the proxy, by depositing such instrument with the chairman of the Meeting on the day of the Meeting or any adjournment thereof. A shareholder may also revoke a proxy in any other manner permitted by law.

#### **4. Exercise of Discretion Conferred by Proxy**

During a secret ballot or a vote by show of hands, the persons named in the enclosed form of proxy will vote the shares in respect of which they are appointed in accordance with the directions of the shareholders appointing them. **In the absence of such directions, such shares will be voted: (1) FOR the election, as directors of the Corporation, of each of the persons listed in this Circular for the coming year; and (2) FOR the appointment of Samson Bélair/Deloitte & Touche s.e.n.c.r.l. as auditor of the Corporation and the authorization of the directors to fix its remuneration.**

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments to matters identified in the notice of the Meeting and with respect to any other matters that may properly come before the Meeting or any adjournment thereof. At the date of this Circular, the management of the Corporation knows of no such amendments or other matters that may be raised at the Meeting. Should any amendment or other matter properly come before the Meeting, the persons named in the enclosed form of proxy would vote in accordance with their best judgment pursuant to the discretionary authority conferred by the proxy with respect to such matters.

#### **5. Notice to Non-Registered Holders**

**Shareholders who do not hold their shares in their own name, also known as non-registered holders or beneficial holders (“Beneficial Holders”), must pay close attention to the information set forth in this section. Beneficial Holders should note that only proxies deposited by registered holders whose names appear on the records kept by the registrar and transfer agent of the Corporation as registered holders of Class A Subordinate Voting Shares or Class B Shares (the “Shares”) can be recognized and acted upon at the Meeting or any adjournment thereof.**

If the Shares appear in an account statement sent to a shareholder by a broker, such Shares are most probably not registered in the name of the shareholder, but rather in the name of his broker or a representative of that broker. **As a result, each Beneficial Holder must ensure that its voting instructions are communicated to the appropriate person well before the Meeting or any adjournment thereof.**

Pursuant to National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer*, brokers and other intermediaries are required to request voting instructions from Beneficial Holders prior to shareholder meetings. Brokers and other intermediaries have their own procedures for sending materials and their own guidelines for the return of documents; Beneficial Holders should follow these instructions to the letter if the voting rights carried by their Shares are to be cast at the Meeting. In Canada, most brokers now delegate the responsibility of obtaining their clients’ instructions to ADP Investor Communications (“ADP”). Beneficial Holders who receive a voting instruction form from ADP may not use the said form to vote directly at the Meeting. If you have questions on how to exercise voting rights carried by Shares held through a broker or other intermediary, please contact the broker or intermediary directly.

Although a Beneficial Holder will not be recognized at the Meeting for the purpose of directly exercising the voting rights carried by the Shares registered in the name of his broker (or a representative thereof), he may attend the Meeting as proxy for the registered holder and, as such, exercise the voting rights carried by such Shares.

**Unless otherwise indicated, in this Circular and in the form of proxy and the notice of Meeting attached hereto, shareholders shall mean registered holders.**

#### **6. Voting Shares and Principal Holders Thereof**

The only voting shares of the Corporation currently issued and outstanding are the Class A Subordinate Voting Shares and Class B Shares. The Corporation currently has 70,611,883 Class A Subordinate Voting Shares and 17,660,257 Class B Shares outstanding. The Class A Subordinate Voting Shares and the Class B Shares are special shares under the applicable securities legislation in Canada, as they do not confer equal voting rights. These shares carry one (1) and twenty (20) votes per share respectively. Each holder of Class A Subordinate

Voting Shares is entitled to one (1) vote for each share registered in his name at the close of business on February 15, 2006, the date fixed by the Board of Directors for determining the registered shareholders entitled to receive the Notice attached hereto. Each holder of Class B Shares is entitled to twenty (20) votes per share for each share registered in his name at the close of business on February 15, 2006, the date fixed by the Board of Directors for determining the registered shareholders entitled to receive the Notice attached hereto and to vote at the Meeting or any adjournment thereof, if present or represented by proxy thereat. The voting rights carried by the Class A Subordinate Voting Shares represented in the aggregate 16.66% of the voting rights carried by all of the Corporation's issued and outstanding securities.

To the knowledge of directors and officers, the only persons who own, directly or indirectly, or exercise control or direction over more than 10% of the outstanding voting shares of either class, are as follows:

Name	Number of Class A Subordinate Voting Shares / % of Outstanding Shares of this Class of Security	Number of Class B Shares / % of Outstanding Shares of this Class of Security	Percentage of Outstanding Shares
Capinabel Inc. <sup>(1)</sup>	-	13,209,840 / 74.80%	14.97%
Mackenzie Financial Corporation <sup>(2)</sup>	10,127,289 / 14.34%	450,400 / 2.55%	11.98%
AIM Trimark Investments <sup>(3)</sup>	7,322,200 / 10.37%	-	8.30%

(1) All the outstanding shares of Capinabel Inc. are held directly and indirectly by Mr. Rémi Marcoux and members of his immediate family. Capinabel Inc. is controlled by Mr. Rémi Marcoux. The shares of Capinabel Inc. represent 62.34% of the voting rights carried by the outstanding equity shares of the Corporation.

(2) These shares are held by Mackenzie Financial corporation as portfolio manager. These shares were acquired in the ordinary course of business and not with the purpose of influencing Transcontinental Inc. or changing the control of Transcontinental Inc.

(3) These shares are held by AIM Trimark Investments as portfolio manager. These shares were acquired in the ordinary course of business and not with the purpose of influencing Transcontinental Inc. or changing the control of Transcontinental Inc.

Each Class B Share shall carry only one (1) vote as of the date upon which, as the case may be, (i) all the persons understood in the definition of "Majority Group" (hereinafter defined) cease being owners of a sufficient number of Class A Subordinate Voting Shares and Class B Shares allowing them to exercise a majority of the votes to elect directors, or (ii) all such persons are deemed to have ceased to constitute the Majority Group, or (iii) all the Class B Shares have been exchanged for Class A Subordinate Voting Shares. The term "Majority Group" is defined in the Articles of the Corporation as meaning, at a given date, one or more of the following persons, namely Messrs. Rémi Marcoux and Claude Dubois, their respective spouses, their direct descendants born or to be born, their legally adopted children and the respective spouses of such descendants or children, as long as one or several of the above-mentioned persons, individually or collectively, or the trusts of which they are the beneficiaries, or the corporation which they control or the subsidiaries thereof, own such number of Class A Subordinate Voting Shares and Class B Shares allowing them to elect the Board of Directors of the Corporation and to exercise a majority of the votes cast to elect such directors.

## 7. Rights Attached to Subordinate Voting Shares

The Articles of the Corporation provide that if a takeover bid, within the meaning of the *Securities Act* (Quebec) (a "Takeover Bid"), is made, each Class A Subordinate Voting Share, the holder of which has indicated at any time during the period of participation his intention to take part in the Takeover Bid and has not subsequently exercised his right to withdraw within the prescribed period, shall be deemed to have been converted into one (1) Class B Share on the last business day prior to the effective date of the Takeover Bid. This conversion is subject however to the condition that a sufficient number of shares be taken up and paid for by the offeror under the Takeover Bid so as to cause the Majority Group, as defined in the Articles of the Corporation, to cease to be, as a result thereof, the Majority Group.

Each Class B Share may, at any time at the holder's option, be converted into one (1) fully paid Class A Subordinate Voting Share.

## 8. Election of Directors

Management of the Corporation proposes the election of thirteen (13) directors at the Meeting, of which nine (9) are independent, each to remain in office until the following Annual Meeting of Shareholders or until the election or appointment of his or her successor.

**Unless otherwise specified by the shareholder, the voting rights carried by the shares represented by any duly executed proxy enclosed herewith will be voted FOR the election of the persons hereinafter named, each of whom will be proposed as nominee for election as director.**

The following table presents, with respect to each nominee for election as director, the following information: the name of the individuals nominated for election as directors of the Corporation, their place of residence, the year of their appointment as director, their principal occupation, their independence with respect to the Corporation, their biography, their presence on the board of directors of other public corporations, a reference to the fact that the nominee is a member of a committee of the Board of Directors of the Corporation, the number of Class A Subordinate Voting Shares and Class B Shares of the Corporation that they owned beneficially or over which they exercised control or direction, as well as the number of Deferred Share Units held. Certain information set out below with respect to director nominees was not within the knowledge of the Corporation and was provided by the respective director nominees individually. For the sake of convenience, the number of Deferred Share Units is rounded off to the lower unit number when the decimal amount is less than 0.5 and to the higher unit number when it is 0.5 and above.

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<b>Lucien Bouchard</b> Montreal, Quebec	Mr. Lucien Bouchard has been a partner with Davies Ward Phillips & Vineberg LLP, a law firm, since April 2001. He has held various positions in government, both at the federal and provincial levels, namely as member of parliament and Minister of the Environment. Mr. Bouchard was Premier of Quebec from January 1996 to April 2001. Prior to 1996, Mr. Bouchard was named Canada's ambassador to France, from 1985 to 1988; he was named Secretary of State for Canada in 1988.	1,128 Class A Subordinate Voting Shares
Director since 2001		
Independent		5,379 Deferred Share Units
Member of the Corporate Governance Committee (chairman)	He is also a member of the Board of the Montreal Symphony Orchestra, la Société du Havre de Montréal and the Centre d'études et de recherches de l'Université de Montréal.	
	Mr. Bouchard also sits on the board of directors of the following public corporations:	
	<ul style="list-style-type: none"><li>➤ Saputo Inc.</li><li>➤ Brault &amp; Martineau Inc.</li></ul>	
<b>Pierre Brunet</b> Ile-des-Sœurs, Quebec	Mr. Pierre Brunet is Chairman of the Board of the Caisse de dépôt et placement du Québec, a financial institution, since April 2005. Prior thereto, Mr. Brunet completed a four-year mandate as Vice-Chairman and Chairman of the Canadian Institute of Chartered Accountants. He also occupied the position of Vice-Chairman of the Board of National Bank of Canada, from November 2000 to June 2002. Prior thereto, Mr. Brunet held several senior positions with National Bank Financial Inc., a brokerage firm, namely as President and Chief Executive Officer.	1,400 Class B Shares
Director since 1984		3,415 Deferred Share Units
Independent		
Lead Director	Mr. Brunet also sits on the board of directors of the following public corporations:	
	<ul style="list-style-type: none"><li>➤ Metro Inc.</li><li>➤ Métaux Russel Inc.</li></ul>	

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<p><b>Robert Chevrier</b> Ile-des-Sœurs, Quebec</p> <p>Director since 2001</p> <p>Independent</p> <p>Member of the Audit Committee (chairman)</p>	<p>Mr. Robert Chevrier is President of Société de gestion Roche Inc., a management and investment company, since March 2001. Prior thereto, he was Chairman and Chief Executive Officer of Rexel Canada Inc. (formerly Westburne Inc.), from 1993 to 2001. Prior to being a partner with Schroders &amp; Partners Canada Inc., from 1990 to 1992, Mr. Chevrier served as President and Chief Executive Officer of Uni-Select Inc., from 1983 to 1990 and of Autopoint, from 1977 to 1988.</p> <p>Mr. Chevrier also sits on the board of directors of the following public corporations:</p> <ul style="list-style-type: none"> <li>➤ Bank of Montreal</li> <li>➤ Addenda Capital Inc.</li> <li>➤ CGI Group Inc.</li> <li>➤ Cascades Inc.</li> <li>➤ Richelieu Hardware Ltd.</li> </ul>	<p>8,000 Class A Subordinate Voting Shares</p> <p>5,817 Deferred Share Units</p>
<p><b>J.V. Raymond Cyr, O.C.</b> Montreal, Quebec</p> <p>Director since 1997</p> <p>Independent</p> <p>Member of the Human Resources and Compensation Committee</p>	<p>Mr. J.V. Raymond Cyr is Chairman of the Board of Polyvalor Inc., a university-affiliated development corporation. Mr. Cyr served as Chairman of the Board of Bell Canada, from 1985 to 1989 and from 1992 to 1996, and as Chairman of the Board of BCE Inc., from 1989 to 1993.</p> <p>He is also a member of the Board of the Old Port of Montreal Corporation Inc. and Director emeritus of the Board of École polytechnique de Montréal. Mr. Cyr is also an officer of the Order of Canada.</p> <p>Mr. Cyr also sits on the board of directors of the following public corporations:</p> <ul style="list-style-type: none"> <li>➤ Canadian National Railway Company</li> <li>➤ ART Advanced Research Technologies Inc.</li> <li>➤ IsacSoft Inc.</li> </ul>	<p>6,000 Class A Subordinate Voting Shares</p> <p>5,106 Deferred Share Units</p>
<p><b>Luc Desjardins</b> Baie d'Urfé, Quebec</p> <p>Director since 2000</p> <p>Non-independent</p>	<p>Mr. Luc Desjardins is President and Chief Executive Officer of Transcontinental Inc. since March 2004. He joined Transcontinental in May 2000 as President and Chief Operating Officer. Prior thereto, he served as President and Chief Executive Office of a major US division of Mail-Well, a leading commercial printer in North America. From 1992 to 1998, Mr. Desjardins was President and Chief Executive Officer of Supremex Canada, a Canadian printer acquired by Mail-Well in 1995.</p>	<p>40,500 Class A Subordinate Voting Shares</p>
<p><b>Claude Dubois</b> Montreal, Quebec</p> <p>Director since 1978</p> <p>Independent</p> <p>Member of the Corporate Governance Committee</p>	<p>Mr. Claude Dubois, a partner of Mr. Rémi Marcoux's since the beginnings of Transcontinental, is President of Gestion Phila Inc., a management company, since 1985. Mr. Dubois served as strategic consultant to Transcontinental until December 2004. He has held several positions at Transcontinental since 1976.</p> <p>Mr. Dubois is a member of the Board and Vice President of the Executive Committee of the Orford Arts Center. He is also a member of the Board of Les Impatients, an organization working for the benefit of disabled individuals.</p>	<p>142,572 Class A Subordinate Voting Shares<sup>(1)</sup></p> <p>4,000 Class B Shares<sup>(1)</sup></p> <p>5,112 Deferred Share Units</p>

<p><b>Richard Fortin</b> Longueuil, Quebec</p> <p>Director since 2004</p> <p>Independent</p> <p>Member of the Audit Committee</p>	<p>Mr. Richard Fortin is Executive Vice President and Chief Financial Officer of Alimentation Couche-Tard Inc., a company operating convenience stores, since 1984. Prior thereto, Mr. Fortin had more than 13 years of experience with several major financial institutions. The last position he held was that of Vice President, Quebec, for Société Générale (Canada).</p> <p>Mr. Fortin also sits on the board of directors of the following public corporation:</p> <ul style="list-style-type: none"> <li>➤ Alimentation Couche-Tard Inc.</li> </ul>	<p>1,000 Class A Subordinate Voting Shares</p> <p>2,428 Deferred Share Units</p>
<p><b>Harold P. Gordon, Q.C.</b> Sunny Isles, Florida, U.S.A.</p> <p>Director since 1993</p> <p>Independent</p> <p>Member of the Human Resources and Compensation Committee</p>	<p>Mr. Harold P. Gordon is Chairman of the Board of Dundee Corporation, a management corporation involved in wealth management, financial services, real estate and natural resources, since November 2001. Prior thereto, he was Vice-Chairman of the Board of Hasbro, Inc., from 1995 to 2002. Prior to 1995, he was a partner with the law firm Stikeman Elliott LLP for 28 years.</p> <p>Mr. Gordon is also the Chairman of the Board and a director of the Jeanne Sauvé Scholars Foundation. He was appointed Queen's Counsel by the Government of Canada in 1989.</p> <p>Mr. Gordon also sits on the board of directors of the following public corporations:</p> <ul style="list-style-type: none"> <li>➤ Dundee Corporation</li> <li>➤ Alliance Atlantis Communications Inc.</li> <li>➤ Dorel Industries Inc.</li> <li>➤ Sonomax Hearing Health Care Inc.</li> <li>➤ Madacy Holding Inc.</li> </ul>	<p>1,000 Class B Shares</p> <p>5,073 Deferred Share Units</p>
<p><b>Hubert T. Lacroix</b> Montreal, Quebec</p> <p>Director since 2000</p> <p>Independent</p> <p>Member of the Human Resources and Compensation Committee (chairman) and of the Audit Committee</p>	<p>Mr. Hubert T. Lacroix is a Senior Advisor to Stikeman Elliott LLP, a law firm, since June 2003. From 2000 to 2003, Mr. Lacroix was Executive Chairman of the Board of Telemedia Corporation Inc. and of other companies in the Telemedia corporate structure. Prior thereto, he was a Senior Partner with McCarthy Tétrault, a law firm. He is also an adjunct professor of the Law Faculty of the University of Montreal.</p> <p>Mr. Lacroix is a trustee of the Lucie and André Chagnon Foundation as well as a director of their private management company, a trustee of the Martlet Foundation of McGill University and a director of the Montreal General Hospital Foundation and of the Fonds de développement du Collège Jean-de-Brébeuf.</p> <p>Mr. Lacroix also sits on the board of directors of the following public corporations:</p> <ul style="list-style-type: none"> <li>➤ SKF Pulp Fund</li> <li>➤ Zarlink Semiconductor Inc.</li> <li>➤ ITS Investments Limited Partnership</li> <li>➤ Cambior Inc.</li> </ul>	<p>4,000 Class B Shares</p> <p>6,523 Deferred Share Units</p>

<p><b>Monique Lefebvre</b> Montreal, Quebec</p> <p>Director since 2000</p> <p>Independent</p> <p>Member of the Corporate Governance Committee</p>	<p>Ms. Monique Lefebvre is a psychologist and a consultant specializing in business coaching. From 2001 to 2002, she served as President of the Transition Committee for the new City of Montreal. Ms. Lefebvre has held several senior positions, namely as Vice President, Quebec and Atlantic Canada, for Ericsson Canada Inc., from 1998 to 2001, President of Quebecor Multimedia Inc., from 1996 to 1998, President and Chief Executive Officer of the Computer Research Institute of Montreal (CRIM), from 1991 to 1996 and Academic Vice-Rector at the University of Quebec in Montreal, from 1986 to 1991.</p>	<p>1,000 Class A Subordinate Voting Shares</p> <p>4,147 Deferred Share Units</p>
<p>She has been a member of the Board of Trustees of the Canada Foundation for Innovation, President of Héma-Québec Foundation and Co-Chair of the Fundraising Campaign for the National Circus School. She has also served as President of Société Innovatech du Grand-Montréal, Vice-Chair of the Montreal Board of Trade and President of the Club des Ambassadeurs du Palais des Congrès de Montréal.</p>		
<p>Ms. Lefebvre also sits on the board of directors of the following public corporation:</p>		
<p>➤ Groupe Contact Image</p>		
<p><b>Isabelle Marcoux</b> Montreal, Quebec</p> <p>Director since 2005</p> <p>Non-independent</p>	<p>Ms. Isabelle Marcoux is Vice President, Corporate Development of Transcontinental Inc. since 2004. Between 1997 and 2004, she successively held the positions of Director, Mergers and Acquisitions and Legal Counsel and Assistant Secretary of the Corporation. Prior to joining Transcontinental, Ms. Marcoux was a lawyer at McCarthy Tétrault, a law firm.</p>	<p>1,000 Class B Shares<sup>(2)</sup></p>
<p>Ms. Marcoux is a member of the Board of the Montreal Childrens' Hospital Foundation.</p>		
<p><b>Pierre Marcoux</b> Montreal, Quebec</p> <p>Director since 2005</p> <p>Non-independent</p>	<p>Mr. Pierre Marcoux is Vice President, Business Publications of Transcontinental Media GP since January 2006. From 2004 to 2006, he was joint publisher and Editor in Chief of the newspaper <i>Les Affaires</i>, a newspaper belonging to Transcontinental Media. Prior thereto, he worked as a reporter, section manager and assistant editor before being appointed business development manager for business publications of Transcontinental Media. From 1997 to 1999, he was a reporter in Washington correspondent for Bloomberg News, following which he worked as a reporter for the Hamilton Spectator, in Ontario.</p>	<p>1,000 Class B Shares<sup>(2)</sup></p>

<p><b>Rémi Marcoux</b> Montreal, Quebec</p> <p>Director since 1978</p> <p>Non-independent</p>	<p>Mr. Rémi Marcoux, founder of Trancontinental, is Executive Chairman of the Board of Transcontinental Inc. since March 2004. Prior thereto, he held the positions of Chairman of the Board and President and Chief Executive Officer of the Corporation, which he founded in 1976.</p> <p>Mr. Rémi Marcoux's social involvement supports several causes, in particular fundraising for the Montreal Symphony Orchestra and Sainte-Justine Hospital as well as serving as President of Centraide's fundraising campaign for 2006. He is also a member of the Executive Committee of the Montreal Heart Institute Foundation, and the École des Hautes Études Commerciales of the University of Montreal has designated its arts management foundation as the Carmelle et Rémi-Marcoux Chair in recognition of his support. He also supports the International Centre for Conflict Resolution and Mediation. For the past four years, he has lead the fundraising campaign he began for this organization, which is recognized by UNESCO and whose mission consists in training young people to become mediators in their scholastic environment.</p> <p>He also a member of the Board of the Montreal Heart Institute. In addition, Mr. Marcoux is on the Board of Associate Directors of the University of Montreal.</p> <p>Mr. Rémi Marcoux also sits on the board of directors of the following public corporation:</p>	<p>13,209,840 Class B Shares<sup>(2)</sup></p>
	<p>➤ Canadian Tire Corporation Limited</p>	

- (1) Of which 137,572 Class A Subordinate Voting Shares and 4,000 Class B Shares are held by Gestion Phila Inc., a management company controlled by Mr. Claude Dubois.
- (2) These 13,209,840 Class B Shares are held by Capinabel Inc. The shares of Capinabel Inc. are held directly and indirectly by Mr. Rémi Marcoux and members of his immediate family. Mr. Rémi Marcoux controls Capinabel Inc. The shares of Capinabel Inc. represent 62.34% of the voting rights carried by the outstanding equity shares of the Corporation. Ms. Isabelle Marcoux and Mr. Pierre Marcoux are members of Mr. Rémi Marcoux's immediate family.

As of January 27, 2006, to the best knowledge of the Corporation, no director nominee is presently or has been during the ten (10) years prior to this date, a director or executive officer of any company that became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, a receiver manager or a trustee appointed to hold its assets, except for Mr. Lacroix who was a director of Adventure Electronics Inc. from April 1996 until February 6, 1998 when he resigned, approximately nine (9) months before Adventure Electronics Inc. declared bankruptcy on November 17, 1998.

## 9. Board of Directors' Attendance Record

As of October 31, 2005, the total attendance record of directors was 96% for the Board meetings, 93% for the Audit Committee meetings, 100% for the Human Resources and Compensation Committee meetings and 100% for the Corporate Governance Committee meetings.

The following table presents a detailed record of the number of Board meetings and Committees meetings attended by each director.

Director	Board of Directors (9 meetings)	Audit Committee (5 meetings)	Human Resources and Compensation Committee (4 meetings)	Corporate Governance Committee (7 meetings)
Lucien Bouchard	9	-	-	7
Pierre Brunet	8	-	3 <sup>(1)</sup>	-
Robert Chevrier	8	5	-	-
J.V. Raymond Cyr	9	-	4	-
Luc Desjardins	9	-	-	-
Claude Dubois	9	-	-	7
Richard Fortin	8	4	-	-
Harold P. Gordon	9	-	4	-
Hubert T. Lacroix	8	5	4	-
Monique Lefebvre	9	-	-	7
Isabelle Marcoux	5 <sup>(2)</sup>	-	-	-
Pierre Marcoux	5 <sup>(2)</sup>	-	-	-
Rémi Marcoux	9	-	-	-

(1) Mr. Pierre Brunet was a member of the Human Resources and Compensation Committee until March 29, 2005. Prior to that date, the Human Resources and Compensation Committee had three (3) meetings.

(2) Ms. Isabelle Marcoux and Mr. Pierre Marcoux were appointed directors on March 24, 2005. Since that date, the Board of Directors has had five (5) meetings.

## 10. Compensation of Directors

### Compensation

Each director of the Corporation who is not an executive officer and is not an employee of the Corporation or of any of its subsidiaries receives compensation. As of November 1, 2005, each director receives annual fees of \$25,000 (previously \$20,000) and attendance fees of \$1,500 for each meeting of the Board of Directors that he attends (previously \$1,200), unless he attends by telephone, in which case he receives \$1,000.

The chairman of the Corporate Governance Committee and the chairman of the Human Resources and Compensation Committee each receive annual fees of \$6,000. As of January 1, 2005, the chairman of the Audit Committee receives annual fees of \$10,000 (previously \$8,000). As of November 1, 2005, each director who is a member of a committee of the Board of Directors receives annual fees of \$3,000 and attendance fees of \$1,500 for each meeting of a committee of the Board of Directors that he attends (previously \$1,200), unless he attends by telephone, in which case he receives \$1,000.

Since March 30, 2005, the Lead Director receives annual fees of \$3,000.

If changes are made to the compensation or with respect to positions during a fiscal year, namely from November 1 to October 31, the fees are calculated on a pro rata basis.

### Deferred Share Unit Plan for Directors

In March 2002, the Corporation implemented a deferred share unit (“DSU”) plan with the express purpose of granting its directors share units of the Corporation in order to further motivate director involvement in the growth and development of the Corporation and to help the Corporation attract and retain experienced and competent directors. Participating directors are not entitled to receive any cash payment representing the value of the units until such time as they cease being directors. At this time and upon payment, the value attributed to each unit will be based on the market price of the Class A Subordinate Voting Shares of the Corporation on the payment date. In accordance with the Corporation’s ownership guidelines for directors, at January 1, 2006, all directors held shares or Deferred Share Units in an amount equal to at least three times the sum of a director’s annual compensation,

with the exception of Ms. Isabelle Marcoux and Mr. Pierre Marcoux who have until March 30, 2008, namely three (3) years after their nomination, to hold three (3) times the value of a director's annual compensation.

The following table presents the compensation paid to each director as such for the fiscal year ended October 31, 2005.

Director	Annual Compensation (\$)	Compensation as Committee Member (\$)	Compensation as Committee Chair (\$)	Attendance Fees for Meetings of the Board or of a Committee (\$)	Total Compensation (\$)	% paid in DSUs
Lucien Bouchard	20,000	-	6,000	17,800	43,800	100%
Pierre Brunet	20,000	1,767 <sup>(1)</sup>	2,466 <sup>(2)</sup>	12,600	36,833	100%
Robert Chevrier	20,000	-	9,666 <sup>(3)</sup>	16,400	46,066	100%
J.V. Raymond Cyr	20,000	3,000	-	13,800	36,800	100%
Luc Desjardins	-	-	-	-	-	-
Claude Dubois	20,000	3,000	-	17,800	40,800	100%
Richard Fortin	20,000	3,000	-	14,200	37,200	100%
Harold P. Gordon	20,000	3,000	-	15,400	38,400	100%
Hubert T. Lacroix	20,000	4,125 <sup>(4)</sup>	3,550 <sup>(5)</sup>	21,500	49,175	100%
Monique Lefebvre	20,000	3,000	-	17,800	40,800	100%
Isabelle Marcoux	-	-	-	-	-	-
Pierre Marcoux	-	-	-	-	-	-
Rémi Marcoux	-	-	-	-	-	-

(1) Compensation paid to the Lead Director as of March 30, 2005.

(2) Mr. Brunet was Chairman of the Human Resources and Compensation Committee from November 1, 2004 to March 30, 2005 during the fiscal year ended October 31, 2005.

(3) Pro rata calculation as a result of the change to the compensation of the Chairman of the Audit Committee as of January 1, 2005.

(4) Member of the Audit Committee and member of the Human Resources and Compensation Committee until March 29, 2005.

(5) Chairman of the Human Resources and Compensation Committee as of March 30, 2005.

## 11. Compensation of Executive Officers

The following table presents the compensation of the President and Chief Executive Officer, the Vice President and Chief Financial Officer and the three (3) most highly compensated executive officers of the Corporation (the "Named Executive Officers") for each of the last three (3) fiscal years ended October 31, 2005.

Name and principal position	Fiscal Year	Salary (\$)	Bonus (\$) <sup>(1)</sup>	Other Annual Compensation <sup>(2)</sup>	Number of Securities Under Option Granted <sup>(3)</sup>	Shares or Units Subject to Resale Restrictions (\$) <sup>(4)</sup>
Rémi Marcoux	2004-2005	630,000	157,500	-	42,200	
Executive Chairman of the Board	2003-2004	625,038	315,000	-	41,000	
	2002-2003	591,923	300,000	-	42,000	
Luc Desjardins President and Chief Executive Officer	2004-2005	655,635	198,300	-	42,200	377,990 <sup>(5)</sup>
	2003-2004	584,250	315,000	-	128,200	
	2002-2003	490,154	198,000	-	79,600	
Daniel Denault <sup>(6)</sup> Vice President and Chief Financial Officer	2004-2005	348,269	52,500	-	18,000	
	2003-2004	338,346	102,000	-	15,000	
	2002-2003	328,385	99,000	-	16,200	
Guy Manuel President, Marketing Products and Services Sector	2004-2005	367,433	102,600	-	20,000	
	2003-2004	347,519	157,500	-	25,000	
	2002-2003	244,808	107,410	-	20,000	
André Préfontaine <sup>(7)</sup> President, Media Sector	2004-2005	371,037	64,222	-	16,300	
	2003-2004	362,519	106,763	-	20,000	
	2002-2003	343,539	128,625	-	35,800	

(1) Bonuses are paid in cash during the year following the year in which they are earned.

(2) Amounts have not been included, as they do not reach the prescribed threshold of the lesser of \$50,000 and 10% of annual salary and bonuses.

(3) Class A Subordinate Voting Shares.

(4) The President and Chief Executive Officer was granted 17,197 share units in January 2005. The share units vest at the end of a three year period on the basis of performance as disclosed under the heading "Compensation of the President and Chief Executive Officer".

(5) On January 18, 2005, 17,197 share units were granted at a price of \$21.98. Thereafter, 151 share units were granted in payment of dividends for an aggregate number of 17,348. The market price per share unit on October 31, 2005 being \$20.5074, the value of the share units amounted to \$355,762.38.

(6) The Corporation has announced that Mr. Denault will be leaving on February 17, 2006.

(7) The Corporation has announced that Mr. Préfontaine will be leaving in February 2006.

## 12. Options and Share Units Granted to Executive Officers During Last Fiscal Year

### Options Granted

During the 2005 fiscal year, the Corporation granted a total of 404,800 options, representing 0.45% of the aggregate shares of the Corporation outstanding as of October 31, 2005. The following table presents the number of options granted under the Stock Option Plan of Transcontinental Inc. (the "Plan") to the Named Executive Officers for the fiscal year ended October 31, 2005. The principal terms and conditions of the Plan are set out later in this Circular under the heading "Report of the Human Resources and Compensation Committee on the Compensation of Executive Officers – (b) Compensation Components – Stock Option Plan".

Name	Number of Securities Under Option <sup>(1)</sup>	% of Total Number of Options Granted During the Fiscal Year	Exercise Price (\$ or Security)	Average Trading Price of Securities Under Option Five Days Prior to the Grant (\$ or Security)	Expiration Date D/M/Y
Rémi Marcoux	42,200	10,42%	22,41	22,41	2014/12/14
Luc Desjardins	42,200	10,42%	22,41	22,41	2014/12/14
Daniel Denault	18,000	4,45%	22,41	22,41	2014/12/14
Guy Manuel	20,000	4,94%	22,41	22,41	2014/12/14
André Préfontaine	16,300	4,03%	22,41	22,41	2014/12/14

(1) The options granted under the Plan apply to Class A Subordinate Voting Shares. Options granted prior to March 30, 2005 expire ten (10) years after the date of the grant and vest at a rate of 20% per year as of the first anniversary of their grant. Options granted after March 30, 2005 expire seven (7) years after the date of the grant and vest at a rate of 25% per year as of the first anniversary of their grant.

### Share Units Granted

During the 2005 fiscal year, the Corporation granted a total of 17,197 Deferred Share Units, representing 0.02% of the aggregate shares of the Corporation outstanding as at October 31, 2005, to the sole current beneficiary of this plan, namely Luc Desjardins, President and Chief Executive Officer of the Corporation. Thereafter, an additional 151 share units were also granted to Luc Desjardins as payment of dividends. The following table presents information regarding the grant of share units to the Named Executive Officers under the Stock Option Plan of Transcontinental Inc. during the fiscal year ended October 31, 2005. The principal terms and conditions of the Plan are set out later in this Circular under the heading “Report of the Human Resources and Compensation Committee on the Compensation of Executive Officers – (b) Compensation Components – Stock Option Plan”.

Name	Number of Share Units	Yield Period until the Vesting Date of Rights <sup>(1)</sup>	Estimated Future Payment Pursuant to the Plans		
			Minimum (\$ or number)	Target (\$ or number)	Maximum (\$ or number)
Rémi Marcoux	-	-	-	-	-
Luc Desjardins	17,348	3 years	-	-	-
Daniel Denault	-	-	-	-	-
Guy Manuel	-	-	-	-	-
André Préfontaine	-	-	-	-	-

(1) The vesting of rights for the Deferred Share Units is subject to the attainment of the following performance objectives: the performance of the Corporation’s Class A Subordinate Voting Shares as measured with respect to the average performance of the shares of a comparable group of companies listed on the Toronto Stock Exchange over a three (3) year period.

### 13. Aggregate Options Exercised by Executive Officers During Last Fiscal Year and Year-End Option Values

The following table indicates for each Named Executive Officer of the Corporation, the number of options exercised during the year, the gain realized upon exercise, the total number of exercisable and unexercisable stock options and the realizable value of gains on unexercised options as at October 31, 2005.

Name	Number of Securities Exercised <sup>(1)</sup>	Realized Gain (\$) <sup>(2)</sup>	Total Number of Unexercised Options at Year-End (Exercisable/Unexercisable)	Total Realizable Value of Unexercised Options at Year-End (Exercisable/Unexercisable) (\$) <sup>(3)</sup>
Rémi Marcoux	89,662	1,432,654	134,360 / 145,240	1,256,502 / 442,620
Luc Desjardins	196,720	2,527,744	138,000 / 224,280	1,322,560 / 110,627
Daniel Denault	26,000	418,382	22,202 / 53,160	134,284 / 126,147
Guy Manuel	-	-	13,000 / 52,000	22,570 / 0
André Préfontaine	21,170	331,873	26,440 / 100,900	117,402 / 547,912

(1) Class A Subordinate Voting Shares.

(2) The realized gain at the time the options are exercised is the difference between the closing price of the Class A Subordinate Voting Shares on the Toronto Stock Exchange on the exercise date and the exercise price of the option.

(3) The total realizable value of unexercised options is the difference between the exercise price of the option and the closing price of the Class A Subordinate Voting Shares on the Toronto Stock Exchange on October 31, 2005, the last business day of the fiscal year, which closing price was \$21.14 per share. Any gain realized at the time the option is exercised will depend on the closing price of the Class A Subordinate Voting Shares on the exercise date. There is no assurance that any gains will be realized.

## 14. Report of the Human Resources and Compensation Committee on the Compensation of Executive Officers

### Compensation Guidelines

Plans and programs are designed to reward executive officers of the Corporation competitively while encouraging them to implement both short and long-term strategies aimed at increasing share value and creating economic value.

The level and mix of the various compensation components are established so as to be competitive with the compensation practices of other comparable companies and aligned with the level of success attained. The performance and the variable compensation of the members of the management team are assessed in light of the achievement of financial objectives, which are established when the Corporation's budget is adopted. When setting its compensation levels, the Corporation compares itself with a variety of major Canadian industrial corporations of similar size and type. The Human Resources and Compensation Committee (the "Committee") reviews the performance of the management team annually and ensures that they understand the trends with respect to compensation and the suitability of existing programs. The goal of the Corporation is to ensure that the total compensation of its executive officers is based on the median figure for the sector regarding its comparable group of companies.

During the last fiscal year, the Committee retained the services of Mercer Human Resource Consulting ("Mercer"), an external consulting firm regarding, among other things, the compensation structure of some senior management positions as well as the compensation of the President and Chief Executive Officer of the Corporation. The Corporation paid Mercer fees of \$22,265 for such services during the last fiscal year. The Corporation and the retirement funds paid an additional amount of \$280,583 to a company related to Mercer for actuarial services relating to pension plans. The Committee considers Mercer as independent for purposes of the services it renders to the Committee as the human resource practice of Mercer is offered by an entity independent from the one offering actuarial services and because Mercer does not in any manner participate in the profits of the other entity.

### Compensation Components

Each compensation component – basic salary, annual incentives, options and share units – plays a specific role in support of the concept of performance-based remuneration and is established to reinforce the Corporation's expectations with respect to a particular position and the person holding that position.

## Base Salary

Base salary is the remuneration paid for performing the duties related to a given position. Annual salary adjustments are based on the Corporation's performance and also take into account salary levels for equivalent positions in other comparable organizations.

## Annual Incentives

Annual incentives serve to acknowledge and reward efforts and success during a given year. Bonuses are based on quantitative measures of performance. In 2005, the principal measure of financial performance was earnings per share for senior executives based at the head office and an even split between sector profitability and earnings per share for senior executives in charge of the Corporation's operating sectors.

## Stock Option Plan

The Corporation believes that it is important to base a portion of the remuneration paid to its senior executives on the long-term success of the Corporation, as measured by the increase in the value of the Corporation's shares. The Plan has the following principal features:

- (i) executive officers, senior executives and certain managers recognized for their strategic contribution and identified by the Committee as having a significant impact on the Corporation's long-term results are eligible to participate in the Plan;
- (ii) the total number of Class A Subordinate Voting Shares (the "Reserved Shares") issuable following the exercise of any options granted under the Plan is 6,078,562, representing 8.61% of the outstanding Class A Subordinate Voting Shares and 1.43 % of the voting rights carried by the Corporation's outstanding equity shares. Of this number, a balance of 2,982,878 Reserved Shares may be issued for future option grants;
- (iii) the maximum number of Reserved Shares that may be subject to options granted in favor of any one participant may not exceed 5% of the total number of Class A Subordinate Voting Shares issued and outstanding of the Corporation (namely 4% of the outstanding equity shares of the Corporation);
- (iv) 2,099,728 options were issued at a weighted average exercise price of \$18.22. The number of exercisable options is 829,668 options at a weighted average exercise price of \$15.16;
- (v) the Committee is responsible for administering the Plan and thus for determining the timing of the grants as well as the number of options to be granted;
- (vi) the price at which stock options are granted is determined by the Committee, but may not, under any circumstance, be less than the weighted average trading price of the shares on the Toronto Stock Exchange for the five (5) business days immediately preceding the date the options are granted;
- (vii) options granted under the Plan are for Class A Subordinate Voting Shares. Options granted before March 30, 2005 vest at a rate of 20% per year as of the first anniversary of the grant and will expire at the latest ten (10) years after the grant date. Options granted after March 30, 2005 generally vest at a rate of 25% per year as of the first anniversary of their grant and will expire at the latest seven (7) years after the grant date;
- (viii) when a participant's employment ceases (except in the event of retirement), any options that may be exercised at the date of termination of the employment must be exercised within ninety (90) days following such termination of employment (except in the event of a death, where the options must be exercised within one hundred and eighty (180) days following the date of the death) (but, in no event, after the expiry date of the options), failing which the options will expire and be cancelled. In the event of retirement, a participant will benefit from a vesting period with respect to the granted options for a period of one year after the date of his retirement as well as an additional period of ninety (90) days to carry out his exercise rights (but, in no event, after the expiry date of the options);

- (ix) the options can in no way be assigned or transferred, except by means of a will or pursuant to applicable laws regarding estates; and

The Committee may amend the rules of the Plan at any time, subject to any regulatory approvals. However, major amendments, namely amendments increasing the total number of options to be granted pursuant to the Plan, must be approved by the shareholders of the Corporation.

The shareholders of the Corporation approved amendments to the Plan at the annual and special meeting held on March 30, 2005, increasing the number of Reserved Shares to 3,000 000 shares and amending the vesting deadline from five (5) years to four (4) years (namely 20% to 25%) and the term of the options from ten (10) years to seven (7) years, all of the above with respect to options granted after March 30, 2005.

Details of the Plan are presented in note 18 to the Corporation's audited consolidated financial statements for the year ended October 31, 2005, which are included in the Annual Report for 2005. These documents can be found on the Internet site of SEDAR ([www.sedar.com](http://www.sedar.com)) as well as on the Corporation's Internet site ([www.transcontinental.com](http://www.transcontinental.com)). These documents, as well as the rules governing the Stock Option Plan, can also be obtained on request from the Secretary of the Corporation at 1 Place Ville Marie, Suite 3315, Montreal, Quebec H3B 3N2, telephone: (514) 954-4000.

#### Share Unit Plan

The Share Unit Plan (the "Unit Plan") was approved by the Board of Directors of the Corporation on June 14, 2005. The purpose of the Unit Plan is to ensure a better alignment between management and shareholders by providing designated executives with share units that will increase or decrease based on the value of the Corporation's stock. The Unit Plan is non-dilutive and is settled in cash or shares purchased on the open market.

The Corporation implemented the Unit Plan in order to grant share units to various officers, senior executives and high potential members of the management team in recognition of their contribution to, and their involvement in the long-term performance and success of the Corporation. As of January 27, 2006, share units had only been granted to the President and Chief Executive Officer, namely a grant of 17,197 Deferred Share Units on January 18, 2005 and a grant of 15,423 Deferred Share Units on December 15, 2005. The vesting of units is subject to the achievement of performance goals, namely the performance of the Corporation's Class A Subordinate Voting Shares when measured in relation to the average yield of the shares of a comparable group of companies listed on the Toronto Stock Exchange, adjusted for dividends, over a three (3) year period.

The Committee of the Corporation has the authority to make recommendations to the Board of Directors regarding participants in the Unit Plan, the terms and conditions of each grant, whether the grant will be in deferred share units ("DSU") or restricted share units ("RSU"), the date of the grant and the vesting conditions.

The number of share units granted is calculated based on the weighted average price of transactions on the shares on the Toronto Stock Exchange for the five (5) trading days immediately preceding the date of the grant (the "Market Value").

Participants will receive, as of the redemption date, in the case of DSUs or as of the vesting date in the case of RSUs, a value equal to the Market Value of the Corporation's shares at that date. The Board of Directors will determine if the payment will be made in shares traded on the market or in cash. DSUs are distributed following the termination of employment while RSUs may be given out when rights vest, typically three (3) years after the date of the grant.

Details of the Plan are presented in note 18 to the Corporation's audited consolidated financial statements for the year ended October 31, 2005, which are included in the Annual Report for 2005. These documents can be found on the Internet site of SEDAR ([www.sedar.com](http://www.sedar.com)) as well as on the Corporation's Internet site ([www.transcontinental.com](http://www.transcontinental.com)). These documents, as well as the rules governing the Stock Option Plan, can also be obtained on request from the Secretary of the Corporation at 1 Place Ville Marie, Suite 3315, Montreal, Quebec H3B 3N2, telephone: (514) 954-4000.

## **Insider Policy**

In 1992, the Corporation approved a policy to ensure compliance with the securities legislation regarding actions that could be taken by directors, officers, employees or any other person having privileged information regarding the Corporation's securities. This policy was subject to review and an update was approved by the Board of Directors on January 18, 2005. On a quarterly basis, the Corporation reminds its insiders that all trades must be reported to the competent authorities within ten (10) days of any transaction and that failure to do so could lead to penalties. In addition, the Corporation has established a rule whereby insiders can only trade on the Corporation's securities during a period of thirty (30) days starting two (2) business days after the publication of the annual and quarterly financial reports. The policy expressly provides that an insider cannot carry out any trades if he or she has knowledge of a material fact, the disclosure of which could materially affect share price.

## **Compensation of the President and Chief Executive Officer**

In December 2005, the Committee reviewed the compensation offered to the President and Chief Executive Officer in order to make a recommendation to the Board of Directors regarding the level and the various components of his remuneration package. To this end, the Committee members retained the services of Mercer to carry out a study of the compensation offered by other relevant comparable companies for a similar position. The Committee also asked Mercer to identify any changes deemed advisable in order to ensure that the President and Chief Executive Officer's remuneration remains competitive and is aligned with the interests of shareholders. While the Committee took this advice into account in formulating its recommendation to the Board, the recommendation remains the responsibility of the Committee.

The President and Chief Executive Officer's financial goals are established at the beginning of the year by the Board of Directors. Thereafter the Corporation's performance is monitored regularly with respect to these goals. The annual bonus, expressed as a percentage of the President and Chief Executive Officer's base salary, amounts to 60% provided that the Corporation achieves the target level of performance and up to 120% of salary at maximum performance levels. Performance was defined in terms of earnings per share for the fiscal year ended October 31, 2005 and the bonus paid out amounted to 50% of the target bonus of 60% based on results achieved.

Options are granted to the President and Chief Executive Officer pursuant to the terms and conditions of the Stock Option Plan and the number of options is established by the Committee members.

The President and Chief Executive Officer also participates in the Share Unit Plan, the number of units having been established by the Committee and approved by the Board of Directors. For the fiscal year ended October 31, 2005, the share units granted pursuant to this plan were based on the average yield of the Class A Subordinate Voting Shares of the Corporation when measured with respect to the average yield of the shares of a group of comparable companies listed on the Toronto Stock Exchange, adjusted for dividends, over a three (3) year period. No share units will vest if the Corporation's yield is less than the yield of the fortieth percentile of the comparison group. However, 75% of the share units will vest if the Corporation's yield is at the median for the comparison group and all of the share units will vest if the yield is in the seventy-fifth percentile or higher. Dividend equivalents paid during the year on share units are considered to be reinvested for the remainder of the vesting period.

Moreover, minimum holding rules were introduced by the Corporation whereby the President and Chief Executive Officer must hold, by March 23, 2009, the equivalent of three (3) times his base annual compensation in vested share units or in shares of the Corporation.

The other terms and conditions of the President and Chief Executive Officer's employment contract are similar to those of the employment contracts entered into with other officers of the Corporation.

## **Conclusion**

According to the Corporation's compensation policy, a major portion of the compensation paid to officers is based on the performance of the Corporation as well as its operating sectors and of the individual executives concerned. The Committee reviews the compensation programs for officers on a regular basis to ensure that they

remain competitive and are in keeping with the goals as well as the values and commercial strategies of the Corporation.

When the circumstances warrant it, the Human Resources and Compensation Committee may make recommendations that deviate from current policies.

The Human Resources and Compensation Committee, composed entirely of independent directors:

Hubert T. Lacroix, Chairman

J.V. Raymond Cyr

Harold P. Gordon

## 15. Pension Plans

Officers of the Corporation benefit from a basic pension plan and a supplemental pension plan and Messrs. Marcoux, Desjardins, Denault and Préfontaine contribute to an individual supplementary retirement plan. Basic annual estimated benefits payable on retirement are shown on the first line while total annual estimated benefits, including individual supplementary plans, are indicated on the second line of the following tables.

### *Individual Supplementary Retirement Plans for Messrs. Denault and Préfontaine*

Remuneration (\$) <sup>(1)</sup>	Years of Service				
	15	20	25	30	35
150,000	38,250	51,000	63,750	76,500	89,250
	38,250	51,000	63,750	76,500	89,250
200,000	51,000	68,000	85,000	102,000	119,000
	51,000	68,000	85,000	102,000	119,000
250,000	53,088	70,785	88,481	106,177	123,873
	63,750	85,000	106,250	127,500	148,750
300,000	53,088	70,785	88,481	106,177	123,873
	76,500	102,000	127,500	153,000	178,500
400,000 and higher	53,088	70,785	88,481	106,177	123,873
	102,000	136,000	170,000	204,000	238,000

(1) Salary for purposes of the pension plans includes the basic salary paid by the Corporation, excluding special payments and bonuses up to a maximum of \$208,190 as at January 1, 2006, or \$400,000 in the case of the individual supplementary pension plan. Normal retirement age is 65. However, employees may retire as early as 62 and still be entitled to a full pension. The normal method of payment regarding the pension of a participant with a spouse consists of a lifetime annuity and a 60% survivorship pension to the spouse. If a participant does not have a spouse, the pension is paid for life, subject to a ten (10) year guarantee period. Pensions (with the exception of the payable portion of the individual supplementary pension plan) are subject to an annual adjustment during retirement based on 75% of the increase in the Consumer Price Index, less 1%, subject to a minimum annual adjustment of 0% and a maximum annual adjustment of 6.5%.

Name	Salary for Purposes of the Plan (\$) (as of January 1, 2006)	Years of Service Deducted (as of January 1, 2006)	Projected Years of Service Deducted (at age 62)
Daniel Denault	360,500	7.58	19.00
Guy Manuel	390,000	2.83	11.83
André Préfontaine	372,300	9.00	17.58

*Individual Supplementary Retirement Plan for Mr. Desjardins*

Remuneration (\$) <sup>(1)</sup>	Years of Service				
	15	20	25	30	35
300,000	53,088	70,785	88,481	106,177	123,873
	90,000	120,000	150,000	180,000	210,000
400,000	53,088	70,785	88,481	106,177	123,873
	120,000	160,000	200,000	240,000	280,000
500,000	53,088	70,785	88,481	106,177	123,873
	150,000	200,000	250,000	300,000	350,000
600,000	53,088	70,785	88,481	106,177	123,873
	180,000	240,000	300,000	360,000	420,000
700,000	53,088	70,785	88,481	106,177	123,873
	210,000	280,000	350,000	420,000	490,000

(1) Salary for purposes of the supplementary pension plan includes the basic salary paid by the Corporation, excluding special payments and bonuses. Normal retirement age is 65. However, employees may retire as early as 62 and still be entitled to a full pension. The normal method of payment regarding the pension of a participant with a spouse consists of a lifetime annuity and a 60% survivorship pension to the spouse. If a participant does not have a spouse, the pension is paid for life, subject to a ten (10) year guarantee period. Pensions (with the exception of the payable portion of the individual supplementary pension plan) are subject to an annual adjustment during retirement based on 75% of the increase in the Consumer Price Index, less 1%, subject to a minimum annual adjustment of 0% and a maximum annual adjustment of 6.5%.

Name	Salary for Purposes of the Plan (\$) (as of January 1, 2006)	Years of Service Deducted (as of January 1, 2006)	Projected Years of Service Deducted (at age 62)
Luc Desjardins	685,000	5.58	13.83

*Individual Supplementary Retirement Plans for Mr. Marcoux*

Remuneration (\$) <sup>(1)</sup>	Years of Service		
	25	30	35
300,000	88,481	106,177	123,873
	500,000	500,000	500,000
400,000	88,481	106,177	123,873
	500,000	500,000	500,000
500,000	88,481	106,177	123,873
	500,000	500,000	500,000
600,000	88,481	106,177	123,873
	500,000	500,000	500,000
700,000	88,481	106,177	123,873
	500,000	500,000	500,000

(1) Salary for purposes of the supplementary pension plan includes the basic salary paid by the Corporation, excluding special payments and bonuses. Normal retirement age is 65. However, employees may retire as early as 62 and still be entitled to a full pension. The normal method of payment regarding the pension of a participant with a spouse consists of a lifetime annuity and a 60% survivorship pension to the spouse. If a participant does not have a spouse, the pension is paid for life, subject to a ten (10) year guarantee period. Pensions (with the exception of the payable portion of the individual supplementary pension plan) are subject to an annual adjustment during retirement based on 75% of the increase in the Consumer Price Index, less 1%, subject to a minimum annual adjustment of 0% and a maximum annual adjustment of 6.5%.

Name	Salary for Purposes of the Plan (\$) (as of January 1, 2006)	Years of Service Deducted (as of January 1, 2006)
Rémi Marcoux	630,000	30.00

### *Additional Information Regarding Pension Related Provisions*

Retirement benefits are considered as an integral part of the global compensation paid to officers. The following table presents the annual cost of retirement benefits, the liability associated with accumulated benefits as well as the annual pension that will be available to the officer at retirement. These amounts were determined based on assumptions used to calculate the value of the Plan's commitments at year-end and recognized in the financial statements according to generally accepted accounting principles.

Name	Annual Cost of Retirement Benefits for 2005 (\$)	Liability Associated with Accumulated Retirement Benefits as of October 31, 2005 (\$)	Annual Pension Available at Age 62 (\$)
Rémi Marcoux	116,000	3,854,000	500,000
Luc Desjardins	133,000	779,000	257,000
Daniel Denault	29,000	227,000	129,000
Guy Manuel	18,000	54,000	57,000
André Préfontaine	33,000	314,000	119,000

### **16. Employment Contracts and Terms and Conditions of Termination of Employment**

Generally, the officers of the Corporation or its subsidiaries do not have employment contracts. However, employment proposals made to external candidates or resulting from certain acquisitions carried out by the Corporation contain specific terms and conditions in case of termination of employment, which provide for the payment of indemnities the amount of which can vary from one (1) to two (2) times their basic annual salary, plus performance bonuses for certain individuals.

### **17. Employment Contract of the President and Chief Executive Officer**

Mr. Luc Desjardins' employment conditions are described under the heading "Remuneration of the President and Chief Executive Officer" in Section 14, entitled "Report of the Human Resources and Compensation Committee on the Compensation of Executive Officers".

In the event that the Corporation terminates the employment of Mr. Luc Desjardins, other than for just and sufficient cause, the Corporation will pay monetary compensation in an amount equal to two (2) years of basic salary and two (2) years of performance bonuses earned during the last complete year. Any options held and that would vest according to the terms and conditions of the Stock Option Plan within twelve (12) months after the last day of work will be subject to accelerated vesting and may thus be exercised immediately.

### **18. Equity Shares Issuable Pursuant to Compensation Plans**

Details of the equity shares issuable pursuant to the Stock Option Plan are presented in note 18 to the Corporation's audited consolidated financial statements for the year ended October 31, 2005, which are included in the Annual Report for 2005. These documents can be found on the Internet site of SEDAR ([www.sedar.com](http://www.sedar.com)) as well as on the Corporation's Internet site ([www.transcontinental.com](http://www.transcontinental.com)). These documents can also be obtained on request from the Secretary of the Corporation at 1 Place Ville Marie, Suite 3315, Montreal, Quebec H3B 3N2, telephone: (514) 954-4000.

On October 31, 2005, the number of Class A Subordinate Voting Shares available for future issuances pursuant to the Stock Option Plan was 3,480,278.

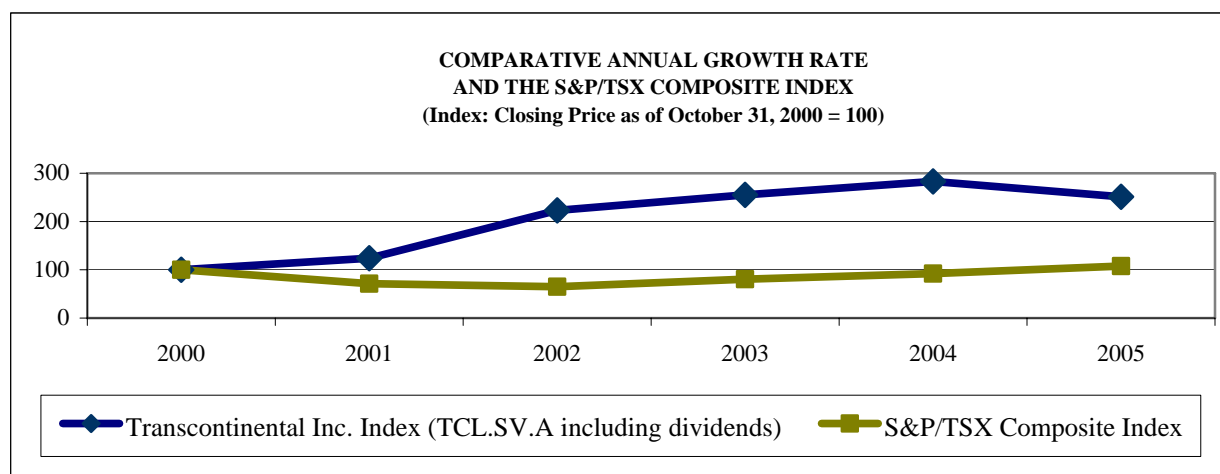
Type of Plan	Number of Securities Issuable Upon Exercise of Outstanding Options, Warrants or Rights at October 31, 2005	Average Weighted Exercise Price of Outstanding Options, Warrants and Rights at October 31, 2005 (\$)	Number of Remaining Securities Issuable Pursuant to Equity Share Based Compensation Plans at October 31, 2005
Share based compensation plan approved by securityholders <sup>(1)</sup>			
Class A Subordinate Voting Shares	1,739,368	17.22	3,480,278
Share based compensation plan not approved by securityholders	—	—	—

(1) Pursuant to the Stock Option Plan.

## 19. Performance Graph

The following graph illustrates the total cumulative yield of a \$100 investment in the shares of the Corporation made on October 31, 2000 compared with the cumulative performance of the S&P/TSX Composite Index on the Toronto Stock Exchange for the last five (5) fiscal years.

Compounded Annual Growth Rate  
(including dividends)  
The Corporation: 20% and S&P/TSX Composite Index: 1.5%



	As of October 31					
	2000	2001	2002	2003	2004	2005
Closing TCL.SV.A	\$8.75	\$10.75	\$19.23	\$21.85	\$24.06	\$21.14
Closing TCL.MV.B	\$8.85	\$11.14	\$19.13	\$21.60	\$23.99	\$20.53
Dividends	\$0.10	\$0.10	\$0.12	\$0.14	\$0.17	\$0.22
S&P/Composite Index	\$9,639.57	\$6,885.70	\$6,248.79	\$7,772.70	\$8,870.97	\$10,383.32
Transcontinental Inc. Index (TCL.SV.A including dividends)	100	124	223	255	283	251
S&P/TSX Composite Index	100	71	65	81	92	108

## **20. Indebtedness of Directors or Officers**

Neither the Corporation nor any of its subsidiaries grants any loans to any of its directors or officers.

## **21. Directors' and Officers' Liability Insurance**

The Corporation subscribes to an insurance policy for the benefit of directors and officers of the Corporation against liability incurred by them in these capacities. The current annual policy limit per risk and per year is US\$35,000,000. In the event of a claim, the deductible amount is US\$250,000. The annual premium is US\$243,375.

## **22. Statement Regarding Corporate Governance Practices**

Corporate governance consists of the procedures and structures used to direct and manage the activities and affairs of the Corporation to attain the goals of its shareholders. Shareholders elect the directors who, in turn, are responsible for overseeing all of the operating aspects of the Corporation, for naming the members of the management team and for ensuring that the business is properly managed based on the interests of the Corporation's three pillars, namely shareholders, customers and employees.

The Board of Directors, through the Corporate Governance Committee, monitors the evolution of corporate governance practices and regulatory requirements. Schedule A to this Management Proxy Circular contains information regarding disclosure relating to corporate governance as required pursuant to National Instrument 58-101, National Policy 58-201 and National Instrument and National Policy 52-110 issued by the Autorité des marchés financiers of Quebec and other securities commissions.

### **Mandate of the Board of Directors**

The responsibility of the Board of Directors is to oversee the conduct of the Corporation's affairs and supervise management. The Board of Directors carries out its duties either directly or through its committees. During the fiscal year ended October 31, 2005, the Board of Directors held nine (9) meetings. Independent directors held *in camera* sessions after each of these Board meetings.

The mandate of the Board of Directors is included in Schedule B to this Circular.

The Board has three (3) committees composed entirely of independent directors. In addition, each meeting of the Board of Directors and of its committees provides for discussions without the presence of the members of management.

### **Composition of the Board**

The Board of Directors is convinced that the number of directors that comprise the Board results in an efficient decision-making process. After having examined the roles and relations between each director with respect to the Corporation, the Corporate Governance Committee has established that two thirds of the Corporation's directors (9 out of 13) are independent. These independent directors have no interest in the Corporation or in the management thereof, or any other relationship with them. Moreover, two thirds of the directors have no interest or relationship with the significant shareholder and are thus considered independent with respect to such shareholder. The number of independent directors is also an equitable reflection of the interest in the Corporation of shareholders other than the significant shareholder. The independent directors are thus in a position to represent fairly all shareholders. For more details, see Item 1 in Schedule A.

### **Human Resources and Compensation Committee**

The Human Resources and Compensation Committee is composed of three (3) independent directors:

Chairman: Hubert T. Lacroix

Members: J.V. Raymond Cyr, Harold P. Gordon

The mandate of the Human Resources and Compensation Committee is included in Schedule D to this Circular. The Committee's report can be found on page 14 of this Circular under the heading "Report of the Human Resources and Compensation Committee on the Compensation of Executive Officers".

During the fiscal year ended October 31, 2005, the Human Resources and Compensation Committee held four (4) meetings.

#### Role and Responsibilities of the Chairman of the Human Resources and Compensation Committee

The Chairman of the Human Resources and Compensation Committee is appointed by the Board of Directors. The principal role of the Chairman of the Human Resources and Compensation Committee is to ensure that this Committee carries out its duties efficiently and that it understands and respects the limits between the responsibilities of the Board and those of the Committee and of management.

Its major responsibilities are as follows: (i) chair meetings of the Human Resources and Compensation Committee and report to the Board of Directors regarding any issues examined by the Committee at the next Board meeting following each Committee meeting; (ii) see to it that the Committee ensures that the Corporation's human resources and compensation policies comply with regulatory requirements and that communications are free and open with any external expert advising firms responsible for making recommendations to the Committee and to the Board in order to allow such professionals to collaborate fully with the Human Resources and Compensation Committee; and (iii) act as resource person and advisor to the Executive Chairman of the Board, management and the Corporate Vice President of Human Resources.

#### **Corporate Governance Committee**

The Corporate Governance Committee is composed of three (3) independent directors:

Chairman: Lucien Bouchard

Members: Monique Lefebvre, Claude Dubois

The mandate of the Corporate Governance Committee is included in Schedule E to this Circular.

During the fiscal year ended October 31, 2005, the Corporate Governance Committee held seven (7) meetings.

#### Role and Responsibilities of the Chairman of the Corporate Governance Committee

The Chairman of the Committee is appointed by the Board of Directors. The principal role of the Chairman of the Corporate Governance Committee is to ensure that this Committee carries out its duties efficiently and that it understands and respects the limits between the responsibilities of the Board and those of the Committee and of management.

Its major responsibilities are as follows: (i) chair meetings of the Corporate Governance Committee and report to the Board of Directors regarding any issues examined by the Committee at the next Board meeting following each Committee meeting; (ii) see to it that the Committee ensures that the Corporation's corporate governance policies comply with regulatory requirements and that communications are free and open with any external expert advising firms responsible for making recommendations to the Committee and the Board in order to allow such professionals to collaborate fully with the Corporate Governance Committee; and (iii) act as a representative of the Committee to negotiate and settle any issues relating to corporate governance or regarding the implementation or application of the Corporation's Code of Ethics during discussions with experts or external advisors outside regularly scheduled meetings of the Committee and, if required, convene an emergency meeting of the Committee.

## **Audit Committee**

The Audit Committee is composed of three (3) independent directors:

Chairman: Robert Chevrier

Members: Richard Fortin, Hubert T. Lacroix

The mandate of the Audit Committee is included in Schedule C to this Circular.

During the fiscal year ended October 31, 2005, the Audit Committee held five (5) meetings.

### Role and Responsibilities of the Chairman of the Audit Committee

The Chairman of the Audit Committee is appointed by the Board of Directors. The principal role of the Chairman of the Audit Committee is to ensure that this Committee carries out its duties efficiently and that it understands and respects the limits between the responsibilities of the Board of Directors and those of the Committee and of management.

Its major responsibilities are as follows: (i) chair meetings of the Audit Committee and report to the Board of Directors regarding any issues examined by the Committee at the next Board meeting following each Committee meeting; (ii) ensure that major issues are clearly identified and communicated to the Committee and ultimately to the Board of Directors for its approval and that all material issues falling under the mandate of the Committee are dealt with by the Committee and the Board during the year; (iii) see to it that the Committee ensures that auditing procedures regarding the Corporation's accounts comply with regulatory requirements and that communications are free and open with the Corporation's external auditors and internal auditors in order to allow such professionals to collaborate fully with the Audit Committee; (iv) ensure that Committee members have sufficient resources (in particular, relevant and timely information) for the Committee to run efficiently; (v) follow up files assigned by the Board of Directors to the Audit Committee and, if required, entrust the execution of certain files to an internal work committee of the Corporation or to outside consultants in order to submit complete projects to Committee members for discussion; (vi) act as a representative of the Committee to negotiate and settle any auditing issues relating to accounts of the Corporation during discussions with external auditors outside regularly scheduled meetings of the Committee and, if required, convene an emergency meeting of the Committee; and (vii) act as resource person to handle any complaints submitted by employees or other third parties pursuant to the Whistle-Blower Policy.

### Information regarding the Audit Committee

Information regarding the Audit Committee is presented in Item 12 entitled "Information Regarding the Audit Committee" in the Corporation's Annual Information Form for the fiscal year ended October 31, 2005. A copy of the Annual Information Form can be obtained on SEDAR's Internet site ([www.sedar.com](http://www.sedar.com)), on the Corporation's Internet site ([www.transcontinental.com](http://www.transcontinental.com)) or by making a request therefor to the Secretary of the Corporation at 1 Place Ville Marie, Suite 3315, Montreal, Quebec H3B 3N2, telephone: (514) 954-4000.

## **23. Appointment and Remuneration of Auditor**

At the Meeting, the shareholders will be called upon to appoint the auditor of the Corporation to hold office until the next Annual Meeting of Shareholders and to authorize the directors to fix the remuneration of the auditor appointed.

**Unless otherwise specified by the shareholder, the persons named in the enclosed form of proxy intend to vote FOR the appointment of Samson Bélair/Deloitte & Touche s.e.n.c.r.l., 1 Place Ville Marie, Suite 3000, Montreal, Quebec, Canada, H3B 4T9, as auditor of the Corporation and to authorize the directors to fix its remuneration.**

Samson Bélair/Deloitte & Touche s.e.n.c.r.l. has acted as auditor of the Corporation since 1978.

## **Auditor's Fees**

During the 2005 fiscal year ended October 31, 2005, the Corporation retained its auditor, Samson Bélair/Deloitte & Touche s.e.n.c.r.l., to provide services. The Audit Committee has determined that Samson Bélair/Deloitte & Touche s.e.n.c.r.l.'s provision of non-audit services was compatible with maintaining Samson Bélair/Deloitte & Touche s.e.n.c.r.l.'s independence. The Audit Committee approved a policy whereby it must pre-approve any non-audit services performed by the Corporation's auditor.

Details of the services and amounts paid to Samson Bélair/Deloitte & Touche s.e.n.c.r.l. are presented in the Corporation's Annual Information Form under sections 12.4 and 12.5 and are included by reference. This document can be obtained on on SEDAR's Internet site ([www.sedar.com](http://www.sedar.com)), on the Corporation's Internet site ([www.transcontinental.com](http://www.transcontinental.com)) or by making a request therefor to the Secretary of the Corporation at 1 Place Ville Marie, Suite 3315, Montreal, Quebec H3B 3N2, telephone: (514) 954-4000.

## **24. Other Information**

### **General**

Information contained herein is given as at the date hereof except as otherwise stated. Management of the Corporation knows of no matter to come before the Meeting other than the matters referred to in the accompanying Notice of the Meeting.

### **Code of Ethics**

The Board of Directors of the Corporation approved a Code of Ethics, a copy of which is available on the Internet site of SEDAR ([www.sedar.com](http://www.sedar.com)) as well as on the Corporation's Internet site ([www.transcontinental.com](http://www.transcontinental.com)). A copy can also be obtained on request from the Secretary of the Corporation at 1 Place Ville Marie, Suite 3315, Montreal, Quebec H3B 3N2, telephone:(514) 954-4000.

### **Interest of Insiders in Material Transactions**

To the knowledge of the Corporation, no director or officer of the Corporation, no subsidiary, no insider, no nominee for election as director, no shareholder holding more than 10% of the voting shares of the Corporation had any interest in transactions since the beginning of the last fiscal year of the Corporation or in any proposed transaction that has or could have a material effect on the Corporation or on any of its subsidiaries.

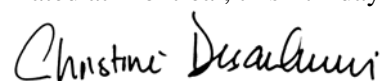
### **Availability of Documents**

The Corporation's financial information is included in the audited consolidated financial statements of the Corporation and notes thereto and in the accompanying Management's Discussion and Analysis ("MD&A") for the fiscal year ended October 31, 2005. Copies of these documents and additional information concerning the Corporation can be found on the Internet site of SEDAR ([www.sedar.com](http://www.sedar.com)) and may also be obtained on request from the Secretary of the Corporation at its registered office, 1 Place Ville Marie, Suite 3315, Montreal, Quebec H3B 3N2, telephone: (514) 954-4000. The above documents, as well as the Corporation's news releases, are also available on the Corporation's Internet site ([www.transcontinental.com](http://www.transcontinental.com)).

### **Approval by Directors**

The contents and the sending to the shareholders of this Circular have been approved by the Board of Directors of the Corporation.

Dated at Montreal, this 27<sup>th</sup> day of January, 2006.



Christine Desaulniers  
Vice President and Chief Legal Officer,  
and Corporate Secretary

**Schedule A**  
**Statement of Corporate Governance Practices of Transcontinental Inc.**

The Corporation is of the opinion that efficient corporate governance practices are essential to the overall success of a corporation. As of June 30, 2005, Canadian Securities Administrators adopted National Instrument 58-101 and National Policy 58-201 that require that the Corporation disclose information regarding its corporate governance practices. These new rules replace the fourteen Corporate Governance Guidelines of the Toronto Stock Exchange (“TSX”). Moreover, the Corporation complies with the provisions of Multilateral Instrument 52-110 and Companion Policy 52-110 with respect to the Audit Committee (see the heading “Audit Committee” in this Circular).

DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES	COMPLIANCE	COMMENTS
<b>1. Board of Directors</b>		
<p>a) Provide a list of independent directors and explain the basis for such determination.</p>	<p>Yes</p>	<p>According to section 1.4 of Multilateral Instrument 52-110, a director is independent if he has no direct or indirect material relationship with the Corporation, which includes a relationship which could, in the view of the Board of Directors, reasonably interfere with the exercise of the director’s independent judgment. After having examined the role and relationships of each of the directors, the Corporate Governance Committee has established that two thirds of the directors proposed as candidates by management for election as directors are independent of the Corporation, namely:</p> <p>Lucien Bouchard            Pierre Brunet            Robert Chevrier            J.V. Raymond Cyr            Claude Dubois            Richard Fortin            Harold P. Gordon            Hubert T. Lacroix            Monique Lefebvre</p> <p>This determination was made based on the following factors :</p> <ul style="list-style-type: none"> <li>(a) they (and members of their immediate family) are not and have not been, during the three (3) previous years, an employee or executive or officer of the Corporation;</li> <li>(b) they (and their spouse, minor children or minor children from a previous marriage) are not and have not been, during the three (3) previous years, a partner or employee of the Corporation’s external auditors;</li> <li>(c) they (and members of their immediate family) are not and have not been, during the three (3) previous years, an executive officer of an entity if any of the officers of the Corporation serve or served on such entity’s human resources and compensation committee;</li> <li>(d) they (and members of their immediate family) have not received more than \$75,000 per year in direct compensation from the Corporation over a period of twelve months during the three (3) previous years;</li> <li>(e) the consultation contract between Mr. Claude Dubois and the Corporation ended in March 2004;</li> </ul>

DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES	COMPLIANCE	COMMENTS
		<p>(f) Mr. Hubert T. Lacroix does not play an active role in the legal consulting services provided to the Corporation by Stikeman Elliott LLP and, moreover, he is not a partner or an employee of the law firm.</p> <p>For more detailed biographical information regarding each director, see the heading “Election of Directors” on page 4 of this Circular.</p>
<p>b) Provide a list of non-independent directors and give the basis for this determination.</p>	<p>Yes</p>	<p>After having examined the role and relationships of each director, the Corporate Governance Committee has established that the four (4) following directors, of the thirteen (13) directors proposed by management to sit on the Board of Directors, are not independent from the Corporation, namely:</p> <p>Luc Desjardins, President and Chief Executive Officer;</p> <p>Isabelle Marcoux, Vice President, Corporate Development and daughter of Mr. Rémi Marcoux;</p> <p>Pierre Marcoux, Vice President, Economic Publications for Transcontinental Media LLP (a subsidiary of the Corporation) and son of Mr. Rémi Marcoux;</p> <p>Rémi Marcoux, Executive Chairman of the Board.</p> <p>For more detailed biographical information regarding each director, see the heading “Election of Directors” on page 4 of this Circular.</p>
<p>c) Indicate if the majority of directors are independent or not.</p>	<p>Yes</p>	<p>More than two thirds of directors proposed as candidates for the Board of Directors are independent of the Corporation.</p>
<p>d) Provide a list of all the directors who currently sit on the board of directors of another reporting issuer or the equivalent in a province or territory in Canada or in a foreign territory. Indicate the name of the other issuer.</p>	<p>Yes</p>	<p>All the directors sitting on boards of directors of other public corporations (reporting issuers) are identified under the heading “Election of Directors” on page 4 of this Circular.</p>
<p>e) Indicate if the independent directors meet regularly where members of management are not in attendance. If yes, indicate the number of such meetings held during the last twelve (12) months. If no, describe the measures taken by the Board to encourage open and free discussions between independent directors.</p>	<p>Yes</p>	<p>Independent directors systematically hold <i>in camera</i> meetings during each meeting of the Board. Such meetings are chaired by the Lead Director. During the fiscal year ended October 31, 2005, the independent administrators held nine (9) <i>in camera</i> meetings. The committees of the Board are entirely composed of independent directors, and at each of their meetings, they meet without any members of management in attendance.</p>

DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES	COMPLIANCE	COMMENTS
f) Indicate if the Chairman of the Board is an independent director or not. If yes, indicate if the Board has a Lead Director who is an independent director and describe his role and responsibilities.	Yes	<p>The position of Chairman of the Board and Chief Executive Officer was split in March 2004. The competence and experience of Mr. Rémi Marcoux, Executive Chairman of the Board and non-independent director, are very important for the Corporation and the Board. Other mechanisms have been put into place, including holding meetings of independent directors without members of management in attendance. Moreover, Mr. Pierre Brunet, independent director, was appointed Lead Director with the responsibility of ensuring that the Board of Directors functions independently from management.</p> <p>A description of the role and responsibilities of the Executive Chairman of the Board and the Lead Director is included in the mandate of the Board of Directors as set forth in Schedule B to this Circular.</p>
g) Provide a record of attendance to board meetings for each director for the fiscal year ended October 31, 2005.	Yes	<p>The Board of Directors held nine (9) meetings, the Corporate Governance Committee held seven (7) meetings, the Human Resources and Compensation Committee held four (4) meetings and the Audit Committee held five (5) meetings. Overall directors attended 98% of the meetings held by the Board and its committees.</p> <p>See the heading “Board of Directors’ Attendance Record” on page 8 of this Circular for the attendance record of each director at the meetings of the Board and its committees held during the fiscal year ended October 31, 2005.</p>
<b>2. Mandate of the Board of Directors</b>		
a) Present the text of the written mandate of the Board of Directors.	Yes	<p>The Board of Directors approved the written mandate of the Board on December 10, 2003. The mandate was modified and approved on June 14, 2005.</p> <p>The Board of Directors reviews, evaluates, approves and monitors the major initiatives and policies of the Corporation, namely (i) the strategic plan, the business objectives and the annual budget of the Corporation; (ii) the financial goals, including the compensation of senior officers; (iii) the identification of the principal risks to which the Corporation is exposed and the systems implemented to manage these risks; (iv) the organisational structure and the succession plan for senior executives; (v) the internal control and management information systems which are assessed in light of the internal and external auditing procedures; and (vi) the structures implemented to ensure efficient communications between the Corporation, its shareholders and the public.</p> <p>The complete text of the mandate of the Board of Directors is set forth in Schedule B to this Circular. A copy of this document can also be obtained from the Secretary of the Corporation, 1 Place Ville Marie, Suite 3315, Montreal, Quebec H3B 3N2, telephone: (514) 954-4000.</p>

DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES	COMPLIANCE	COMMENTS
<b>3. Position Description</b>		
<p>a) Indicate if the Board has developed or not a written position description for the Executive Chairman of the Board and the chairman of each committee of the Board.</p>	<p>Yes</p>	<p>A description of the role and responsibilities of the Executive Chairman of the Board was approved by the Board of Directors on June 14, 2005. The description establishes that the Executive Chairman of the Board provides leadership and develops guiding principles for the Board of Directors and represents the Board with respect to shareholders at the annual meeting of shareholders. The Executive Chairman of the Board also sets the agenda for Board meetings, chairs Board meetings, ensures that Board members receive clear information on a timely basis and ensures that the performance of the Board is assessed on a regular basis. In addition, the Executive Chairman of the Board supervises the chairs of the Board committees.</p> <p>Descriptions of the role and responsibilities of the chairs of the Audit Committee, the Human Resources and Compensation Committee and the Corporate Governance Committee were approved by the Board of Directors on September 14, 2005. They provide, among other things, that the chairman of each committee sets the agenda and chairs committee meetings and reports regularly to the Board of Directors.</p> <p>See the heading “Statement Regarding Corporate Governance Practices” on page 22 of this Circular for a more detailed description of the role and responsibilities of each chairman of the Board committees. Copies of these documents can also be obtained from the Secretary of the Corporation, 1 Place Ville Marie, Suite 3315, Montreal, Quebec H3B 3N2, telephone: (514) 954-4000.</p>
<p>b) Indicate if the Board has developed or not a written position description for the Chief Executive Officer?</p>	<p>Yes</p>	<p>A description of the role and responsibilities of the President and Chief Executive Officer is included in the mandate of the Board of Directors. The Board is also responsible for establishing the priorities and responsibilities of the President and Chief Executive Officer. The description provides that the President and Chief Executive Officer is ultimately responsible for running the Corporation, for ensuring the profitability of the Corporation and the proper functioning of its operations. He is responsible for developing and implementing the mission, the vision and the strategy of the Corporation as approved by the Board, establishing the objectives of the Corporation, assuming leadership of the management team and maintaining relations with employees, customers, the financial community and shareholders.</p> <p>See Schedule B to this Circular for a more detailed description of the role and responsibilities as defined in the mandate of the Board of Directors. A copy of the full text of the role and responsibilities can also be obtained from the Secretary of the Corporation, 1 Place Ville Marie, Suite 3315, Montreal, Quebec H3B 3N2, telephone: (514) 954-4000.</p>

DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES	COMPLIANCE	COMMENTS
<b>4. Orientation and Continuing Education</b>		
<p>a) Indicate the measures taken by the Board to inform new directors with respect to:</p> <p>i) the role of the Board of Directors, its committees and its directors, and</p> <p>ii) the nature and operation of the Corporation's business.</p>	Yes	<p>Each director receives a Director Handbook that is regularly updated. The Director Handbook contains material pertinent to the affairs of the Corporation, including the Corporation's bylaws, the mandate of the Board of Directors and its committees, descriptions of the role and responsibilities of each committee chairman and the Executive Chairman of the Board, details of directors' compensation, including the text of the Deferred Share Unit Plan, details regarding directors' liability insurance, the role and responsibilities of the President and Chief Executive Officer as well as details regarding the Corporation's structure, its Code of Ethics and its policies. In addition, newly appointed directors benefit from an orientation program in the form of informal meetings with management as well as guided tours of the Corporation's facilities.</p>
<p>b) Indicate the measures taken by the Board of Directors to ensure the continuing education of directors.</p>	Yes	<p>The Corporate Governance Committee is in charge of implementing a continuing education program for directors. The program provides for regular presentations to the Board regarding the Corporation's major business sectors, legal issues relating to the Corporation and directors' responsibilities. Meetings of the Board are sometimes held at the Corporation's facilities and guided tours are organized to provide directors with additional insight regarding the Corporation's activities.</p>
<b>5. Code of Ethics</b>		
<p>a) Indicate if the Board of Directors has adopted or not a written code for its officers and employees. In the affirmative:</p>	Yes	<p>The Corporation adopted its initial Code of Ethics in September 2000 and this document was updated to comply with the new requirements provided for pursuant to National Instrument 58-101 and National Policy 58-201. The final text was approved by the Board of Directors on September 14, 2005. The Code of Ethics applies to all individuals who are employed by the Corporation and its subsidiaries as well as its directors.</p>
<p>i) Indicate how a copy can be obtained;</p>	Yes	<p>A copy of the Code of Ethics was filed on SEDAR on October 17, 2005 and can be obtained on SEDAR's Internet site (<a href="http://www.sedar.com">www.sedar.com</a>). A copy this document can also be obtained from the Secretary of the Corporation, 1 Place Ville Marie, Suite 3315, Montreal, Quebec H3B 3N2, telephone: (514) 954 4000.</p>
<p>ii) Describe the manner in which the Board ensures compliance with the Code; in the negative, explain if it ensures compliance with the Code and in what manner;</p>	Yes	<p>The Board of Directors is responsible for ensuring that the Code of Ethics is applied throughout the Corporation. The Board of Directors has given the Corporate Governance Committee a mandate to negotiate and settle all questions relating to the implementation or application of the Code of Ethics. In addition, all executives and officers of the Corporation play a decisive role regarding compliance with the Code of Ethics. In order to facilitate its understanding, various policies of the Corporation have been approved by the Board of Directors, including the Workplace Harassment Policy, the Environmental Policy, the Disclosure Policy, the Whistle-Blowing Policy, the Insider Transactions Policy, the Procurement Policy and the Delegation of Power Policy, all of which are mentioned in the Code of Ethics.</p>

DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES	COMPLIANCE	COMMENTS
iii) Refer to all material change reports filed during the last fiscal year relating to the conduct of a director or a senior officer that constitutes a departure of the Code.	Yes	The Corporate Governance Committee is responsible for examining any departure to the Code of Ethics by a director or a senior officer and to make recommendations to the Board regarding any measures to be taken with respect thereto. The Board did not grant any waivers with respect to the Code of Ethics to any directors, executives or officers during the last fiscal year. Therefore, no material change report was filed.
b) Indicate the measures taken by the Board of Directors to guarantee the exercise of independent judgement by directors when examining the operations and contracts in which a director or a senior officer has a material interest.	Yes	The Code of Ethics includes a section on conflicts of interest as well as a statement regarding an actual or potential conflict of interest that must be completed and signed by all employees, including senior officers as well as all the directors.  The Corporate Governance Committee ensures that no director participates in a discussion or gives his approval on an issue in which the director has a major interest and such director will refrain from voting on such issue.
c) Indicate other measures taken by the Board of Directors to encourage and promote a culture of ethics.	Yes	The Board of Directors has adopted several policies and procedures relating to the management of the Corporation's affairs with respect to sound corporate governance.  Moreover, a communications program with employees was adopted regarding the implementation of the Code of Ethics, which will ensure its uniform dissemination throughout the Corporation and its subsidiaries.
<b>6. Selection of Candidates to the Board of Directors</b>		
a) Describe the process followed by the Board of Directors to select new candidates for the Board of Directors.	Yes	The Board of Directors has given the Corporate Governance Committee a mandate to recommend new candidates to the Board. The Committee is responsible for reviewing the size and the composition of the Board of Directors, with a view to facilitate effective decision-making and to ensure a diversity of opinions and experience, all the while maintaining the Board's independence vis-à-vis management. This review is carried out on an annual basis.  The competencies and skills that the Board should possess have been considered by the Corporate Governance Committee and approved by the Board of Directors on September 14, 2005.
b) Indicate if the Board has or not a nominating committee composed entirely of independent directors.	Yes	The Board did not appoint a nominating committee and the responsibilities that are normally attributed to such committee are part of the responsibilities of the Corporate Governance Committee. The Corporate Governance Committee is composed of three (3) directors, all of whom are independent.
c) If the Board has a nominating committee, describe the responsibilities, powers and activities of such committee.	Yes	The mandate of the Corporate Governance Committee provides that such committee is responsible for establishing the competencies and skills that the Board of Directors, as a whole, should possess, for compiling the competencies and skills of each director, establishing the complementary or desired competencies and skills for any new candidate to the Board of Directors and for making recommendations to the Board of Directors regarding the nomination of new candidates. The Corporate Governance Committee also reviews the size of the Board of Directors and implements a system for the assessment of the Board of Directors and its committees.  The mandate of the Corporate Governance Committee is set forth in Schedule E to this Circular. A copy of this document may also

DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES	COMPLIANCE	COMMENTS
		be obtained from the Secretary of the Corporation, 1 Place Ville Marie, Suite 3315, Montreal, Quebec H3B 3N2, telephone: (514) 954-4000.
<b>7. Compensation</b>		
a) Indicate the procedure followed by the Board to fix the compensation of directors and officers.	Yes	<p>The Board of Directors has given the Corporate Governance Committee a mandate to review on a regular basis the compensation of directors and to make recommendations to the Board in order that the compensation realistically reflects the risks and responsibilities related to the position of director of the Corporation. The only directors entitled to receive the directors' compensation are the independent directors. Details regarding the directors compensation are set forth under the heading "Compensation of Directors" in this Circular.</p> <p>With respect to the compensation of executive officers, the Board has given the Human Resources and Compensation Committee a mandate to examine the compensation of executive officers and make recommendations with respect thereto. For more detailed information, see the heading "Report of the Human Resources and Compensation Committee on the Compensation of Executive Officers" in this Circular.</p>
b) Indicate if the Board has or not a compensation committee composed entirely of independent directors.	Yes	The Human Resources and Compensation Committee is composed of three (3) directors, all of whom are independent.
c) If the Board has a compensation committee, describe its responsibilities, powers and operation.	Yes	The mandate of the Human Resources and Compensation Committee sets forth the general responsibilities of the Committee. The mandate of the Committee is to ensure the assessment and the implementation of the Corporation's wage and compensation policies, its Stock Option Plan and Share Unit Plan as well as its pension plans and programs, and to ensure that a succession plan is put in place to deal with the Corporation's future needs regarding human resources. The full text of the mandate can be found in Schedule D to this Circular. A copy of this document can also be obtained from the Secretary of the Corporation at 1 Place Ville Marie, Suite 3315, Montreal, Quebec H3B 3N2, telephone: (514) 954-4000.
d) If, during the last fiscal year of the issuer, the services of a consultant or advisor specialising in compensation have been retained to help fix the compensation of the officers of the issuer, identify the consultant or advisor and give a brief description of its mandate. If the consultant or advisor was retained to carry out other tasks for the issuer, indicate this situation and describe briefly the nature of the work.	Yes	During the last fiscal year, the Corporation retained the services of Mercer Human Resources Consulting ("Mercer"), an external consulting firm, to carry out a study on the compensation offered for a position similar to that of the President and Chief Executive Officer of pertinent comparable businesses, as well as a review of the salaries and other compensation components payable to executive officers for 2006. During the last fiscal year, the Corporation paid fees of \$22,265 for these services. The Corporation and/or the retirement funds paid an additional amount of \$280,583 to a corporation affiliated with Mercer for actuarial services regarding pension plans. The Human Resources and Compensation Committee considers Mercer as independent for purposes of the services it renders to the Committee as the human resource practice of Mercer is offered by an entity independent from the one offering actuarial services and because Mercer does not in any manner participate in the profits of the other entity.

DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES	COMPLIANCE	COMMENTS
<b>8. Other Committees of the Board</b>		
<p>a) If the Board has other standing committees, other than the Audit Committee, the nominating committee and the compensation committee, list the committees and their function.</p>	<p>Yes</p>	<p>The Board has three (3) committees, namely (i) the Audit Committee; (ii) the Human Resources and Compensation Committee; and (iii) the Corporate Governance Committee. As mentioned in Item 6 (b), the responsibilities of the nominating committee are assumed by the Corporate Governance Committee. All the members of each committee are independent directors. See the heading “Statement Regarding Corporate Governance Practices” for a description of the composition of the committees and the role and responsibilities of each committee chairman. See the heading “Board of Directors’ Attendance Record” for the attendance record of each director of each committee. The mandates of each committee are set forth in Schedule C, Schedule D and Schedule E, respectively. Copies of the documents can also be obtained from the Secretary of the Corporation, 1 Place Ville Marie, Suite 3315, Montreal, Quebec H3B 3N2, telephone: (514) 954-4000.</p>
<b>9. Assessment</b>		
<p>a) Indicate if the Board of Directors, the committees of the Board and each director are subjected or not to a regular assessment of their effectiveness and contribution. In the affirmative, indicate how the Board of Directors ensures that the Board itself as well as its committees and each of its directors carry out their duties efficiently.</p>	<p>Yes</p>	<p>The Corporate Governance Committee prepared questionnaires to assess the performance both of the Board of Directors and the committees of the Board of Directors, which questionnaires were approved by the Board of Directors on September 14, 2004. A self-assessment form, approved by the Board of Directors on September 14, 2005, has been added and is used by directors to prepare their assessment and their meeting with the Executive Chairman of the Board.</p> <p>The Corporate Governance Committee prepared a questionnaire with respect to the assessment of the Executive Chairman of the Board, which questionnaire was approved by the Board of Directors on June 14, 2005. This questionnaire must be completed by all the other directors.</p> <p>The assessment of the Board of Directors, the committees of the Board and each director is carried out every two (2) years, alternating with the assessment of the Executive Chairman of the Board.</p> <p>The Board of Directors has retained the services of a law firm to receive and compile all the documents pertaining to the assessments in order to protect the confidentiality of the answers given by each director. A detailed report of the answers is given to the Chairman of the Corporate Governance Committee and the report is then studied by the Corporate Governance Committee. Thereafter, the Chairman of the Corporate Governance Committee gives an account thereof to the Board of Directors with its recommendations.</p> <p>With respect to the assessment of the Executive Chairman of the Board, the Chairman of the Corporate Governance Committee meets with him personally to discuss the results attained.</p>

**Disclosure Relating to the Audit Committee Required by Form 52-110F1**

Information regarding the Audit Committee is available under Item 12, "Information Regarding the Audit Committee" in the Corporation's Annual Information Form for the fiscal year ended October 31, 2005. A copy of this Annual Information Form can be obtained on SEDAR's Internet site ([www.sedar.com](http://www.sedar.com)), on the Corporation's Internet site ([www.transcontinental.com](http://www.transcontinental.com)) or from the Secretary of the Corporation at 1 Place Ville Marie, Suite 3315, Montreal, Quebec H3B 3N2, telephone: (514) 954 4000.

## **Schedule B**

### **Mandate of the Board of Directors**

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Transcontinental Inc. (the “Corporation”) is a company with values founded on sound corporate governance. The mission of its Board of Directors (the “Board”) is to see that the senior management of the Corporation acts in a manner that not only protects these values but guarantees their compliance, thus ensuring that the Corporation is managed in the best interests of the “Three Pillars” of the business, namely its employees, its customers and its shareholders.

#### **Board of Directors**

##### Selection and Number of Directors

Based on the Corporation’s articles, the Board can be composed of a minimum of three (3) and of a maximum of fifteen (15) directors. The Audit Committee has been assigned the role of selecting new director nominees and it believes that a Board composed of a minimum of eleven (11) directors is ideal to ensure sound management. Any candidate proposed by the Audit Committee must be approved by the Board before being elected by shareholders.

##### Term of the Mandate

Directors are elected annually at the Corporation’s annual meeting. Directors are elected for a one (1) year term, subject to re-election by shareholders at the next annual meeting. Any vacancy on the Board can be filled during the year.

##### Training

Upon taking office, each director receives a Director Handbook containing information on the Corporation and its policies. The Handbook, prepared by the Secretary of the Corporation, is updated continually. It contains, among other things, a description of the mandates of the Board of Directors and of each of its committees as well as various policies, including the Insider Policy, the Financial Information Disclosure Policy, the Whistle-Blower Policy and the Code of Ethics applicable to directors, senior executives and employees of the Corporation. It also contains a summary of the directors’ civil liability insurance policy.

During the year, some Board meetings are held at the Corporation’s operating sites which allows directors to meet with the staff and to have a better understanding of the Corporation’s operations.

Presentations on general or specific topics are used for the ongoing training of directors. These training sessions allow directors to understand the operations of the Corporation and can be useful tools giving them a better insight into the Corporation’s overall strategic planning.

##### Qualification Criteria

The Audit Committee is responsible for recruiting directors with competencies and skills that complement those already existing on the Board. Directors are recruited for their merit, their knowledge and their experience as well as their availability to devote sufficient time to the affairs of the Corporation.

##### Essential Qualities of a Director

The Audit Committee has been entrusted with the mission of recruiting directors who are committed to meeting the highest level of professional standards, who have a track record of integrity and rigour and are independent of management. They are also expected to have sound judgement to make timely decisions and to demonstrate their commitment by their active and dedicated participation at each meeting and their personal attendance.

##### Executive Chairman of the Board

The roles and responsibilities of the Executive Chairman of the Board are defined by the Board.

The principal role of the Executive Chairman of the Board is to ensure that the Corporation carries out its responsibilities efficiently and it has a clear comprehension of the limits between the responsibilities of the Board and those of management and respects them. The Executive Chairman of the Board chairs Board meetings and annual shareholder meetings and, if convenient, he can attend meetings of the committees of the Board as an invited guest. He sets the agenda for Board meetings in collaboration with the Chief Executive Officer and the Secretary of the Board and ensures that the strategic orientation is defined and communicated to the Board for its approval and that all material issues are dealt with by the Board during the year. The Executive Chairman of the Board is not only responsible for ensuring that the Corporation implements sound management practices, but he must also see to it that they are continuously improved upon.

#### Lead Director

The roles and responsibilities of the Lead Director are defined by the Board.

The primary role of the Lead Director is to ensure that Board members can function independently from management by chairing and guiding “*in camera*” sessions, by chairing “*in camera*” meetings of independent directors when held, by helping independent directors fulfill their roles, by chairing Board meetings in the absence of the Executive Chairman of the Board and by ensuring that the workload allows the Board to adequately discharge itself of its duties and to carry out its mandate.

#### President and Chief Executive Officer

The roles and responsibilities of the President and Chief Executive Officer are defined by the Board.

The President and Chief Executive Officer, a member of the Board, falls under the authority of the Board. He is ultimately responsible for directing the business to maximize the return on invested capital for shareholders and for ensuring the profitability of the business as well as the proper functioning of its operations and its sustained growth. He is responsible for developing and implementing the corporate strategy approved by the Board. He identifies the short, mid and long-term objectives of the Corporation and ensures that policies and action plans are put in place to attain these goals. He recruits, develops and retains competent and productive management teams and ensures that the dealings between the teams are transparent and constructive. He assumes the direct leadership of his management team by reviewing and approving all hirings and promotions as well as salary conditions and obtains the approval of the Board regarding such measures, if necessary. He is responsible for developing and maintaining good relations with employees as well as with external and internal customers of the Corporation, the financial community, shareholders, the general public and governments. As a guardian of the Corporation’s values, he also ensures that these values are disseminated throughout the organization and to all employees.

#### Shareholdings

Based on recommendations made by the Audit Committee, the Board has approved the principle whereby each director must own the equivalent of three (3) times his annual basic compensation in deferred share units for a period of three (3) years.

#### Retirement Age

The Board has not fixed a mandatory retirement age for directors.

#### **Board Mandate**

The principal mandate of the Board is to represent the interests of all shareholders. For this purpose, the Board has established committees composed of independent directors to ensure that the Corporation operates through a financial system that is ethical and of superior quality and takes into account its employees, customers, suppliers and shareholders. The major responsibilities of the Board are the following:

- Ensure that the Corporation is governed so as to maintain its financial integrity in compliance with the policies approved by the Board;
- Appoint the President and Chief Executive Officer, determine his roles, tasks and responsibilities and ensure that a succession plan is put in place;
- Ensure, to the extent possible, that the President and Chief Executive Officer and other members of senior management are honest and are creating a culture of integrity throughout the organization;
- Adopt a strategic planning process, participate in the process and approve the strategic plans and priorities identified by senior management; review the strategic plan on an annual basis in light of the risks and business opportunities of the Corporation and approve the implementation program developed by senior management;
- Ensure the implementation of an adequate system to identify risks, evaluate the major risks to which the Corporation is exposed and ensure that the Corporation has the appropriate systems to manage these risks. Ensure the quality and integrity of financial systems following the implementation of internal control systems;
- Review and approve the Corporation's annual budget, including the capital expenditure budget. Approve major acquisitions and dispositions as well as major decisions;
- Review the organizational structure, the succession plan and the training and performance levels of senior executives;
- Ensure that the right people are in the right place and that all senior management members are adequately remunerated;
- Ensure the adoption of the Corporation's major policies regarding security, conflicts of interest and relations with customers and suppliers. Ensure the adoption of a Code of Ethics applicable to all employees without distinction, including senior executives and directors and ensure its enforcement. Only the Board is authorized to consent to any departure from the Code of Ethics by a director or members of senior management;
- Monitor communications between the Corporation, shareholders and the general public and ensure the effectiveness of the Corporation's communications policy. Monitor the adoption of the financial disclosure process and ensure that all financial information is disclosed on a timely basis, as well as in an accurate and comprehensive manner. Set up measures to gather feedback from interested parties through direct communication channels between these parties and independent directors;
- Develop the Corporation's vision with respect to corporate governance, in particular develop a set of principles and guidelines regarding corporate governance and ensure that the Audit Committee addresses any governance-related issues;
- Implement an assessment process for the Board, its members and its committees and carry out these assessments on a regular basis;
- Review regularly the mandate of the Board and of the Board committees. Appoint the Chairman of the Board and of each committee as well as the committee members;
- Ensure that the competencies of Board members complement one another in order to stimulate discussion and contribute new ideas, thus encouraging management to excel;
- Provide an orientation and education program for Board members and ensure that all new directors have access to a full education program. Provide all these directors with access to ongoing education programs in order that they may maintain or enhance their competencies and skills as directors. Ensure that the levels of knowledge and understanding of the Corporation's directors are continuously updated through an adequate program consisting of visits to operating sites and of reports and presentations on business-related topics;
- Ensure that the information given to Board members is as complete and as accurate as possible;
- Ensure that directors have sufficient time to read the documentation prepared for Board meetings and committee meetings;

- Ensure that directors remain independent of senior management;
- Ensure that an “*in camera*” session is held at the end of each Board meeting or at any other time deemed appropriate by the Lead Director and at which members of management are not in attendance and that an “*in camera*” meeting is held at least twice a year with only independent directors in attendance;
- Appoint a Lead Director whose primary responsibility should consist in ensuring the independence of the Board from senior management.

### **Qualities and Personal Attributes of Directors**

The Corporation expects its directors to have the following qualities and attributes:

#### Integrity

The Corporation expects its directors to demonstrate the highest level of integrity. The Corporation also expects its directors to demonstrate sound business acumen and that their deliberations and decisions will reflect this integrity. The Corporation expects its directors to assume responsibility for their decisions.

#### Adequate Preparation

In order to be able to provide sound advice, directors must carefully prepare for each Board meeting and ask pertinent questions to senior management so as to be in a position to understand or challenge the assumptions underlying management’s recommendations regarding the projects or decisions submitted to the Board for its approval. The Board should benefit from the personal experience of each director as well as from his general knowledge and financial competency.

#### Ability to Communicate

Directors should be able to communicate well with other Board members while being receptive to their opinions and input. They must also be good listeners and capable of addressing sensitive issues so as to encourage free and open discussions.

### **Running of Board Meetings**

The Executive Chairman of the Board and the Secretary of the Corporation are responsible for setting the agenda for each Board meeting in collaboration with senior management members. Reasonable efforts are made to ensure that the documentation is made available to Board members several days before a meeting.

The dates of Board meetings are determined sufficiently in advance to ensure that Board members are available. The Board has statutory meetings to approve the annual and quarterly financial statements and the budgets and, if required, to approve any major acquisition or disposition or any transaction not falling within the Corporation’s normal course of business.

Board members attend meetings in person. They may also attend by teleconference. At Board meetings, members of senior management are sometimes invited to make presentations on topics related to their sector of activity, thus providing Board members with an opportunity to enhance their knowledge of the Corporation’s activities.

### **Code of Ethics**

The Corporation adopted a Code of Ethics which applies to all employees of the Corporation, without exception. A copy of the Code of Ethics is given to each employee upon his hiring and whenever changes are made. Directors, managers and professionals employed by the Corporation must confirm that they have received and read the Code of Ethics and that they agree to respect it. Managers of the Corporation, in collaboration with the human resources and legal affairs departments, must see to it that all employees receive a copy of the Code of Ethics and that adequate measures are taken to ensure that they fully understand its contents and its scope.

**Schedule C**  
**Mandate of the Audit Committee**

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The Audit Committee of Transcontinental Inc. (the “Corporation”) is composed exclusively of independent directors who have no direct or indirect material relationship with the Corporation or any of its subsidiaries or affiliated companies. A material relationship is defined as any relationship that, in the opinion of the Board of Directors, could reasonably impede upon the exercise of the independent judgment of a member of the Committee. The Board of Directors must appoint a minimum of three (3) of its members to sit on the Audit Committee, one (1) of whom shall serve as Committee Chairman and all of whom shall be financially literate. Two (2) members shall constitute a quorum. The responsibilities of the Audit Committee are established by the Board of Directors and include the following:

1. helping members of the Board of Directors to fulfill their obligations, in particular their obligation with respect to overseeing the procedures regarding financial information;
2. improving the credibility and objectivity of financial information;
3. recommending to the Board of Directors the nomination of the external auditor and approving its remuneration;
4. ensuring better lines of communication between directors and external auditor;
5. strengthening the independence of external auditor;
6. strengthening the role of directors by encouraging in-depth discussions between directors, management and external auditor;
7. examining and approving the mandate of external auditor and the nature and scope of the audit that it is to conduct and receiving from such auditor an official written statement attesting to its independence;
8. monitoring the work of the external auditor retained to prepare or deliver the audit report or to carry out other auditing, inquiry or certification services for the Corporation, including resolving any issues between management and the external auditor with respect to financial information;
9. approving beforehand all of the non-auditing services that the external auditor of the Corporation must carry out for the Corporation or its subsidiaries and ensuring the implementation of a detailed statement describing the services required in order to allow the Committee to carry out an orderly evaluation of the repercussions of the services on the independence of the external auditor. In particular, examining and authorizing all substantial fees (exceeding \$100,000) paid to the external auditor for work other than tax or audit related. This responsibility of the Audit Committee cannot be delegated to the management of the Corporation in any way whatsoever;
10. examining and approving the mandate, the organization and the independence of the internal auditors of the Corporation, including the scope of its responsibilities, goals and work programs as well as its staff and its policy with respect to the presentation of information;
11. examining the accounting principles and practices followed by the Corporation, including all material changes made thereto during the fiscal year and ensuring that they are adequate given the circumstances and in compliance with the laws and regulations in effect;
12. monitoring and assessing the efficiency and integrity of the Corporation’s internal controls and management information systems pertaining to the external auditor and the internal auditors of the Corporation;

13. examining the professional fees paid to the external auditor with a view to ensuring that the nature and amount of such fees do not jeopardize the independence of the auditor;
14. examining the financial data in the Corporation's quarterly financial statements, including management's discussion and analysis, changes made to accounting principles and practices, as well as the impact of a major sale or acquisition on the disclosure of financial information;
15. examining and approving the annual and quarterly consolidated financial statements of the Corporation, management's discussion and analysis relating thereto, the press releases regarding the annual and quarterly results, as well as the auditor's report to shareholders. Recommending that the Board of Directors approves such documents as well as identifying the sectors of activity to be dealt with in the financial statements;
16. discussing with the external auditor any restrictions imposed on the scope of its work and any problems arising with respect to its auditing of the Corporation and its subsidiaries;
17. examining the auditing procedures of subsidiaries, the major issues as well as the recommendations of the external auditor with respect thereto;
18. examining the recommendations that the internal auditors and the external auditor bring to the attention of the management of the Corporation and which they consider important with a view to improving accounting practices, internal controls and management information systems;
19. ensuring that procedures are implemented regarding the reception, the conservation and the processing of complaints received by the Corporation regarding accounting, internal accounting controls or auditing and regarding the confidential and anonymous delivery by any employees of the Corporation of concerns regarding debatable issues with respect to accounting or auditing;
20. examining and approving the hiring policies of the Corporation regarding the current and former associates and employees of the current external auditor and the former external auditor of the Corporation;
21. ensuring the implementation of a process enabling management to identify the major risks relating to the Corporation and taking all necessary measures or requesting that such measures be taken to manage such risks; in this respect, making inquiries with respect to the insurance portfolio, the currency position, any pending and threatened litigation as well as any contingent liabilities of the Corporation and its subsidiaries, reviewing the level of provisions with respect to the Corporation's accounts and evaluating their adequacy;
22. examining, in conjunction with management and external auditor, any new financial or regulatory requirements that could affect the presentation of the Corporation's financial information;
23. notifying the Board of Directors of the Corporation of any conflict between the external auditor and the management of the Corporation which the Committee did not settle within a reasonable time period;
24. in order to allow it to fulfill the obligations mentioned hereinabove, the Audit Committee shall have unlimited access, at any time, directly or through duly appointed representatives, to the pertinent registers and accounting systems of the Corporation, its external auditor, its internal auditors, its accounting staff and management staff, as well as to retain the services of any independent legal counsel or other counsel deemed appropriate by the Committee. The external auditor as well as the internal auditors of the Corporation and the management staff shall also have unlimited access to the Audit Committee;
25. meeting privately on a regular basis with the internal auditors and the external auditor, without management being present, to discuss the management of the Corporation's financial affairs and internal controls.

**Schedule D**  
**Mandate of the Human Resources and Compensation Committee**

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The mandate of the Human Resources and Compensation Committee (the “Committee”), composed entirely of independent directors, consists in ensuring the direction and implementation of the Corporation’s wage and compensation policies as well as the Corporation’s Stock Option Plan, Share Unit Plan and Deferred Share Unit Plan and its pension plans and programs, and in ensuring that a succession plan is put in place to deal with the Corporation’s future needs regarding human resources. The Committee is authorized to retain the services of external consultants to assist the Committee in carrying out its duties and responsibilities as provided for in its mandate.

The mandate of the Committee specifically includes the following responsibilities:

**General Responsibilities**

1. Examine the Corporation’s wage and compensation policies and make recommendations to the Board of Directors regarding the adoption of such policies as well as any modifications deemed necessary or required as a result of any new laws or regulations;
2. Assess the competitiveness of the Corporation’s compensation policies and practices and report the results or findings of its assessments to the Board of Directors;
3. Examine and, if required, review the Corporation’s Stock Option Plan, Share Unit Plan and Deferred Share Unit Plan, evaluate these plans and make recommendations to the Board of Directors regarding any modifications deemed necessary as a result of the enactment of any new pertinent laws or regulations or resulting from new market trends;
4. Ensure the administration of the Stock Option Plan, the Share Unit Plan and the Deferred Share Unit Plan;
5. Examine and, if required, review annually the pension plans offered to employees, senior executives and executive officers;
6. Review the stewardship reports of the pension committees and report to the Board of Directors;
7. Review the organizational structure and the succession planning program with respect to senior management on an annual basis;
8. Review the Committee’s mandate on an annual basis and make recommendations to the Board of Directors regarding the adoption of this mandate; and
9. Review all executive compensation disclosure before it is publicly disclosed in the Corporation’s information circular.

**President and Chief Executive Officer**

10. Define the roles and responsibilities of the President and Chief Executive Office and make recommendations to the Board of Directors for its approval;
11. When hiring a new President and Chief Executive Officer, determine the Corporation’s goals with respect to this position, review the roles and responsibilities in light of such goals, approve the profile of the desired candidate with the help and support of the Executive Chairman of the Board and the Head of Human Resources. If this task is assigned to outside advisors, review the list of potential candidates and approve the shortlist of candidates, participate in the final decision and make recommendations to the Board of Directors for its approval.

12. Examine and approve annually the goals of the Corporation as they pertain to the compensation of the President and Chief Executive Officer, evaluate his performance in light of these goals, establish the acceptable level of compensation based on this evaluation and make recommendations to the Board of Directors with respect thereto;
13. Examine and approve any decision with respect to the resignation of the President and Chief Executive Officer and his severance package, if any, and make recommendations to the Board of Directors for its approval.

#### **Senior Management**

14. Determine annually the positions making up senior management;
15. Recommend to the Board of Directors the new candidates to the positions identified by the Board of Directors as making up senior management;
16. Examine and approve the hiring, the compensation and the employment conditions of executive officers;
17. Examine and, if required, review the severance packages negotiated in employment contracts or in the event of the termination of employment of executive officers;
18. Review annually the development programs for senior management members.

**Schedule E**  
**Mandate of the Audit Committee**

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The mandate of the Audit Committee (the “Committee”), composed entirely of independent directors, consists in ensuring compliance with, and enforcement of, corporate governance requirements and regulations, in particular as set forth in National Instrument 58-101, *Disclosure of Corporate Governance Practices* and National Policy 58-201, *Corporate Governance Guidelines*. The Committee is also responsible for making proposals to the Board of Directors concerning any new candidates for election to the Board.

The mandate of the Committee specifically includes the following responsibilities:

1. Examine the Corporation’s corporate governance policies and practices and make improvements thereto;
2. Implement a system for the regular assessment of the Board of Directors and its committees with respect to their contribution and efficiency in light of their respective mandates and charters and carry out a regular assessment of individual directors based on the applicable position description and the competencies and skills that each director is expected to bring to the Board;
3. Review the size and composition of the Board of Directors, propose new candidates for election and, if required, retain the services of any outside advisor that the Committee deems necessary to carry out this duty;
4. When proposing new candidates for election as directors, the Committee shall adopt a process involving the following steps:
  - 4.1. consider the competencies and skills that the Board of Directors as a whole should possess;
  - 4.2. assess the competencies and skills of each existing director;
  - 4.3. assess the competencies and skills that each new candidate will bring to the Board of Directors;
  - 4.4. prepare a recommendation to the Board of Directors regarding the new candidates;
5. Ensure that the Board of Directors functions independently from management by holding “*in camera*” meetings;
6. Review regularly the compensation of directors and make recommendations to the Board of Directors with respect thereto;
7. Provide an ongoing training program for directors and reassess the program as need be;
8. Review annually the Director Handbook and discuss the duties and responsibilities of directors;
9. Review the procedures put in place regarding compliance with the Code of Ethics, recommend any new rules, if required, and report to the Board of Directors;
10. Examine any departure from the Code of Ethics by a director or an executive officer and make recommendations to the Board of Directors regarding any measures to be taken by the Board with respect thereto;
11. Carry out any other mandate that the Board of Directors may assign from time to time.

**Schedule F**  
**Questions and Answers on Voting and Proxies**

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**If you are not a registered Shareholder, please refer to page F-2 for a description of the procedure to be followed to vote your Shares.**

**Q: WHAT AM I VOTING ON?**

**A:** Shareholders will be voting on:

- the election of Directors; and
- the appointment of Samson Bélaïr/Deloitte & Touche, s.e.n.c.r.l. as the auditor and authorization given to the Directors to fix the auditor's remuneration.

**Q: HOW DO I VOTE?**

**A:** There are four (4) ways that you can vote your Shares if you are a registered Shareholder. You may (1) vote in person at the Meeting, (2) complete and sign the enclosed form of proxy and appoint one of the named persons or another person you choose to represent you and to vote your Shares at the Meeting and mail it, (3) vote electronically via Internet or (4) vote by telephone.

Completing, signing and returning your form of proxy does not preclude you from attending the Meeting in person. If you do not wish to attend the Meeting or do not wish to vote in person, your proxy will be voted or be withheld from voting, in accordance with your wishes as specified on your proxy, on any ballot that may be called at the Meeting. If the Shareholder is a body corporate or association, the form of proxy must be signed by a person duly authorized by that body corporate or association.

To vote by telephone: 1 866 271-1207.

To vote electronically, you must go to the following Internet site:

**[www.eproxyvoting.com/transcontinental](http://www.eproxyvoting.com/transcontinental)**  
and enter your personalized 13-digit e-voting control number printed on your form of proxy and follow the instructions.

If your Shares are registered in the name of a nominee, please see “**Voting by Non-Registered Shareholders**” on page F-2.

**Q: WHAT IF I PLAN TO ATTEND THE MEETING AND VOTE IN PERSON?**

**A:** If you plan to attend the Meeting on March 22, 2006 and wish to vote your Shares in person at the Meeting, it is not necessary for you to complete or return the form of proxy. Your vote will be taken and counted at the Meeting. Please register with the transfer agent, CIBC Mellon Trust Company, upon arrival at the Meeting. Non-registered Shareholders wishing to attend the Meeting should refer to “**Voting by Non-Registered Shareholders**” on page F-2.

**Q: WHAT HAPPENS WHEN I SIGN AND RETURN THE FORM OF PROXY?**

**A:** Signing the enclosed proxy gives authority to the named proxyholders on the form, or to another person you have appointed, to vote your Shares at the Meeting in accordance with the voting instructions you provide.

**Q: WHAT DO I DO WITH MY COMPLETED FORM OF PROXY?**

**A:** Sign it **exactly** with the name appearing on the proxy and return it to the transfer agent, CIBC Mellon Trust Company, in the envelope provided, so that it arrives no later than 4:00 p.m. on March 20, 2006. All Shares represented by a properly executed proxy received by CIBC Mellon Trust Company prior to such time will be voted or be withheld from voting, in accordance with your instructions as specified in the proxy, on any ballot that may be called at the Meeting.

**Q: HOW WILL MY SHARES BE VOTED IF I RETURN MY PROXY?**

**A:** The person named in the form of proxy will vote or withhold from voting your Shares in accordance with your instructions. **However, in the absence of such instructions, your Shares will be voted FOR the election of the Directors and FOR the appointment of the Auditor.**

**Q: HOW CAN I CONTACT THE TRANSFER AGENT?**

**A:** You can contact the transfer agent at:

CIBC Mellon Trust Company  
P.O. Box 7010, Adelaide Street Station  
Toronto, Ontario, Canada M5C 2W9  
Telephone: 1 800 387-0825 (toll free throughout Canada and the U.S.)  
Telecopier: 416 643-5501  
Internet Address: [cibcmellon.com](http://cibcmellon.com)  
E-mail: [inquiries@cibcmellon.com](mailto:inquiries@cibcmellon.com)

Or at:

CIBC Mellon Trust Company  
2001 University Street  
Suite 1600  
Montreal, Quebec H3A 2A6  
Telecopier: (514) 285-3640

**VOTING BY NON-REGISTERED SHAREHOLDERS**

**Q: IF MY SHARES ARE NOT REGISTERED IN MY NAME BUT ARE HELD IN THE NAME OF AN INTERMEDIARY (A BANK, TRUST COMPANY, SECURITIES BROKER, TRUSTEE, ETC.), HOW DO I VOTE MY SHARES?**

**A:** Non-registered or beneficial Shareholders are not personally listed in Transcontinental's Inc. Share register. Their Shares are held in the name of an intermediary or a "nominee". If you are a non-registered Shareholder, there are two ways you can vote your Shares held in the name of your nominee:

**1. By providing voting instructions to your nominee**

Applicable securities laws require your nominee to seek voting instructions from you in advance of the Meeting. Accordingly, you will receive from your nominee a form of proxy for the number of Shares you hold. You should carefully follow the instructions with respect to the proxy to ensure that your Shares are voted at the Meeting.

**2. By attending the Meeting in person**

The Corporation generally does not have access to the names of its non-registered Shareholders.

**If you wish to vote in person at the Meeting, insert your own name in the space provided on the form of proxy to appoint yourself as proxyholder and return the proxy in the enclosed envelope. Non-registered Shareholders who instruct their nominee to appoint themselves as proxyholders should, at the Meeting, present themselves to a representative of CIBC Mellon Trust Company.**



