



Dorel Industries Inc.

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NOTICE OF ANNUAL AND SPECIAL GENERAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that an Annual and Special General Meeting (the "Meeting") of holders of Class A Multiple Voting Shares and Class B Subordinate Voting Shares of Dorel Industries Inc. (the "Company") will be held in the Pierre de Coubertin Room, Omni Hotel, 1050 Sherbrooke Street West, Montreal, Quebec H3A 2R6 on Friday, May 28, 2004 at 11:00 a.m. (local time). The purposes of the Meeting are:

- (1) To receive and consider the consolidated financial statements of the Company for the fiscal year ended December 30, 2003 and the auditors' report thereon;
- (2) To elect directors;
- (3) To appoint auditors and authorize the directors to fix their remuneration;
- (4) To consider, and if deemed advisable, to adopt a resolution annexed as Schedule A to the Management Proxy Circular, approving the 2004 Stock Option Plan;
- (5) To consider, and if deemed advisable, to adopt a resolution annexed as Schedule B to the Management Proxy Circular, approving the Deferred Share Unit Plan; and
- (6) To transact such other business as may properly be brought before the Meeting.

If you are unable to attend the Meeting in person, please date, sign and return the enclosed form of proxy. Proxies to be used at the Meeting must be deposited with Computershare Trust Company of Canada (Attention: Proxy Department), 100 University Avenue, 9th Floor, Toronto, Ontario M5J 2Y1 prior to 5:00 p.m. on the last business day immediately preceding the Meeting or with the Secretary of the Company before the commencement of the Meeting or at any adjournment thereof.

Unless otherwise indicated, all references to "dollars" and the symbol "\$" in the annexed management proxy circular are to Canadian dollars.

DATED at Montreal, Quebec
April 30, 2004

BY ORDER OF THE BOARD OF DIRECTORS

A handwritten signature in black ink, appearing to read "Jeffrey Schwartz". The signature is written in a cursive, flowing style.

Jeffrey Schwartz
Executive Vice-President, Chief Financial Officer and Secretary

MANAGEMENT PROXY CIRCULAR

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SOLICITATION OF PROXIES BY MANAGEMENT

This Management Proxy Circular is furnished in connection with the solicitation by the management of Dorel Industries Inc. (the "Company") of proxies to be used at the Annual and Special General Meeting of shareholders (the "Meeting") of the Company to be held at the time and place and for the purposes set forth in the Notice of Meeting. It is expected that the solicitation will be made primarily by mail. However, officers and employees of the Company may also solicit proxies by telephone, telecopier, e-mail or in person. The total cost of solicitation of proxies will be borne by the Company.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy are directors and officers of the Company. A shareholder has the right to appoint as his or her proxy a person, who need not be a shareholder, other than those whose names are printed on the accompanying form of proxy. **A shareholder who wishes to appoint some other person to represent him or her at the Meeting may do so either by inserting such other person's name in the blank space provided in the form of proxy and signing the form of proxy or by completing and signing another proper form of proxy.**

A shareholder who has given a proxy may revoke it, as to any motion on which a vote has not already been cast pursuant to the authority conferred by it, by an instrument in writing executed by the shareholder or by his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized. The revocation of a proxy, in order to be acted upon, must be deposited with the Company's transfer agent and registrar, Computershare Trust Company of Canada (Attention: Proxy Department), 100 University Avenue, 9th Floor, Toronto, Ontario M5J 2Y1 prior to 5:00 p.m. on the last business day immediately preceding the Meeting or with the Secretary of the Company before the commencement of the Meeting or at any adjournment thereof.

EXERCISE OF DISCRETION BY PROXIES

Shares represented by properly executed proxies in favour of the persons designated in the enclosed form of proxy, in the absence of any direction to the contrary, will be voted for: (i) the election of directors; (ii) the appointment of auditors; (iii) the resolution approving the 2004 Stock Option Plan of the Company; and (iv) the resolution approving the Deferred Share Unit Plan of the Company, as stated under such headings in this

Management Proxy Circular. Instructions with respect to voting will be respected by the persons designated in the enclosed form of proxy. With respect to amendments or variations to matters identified in the Notice of Meeting and with respect to other matters that may properly come before the Meeting, such shares will be voted by the persons so designated in their discretion. At the time of printing this Management Proxy Circular, management of the Company knows of no such amendments, variations or other matters.

VOTING SHARES

As at March 31, 2004, there were issued and outstanding 4,832,294 Class A Multiple Voting Shares and 27,860,398 Class B Subordinate Voting Shares of the Company. Each Class A Multiple Voting Share entitles the holder thereof to ten votes while each Class B Subordinate Voting Share entitles the holder thereof to one vote. The Company has fixed April 1, 2004 as the record date (the "Record Date") for the purpose of determining shareholders entitled to receive notice of the Meeting. Any registered shareholder of record as at the close of business on April 1, 2004 will be entitled to vote at the Meeting. The Company will prepare a list of shareholders entitled to receive notice of this Meeting and showing the number of shares held by each such shareholder, which list shall be as at a date not later than ten days after the Record Date.

NON-REGISTERED SHAREHOLDERS

Only registered shareholders or the persons they appoint as their proxies are permitted to vote at the Meeting. However, in many cases, shares beneficially owned by a person (a "Non-Registered Holder") are registered either: (i) in the name of an intermediary (an "Intermediary") that the Non-Registered Holder deals with in respect of the common shares, such as securities dealers or brokers, banks, trust companies, and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans; or (ii) in the name of a clearing agency of which the Intermediary is a participant. In accordance with National Instrument 54-101 of the Canadian Securities Administrators, entitled "Communication with Beneficial Owners of Securities of a Reporting Issuer", the Company has distributed copies of the Notice of Meeting and this Management Proxy Circular (collectively, the "Meeting Materials") to the clearing agencies and Intermediaries for distribution to Non-Registered Holders. Intermediaries are required to forward the Meeting Materials to Non-Registered Holders, and often use a service company for this purpose. Non-Registered Holders will either:

- (a) typically, be provided with a computerized form (often called a "voting instruction form") which is not signed by the Intermediary and which, when properly completed and signed by the Non-Registered Holder and returned to the Intermediary or its service company, will constitute voting instructions which the Intermediary must follow. The Non-Registered Holder will generally be given a page of instructions which contains a removable label containing a bar-code and other information. In order for the applicable computerized form to validly constitute a voting instruction form, the Non-Registered Holder must remove the label from the instructions and affix it to the computerized form, properly complete and sign the form and submit it to the Intermediary or its service company in accordance with the instructions of the Intermediary or service company. In certain cases, the Non-Registered Holder may provide such voting instructions to the Intermediary or its service company through the Internet or through a toll-free telephone number; or
- (b) less commonly, be given a proxy form which has already been signed by the Intermediary (typically by a facsimile, stamped signature), which is restricted to the number of shares beneficially owned by the Non-Registered Holder but which is otherwise not completed. In this case, the Non-Registered Holder who wishes to submit a proxy should properly complete the proxy form and submit it to Computershare Trust Company of Canada (Attention: Proxy Department), 100 University Avenue, 9th Floor, Toronto, Ontario M5J 2Y1.

In either case, the purpose of these procedures is to permit Non-Registered Holders to direct the voting of the shares which they beneficially own.

Should a Non-Registered Holder who receives a voting instruction form wish to vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Holder), the Non-Registered Holder should

print his or her own name, or that of such other person, on the voting instruction form and return it to the Intermediary or its service company. Should a Non-Registered Holder who receives a proxy form wish to vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Holder), the Non-Registered Holder should strike out the names of the persons set out in the proxy form and insert the name of the Non-Registered Holder or such other person in the blank space provided and submit it to Computershare Trust Company of Canada at the address set out above.

In all cases, Non-Registered Holders should carefully follow the instructions of their Intermediary, including those regarding when, where and by what means the voting instruction form or proxy form must be delivered.

A Non-Registered Holder may revoke voting instructions which have been given to an Intermediary at any time by written notice to the Intermediary.

PRINCIPAL SHAREHOLDERS

As at March 31, 2004, to the best knowledge of the Company, the following persons beneficially owned, directly or indirectly, or exercised control or direction over, more than 10% of the Class A Multiple Voting Shares of the Company:

| <u>Name and place of residence</u> | <u>Number of shares held</u> | <u>Percentage of class</u> |
|------------------------------------|------------------------------|----------------------------|
| Alan Schwartz | 771,600 | 16.0 |
| Montreal, Quebec | | |
| Martin Schwartz | 761,600 | 15.8 |
| Montreal, Quebec | | |
| Jeff Segel..... | 765,600 | 15.8 |
| Montreal, Quebec | | |
| Jeffrey Schwartz..... | 761,600 | 15.8 |
| Toronto, Ontario | | |
| Laura Schwartz..... | 669,240 | 13.8 |
| Montreal, Quebec | | |

As at the same date, to the best knowledge of the Company, the following person beneficially owned, directly or indirectly, or exercised control or direction over more than 10% of the Class B Subordinate Voting Shares of the Company:

| <u>Name and place of residence</u> | <u>Number of shares held</u> | <u>Percentage of class</u> |
|---|------------------------------|----------------------------|
| Franklin Templeton Investments Corp. | 3,792,136 | 13.6 |
| San Mateo, California | | |

BUSINESS TO BE TRANSACTED AT THE MEETING

This Management Proxy Circular contains information relating to the receipt of the Company's audited consolidated financial statements, the election of directors, the appointment of auditors, the approval of the 2004 Stock Option Plan and the approval of the Deferred Share Unit Plan.

1. Financial Statements

The audited consolidated financial statements of the Company for the fiscal year ended December 30, 2003, and the report of the auditors thereon will be tabled at the Meeting. These audited consolidated financial statements form part of the 2003 Annual Report of the Company, which was mailed to shareholders with this Notice of Meeting and Management Proxy Circular. Additional copies of the 2003 Annual Report may be obtained from the Secretary of the Company upon request and will be available at the Meeting.

2. Election of Directors

The Board of Directors currently consists of seven directors. The persons named in the enclosed form of proxy intend to vote for the election of the nine nominees whose names are set forth below. Each director will hold office until the next annual general meeting of shareholders or until the election of his or her successor, unless he or she resigns or the office becomes vacant by removal, death or other cause.

The following table sets out the name of each of the persons proposed to be nominated for election as director, all other positions and offices with the Company now held by such person, his or her principal occupation, the year in which such person became a director of the Company, the number of Class A Multiple Voting Shares and Class B Subordinate Voting Shares of the Company that such person has advised are beneficially owned or over which control or direction is exercised by such person as at the date indicated below, and the number of Class B Subordinate Voting Shares in respect of which each such person holds an option:

| Name, municipality of residence and principal occupation | First year as director | Position on Board committees | Number of shares beneficially owned or over which control is exercised as at March 31, 2004 | | Number of Class B shares subject to option |
|---|------------------------|------------------------------|---|---------|--|
| | | | Class A | Class B | |
| Martin Schwartz Montreal, Quebec President and Chief Executive Officer of the Company | 1987 | — | 761,600 | 541,525 | 175,000 |
| Martin Schwartz is a co-founder of Ridgewood Industries Ltd., which was merged with Dorel Industries Inc. and several other associated companies to create the Company, which subsequently went public in 1987. Originally Executive Vice-President of the Company, Mr. Schwartz has held the position of President and Chief Executive Officer since 1993. | | | | | |
| Jeff Segel Montreal, Quebec Executive Vice-President, Sales and Marketing of the Company | 1987 | — | 765,600 | 507,525 | 175,000 |
| Jeff Segel is a co-founder of Ridgewood Industries Ltd. Mr. Segel has held the position of Vice-President, Sales and Marketing since 1987. In 2003, Mr. Segel's title was changed to Executive Vice-President, Sales and Marketing. | | | | | |
| Alan Schwartz Montreal, Quebec Executive Vice-President, Operations of the Company | 1987 | — | 771,600 | 524,772 | 175,000 |
| Alan Schwartz is a co-founder of Ridgewood Industries Ltd. Mr. Schwartz has held the position of Vice-President, Operations since 1989. In 2003, Mr. Schwartz's title was changed to Executive Vice-President, Operations. | | | | | |

| Name, municipality of residence and principal occupation | First year as director | Position on Board committees | Number of shares beneficially owned or over which control is exercised as at March 31, 2004 | | Number of Class B shares subject to option |
|--|------------------------|------------------------------|---|---------|--|
| | | | Class A | Class B | |

| | | | | | |
|---|------|---|---------|---------|---------|
| Jeffrey Schwartz Toronto, Ontario Executive Vice-President and Chief Financial Officer of the Company | 1987 | — | 761,600 | 541,725 | 175,000 |
|---|------|---|---------|---------|---------|

Jeffrey Schwartz was originally Vice-President of the Juvenile Division of the Company, a position he held until 1989, when the Company's Canadian divisions were merged and he became Vice-President, Finance of the Company. Mr. Schwartz held the position of Vice-President, Finance from 1989 until 2003. In 2003, his title was changed to Executive Vice-President and Chief Financial Officer. Mr. Schwartz is a graduate of McGill University in Montreal in the field of business administration.

| | | | | | |
|--|------|---|---|--------|--------|
| Dr. Laurent Picard Montreal, Quebec Corporate Director | 1988 | Member of the Audit Committee, Member of the Human Resources and Corporate Governance Committee | — | 35,000 | 24,000 |
|--|------|---|---|--------|--------|

Dr. Laurent Picard is a former professor and has taught at various universities in Canada. During his career, Dr. Picard was Associate Director of the Management Department at HEC (Université de Montréal) as well the Dean of the Faculty of Management of McGill University. Dr. Picard was a full professor until his retirement in 1997. Over the years he has served on numerous public service and government committees and was named a Companion of the Order of Canada in 1977. In addition to the Company, Dr. Picard serves on the Board of Directors of The Jean Coutu Group (PJC) Inc.

| | | | | | |
|---|------|--|-------|--------|--------|
| Maurice Tousson Toronto, Ontario President and Chief Executive Officer CDREM Inc. (retailer) | 1995 | Lead Director, Chairman of the Audit Committee, Chairman of the Human Resources and Corporate Governance Committee | 2,000 | 22,300 | 30,000 |
|---|------|--|-------|--------|--------|

Maurice Tousson is currently the President and Chief Executive Officer of CDREM Inc., a chain of retail stores known as *Centre du Rasoir* or *Personal Edge*, a position he has held since January 2000. Mr. Tousson has held executive positions at well known Canadian specialty stores, including Chateau Stores of Canada, Consumers' Distributing and Sports Experts, with responsibilities for operations, finance, marketing and corporate development. Mr. Tousson holds an MBA degree from Long Island University in New York.

| Name, municipality of residence and principal occupation | First year as director | Position on Board committees | Number of shares beneficially owned or over which control is exercised as at March 31, 2004 | | Number of Class B shares subject to option |
|--|------------------------|---|---|---------|--|
| | | | Class A | Class B | |
| Harold P. "Sonny" Gordon, Q.C. Sunny Isles, Florida Chairman Dundee Bancorp Inc. (financial services, wealth management and investment company) | 2003 | Member of the Audit Committee, Member of the Human Resources and Corporate Governance Committee | — | — | 36,000 |

Harold P. Gordon has been Chairman of the Board of Directors of Dundee Bancorp Inc. since November 2001, prior to which he was Vice-Chairman of Hasbro Inc., a position he held until May 2002. Mr. Gordon has previously worked as a special assistant to a Minister of the government of Canada, and was a managing partner of Stikeman Elliott LLP during his 28-year career as a practicing lawyer. Mr. Gordon serves as a director of Dundee Bancorp Inc., Transcontinental Limited, Alliance Atlantis Communications Inc. and Sonomax Hearing Healthcare Inc. and is Chairman of the Sauvé Scholars Foundation, as well as several private corporations.

| | | | | | |
|--|---------|---|---|-----|---|
| Dian Cohen..... Toronto, Ontario President DC Productions Limited (economic communications and management consulting services company) | Nominee | — | — | 300 | — |
|--|---------|---|---|-----|---|

Dian Cohen is an economist and consultant. She is a recognized commentator and author of several books on community, business and individual strategies in the face of economic change and globalization. Ms. Cohen has been the recipient of many awards for economic communications excellence, as well as the Order of Canada. She has wide board experience with both national and international corporations. At present, Ms. Cohen is a director of Royal & Sun Alliance Insurance Company of Canada, Nexfor Inc. and Great Lakes Hydro Income Trust.

| | | | | | |
|---|---------|---|---|---|---|
| Neil Wiener Montreal, Quebec Partner Heenan Blaikie LLP (lawyers) | Nominee | — | — | — | — |
|---|---------|---|---|---|---|

Neil Wiener has been a partner of the law firm Heenan Blaikie LLP since 1987. Mr. Wiener specializes in the field of securities law and has acted as counsel to the Company since its initial public offering in 1987.

It is expected that if elected at the Meeting, Mr. Wiener will resign as a director of the Company on July 1, 2004 and that the Board of Directors will appoint Alain Benedetti to replace him. Alain Benedetti is currently Vice-Chairman of Ernst & Young LLP. Mr. Benedetti will be retiring from Ernst & Young on June 30, 2004. Ernst & Young LLP provides various non-audit services to the Company. As a result, Mr. Benedetti has advised the Company that he cannot serve as a director of the Company prior to July 1, 2004. The following table sets out information with respect to Mr. Benedetti.

| Name, municipality of residence and principal occupation | First year as director | Position on Board committees | Number of shares beneficially owned or over which control is exercised as at March 31, 2004 | | Number of Class B shares subject to option |
|---|------------------------|------------------------------|---|---------|--|
| | | | Class A | Class B | |
| Alain Benedetti, FCA Montreal, Quebec Vice-Chairman Ernst & Young LLP (chartered accountants) | — | — | — | — | — |

Alain Benedetti, FCA, has been with Ernst & Young for 34 years and most recently was the Canadian area managing partner, overseeing all Canadian operations. Prior thereto, he was the managing partner for eastern Canada and the Montreal office. Mr. Benedetti has extensive experience with both public and private companies. He is currently Chairman of the Board of Concordia University. Mr. Benedetti is a former director and Chairman of St. Mary's Hospital and the Canadian Club of Montreal and is also a former director of the Canadian Club of Toronto.

Board of Directors' Compensation/Attendance

In 2003, the Company paid directors' fees only to the Company's independent directors. The basis for compensation of the independent directors was as follows:

- annual director's fee: \$25,000;
- additional fee for the Lead Director: \$10,000;
- Audit Committee Chairman fee: \$6,000;
- Audit Committee member fee (other than Chairman): \$3,000;
- Human Resource and Corporate Governance Committee Chairman fee: \$4,000;
- Human Resources and Corporate Governance Committee member fee (other than Chairman): \$2,000;
- Board of Directors and committee meeting fee: \$1,000 per meeting; and
- Reimbursement of travel and out-of-pocket expenses.

Fees to the independent members of the Board of Directors in 2003 were as follows:

| Name | Annual fee | Committee fees | Board attendance fees | Committee attendance fees | Total fees |
|-----------------------|------------|----------------|-----------------------|---------------------------|------------|
| Maurice Tousson | \$ 35,000 | \$ 10,000 | \$ 6,000 | \$ 5,000 | \$ 56,000 |
| Harold P. Gordon..... | 25,000 | 5,000 | 5,000 | 5,000 | 40,000 |
| Laurent Picard | 25,000 | 5,000 | 5,000 | 3,000 | 38,000 |

Directors' Shareholding Requirements

The Board of Directors has determined that each director of the Company should hold a minimum number of shares of the Company equivalent in value to four years of directors' fees. The minimum must be reached within five years of initial election to the Board of Directors.

To facilitate the acquisition of the minimum number of shares, the Board of Directors established the Deferred Share Unit Plan in April 2004 for the Company’s independent directors. At the Meeting, shareholders will be asked to consider a resolution approving the Deferred Share Unit Plan, which resolution is annexed to this Management Proxy Circular as Schedule B. See “Approval of the Deferred Share Unit (“DSU”) Plan” below.

Summary of Board of Directors and Committee Meetings Held

The Board of Directors holds meetings at least four times each year, prior to the release of quarterly financial statements, with additional meetings held as required. For the year ended December 30, 2003, the Board of Directors met a total of six times with a 98% attendance record. In addition, the independent directors held meetings without management or the other directors present at least once each quarter. In 2003, there were five meetings of the Audit Committee and the Human Resources and Corporate Governance Committee. Attendance at these meetings averaged 94%. The Company does not have an Executive Committee.

Summary of Attendance of Directors

For the year ended December 30, 2003:

| <u>Director</u> | <u>Board meetings attended</u> | <u>Committee meetings attended</u> |
|---------------------------------------|--------------------------------|------------------------------------|
| Martin Schwartz ⁽¹⁾ | 6/6 | N/A |
| Jeff Segel ⁽¹⁾ | 6/6 | N/A |
| Alan Schwartz ⁽¹⁾ | 6/6 | N/A |
| Jeffrey Schwartz ⁽¹⁾ | 6/6 | N/A |
| Dr. Laurent Picard | 5/6 | 3/5 |
| Maurice Tousson | 6/6 | 5/5 |
| Harold P. Gordon ⁽²⁾ | 5/5 | 5/5 |
| Bruce Kaufman ⁽³⁾ | 1/1 | N/A |

- (1) Did not serve on any Board of Directors committees in 2003.
- (2) Appointed director subsequent to the first Board of Directors meeting of the year.
- (3) Resigned as director subsequent to the first Board of Directors meeting of the year.

3. Appointment of Auditors

The Audit Committee and the Board of Directors recommend that Goldsmith Hersh, Chartered Accountants, the current auditors of the Company, be reappointed as the auditors of the Company to hold office until the next annual general meeting of shareholders. **Unless specified in a proxy form that the shares of the Company represented by the proxy shall be withheld from voting for the appointment of auditors, it is the intention of the persons designated in the enclosed proxy form to vote for the appointment of Goldsmith Hersh, Chartered Accountants, as auditors of the Company, to hold office until the close of the next annual general meeting of shareholders.**

Fees Paid to the Company’s Auditors

The Company’s lead auditors are Goldsmith Hersh, Chartered Accountants. Other accounting firms serve as the auditors of certain of the Company’s subsidiaries, and report their findings to Goldsmith Hersh, Chartered Accountants. Prior to 2003, Ernst & Young LLP (“E&Y”) were the auditors of certain subsidiaries. Due to the fact that E&Y are often engaged by the Company for certain non-audit services, E&Y were replaced as auditors at such subsidiary companies prior the 2003 fiscal year-end audits.

The table below represents all fees paid to the Company's various auditors for the years ended December 30, 2003 and 2002:

| | Year ended December 30 | |
|------------------------------|-------------------------------|---------------------|
| | 2003 | 2002 |
| | (in U.S. dollars) | |
| Audit services | \$ 933,000 | \$ 815,000 |
| Audit related services | 116,000 | 51,000 |
| Tax services | 302,000 | 802,000 |
| Non-audit services | 41,000 | 219,000 |
| TOTAL | \$ 1,392,000 | \$ 1,887,000 |

The Audit Committee has considered whether the provision of services other than audit services is compatible with maintaining auditors' independence. In 2003, the Audit Committee adopted a policy that prohibits the Company from engaging the auditors for "prohibited" categories of non-audit services and requires pre-approval of the Audit Committee for other permissible categories of non-audit services, such categories as determined under the United States Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act").

Representatives of Goldsmith Hersh, Chartered Accountants will be in attendance at the Meeting, will have the opportunity to make a statement if they so wish and will be available to respond to questions from shareholders.

4. Approval of the 2004 Stock Option Plan

In March 1998, the Board of Directors of the Company created the 1998 Stock Option Plan (the "1998 Plan") for the Company's directors, officers and employees. The 1998 Plan was ratified by the shareholders at the annual general meeting held on May 28, 1998. In January 2001, the Board of Directors amended the 1998 Plan, increasing the number of Class B Subordinate Voting Shares that can be issued thereunder from 1,500,000 to 3,000,000. The amendment was ratified by the shareholders at the annual general meeting held on May 31, 2001.

Since the establishment of the 1998 Plan, a total of 1,400,500 Class B Subordinate Voting Shares have been issued upon the exercise of options. As a result, 1,599,500 Class B Subordinate Voting Shares are currently available for issue under the 1998 Plan. There are options currently outstanding in respect of 1,567,500 Class B Subordinate Voting Shares. Therefore, at present, options in respect of only 32,000 additional Class B Subordinate Voting Shares can be granted under the 1998 Plan, unless certain of the currently outstanding options lapse or expire without having been exercised.

Accordingly, in April 2004, the Board of Directors of the Company established the 2004 Stock Option Plan (the "2004 Plan"). At the Meeting, shareholders will be asked to vote on a resolution approving the 2004 Plan, annexed to this Management Proxy Circular as Schedule A.

Among the objectives of the 2004 Plan is to provide directors, officers and employees of the Company and its subsidiaries with a proprietary interest through the granting of options to purchase Class B Subordinate Voting Shares of the Company. The 2004 Plan is also intended to increase the interest in the Company's welfare of those directors, officers and employees who share primary responsibility for the management, growth and protection of the business of the Company, to furnish an incentive to such directors, officers and employees to continue their services for the Company and to provide a means through which the Company may attract able persons to enter its employment.

Under the 2004 Plan, the Board of Directors of the Company may by resolution grant options to directors, officers and employees of the Company, provided that the total number of Class B Subordinate Voting Shares issued under the 2004 Plan does not exceed 3,000,000. The total number of Class B Subordinate Voting Shares which may be issued under the 2004 Plan represents approximately 9.2% of the Company's currently issued and outstanding Class A Multiple Voting Shares and Class B Subordinate Voting Shares. The Company expects to grant options under the

2004 Plan over a period of several years. The Company may continue to grant options under the 1998 Plan even after shareholder and regulatory approval is obtained for the 2004 Plan.

Under the 2004 Plan, no option may be granted if such grant could result, at any time, when taken together with all of the Company's other share compensation arrangements, in the number of Class B Subordinate Voting Shares reserved for issuance pursuant to stock options exceeding 10% of the aggregate number of issued and outstanding Class A Multiple Voting Shares and Class B Subordinate Voting Shares of the Company.

The 2004 Plan also contains restrictions on the number of Class B Subordinate Voting Shares which may be issued to the Company's "insiders", that is, its directors and officers and those of its subsidiaries. Under the 2004 Plan, no option may be granted if such grant could result, at any time, when taken together with all of the Company's other share compensation arrangements, including the 1998 Plan, in:

- (a) the number of Class B Subordinate Voting Shares reserved for issuance pursuant to stock options granted to "insiders" exceeding 10% of the number of aggregate number of issued and outstanding Class A Multiple Voting Shares and Class B Subordinate Voting Shares;
- (b) the issuance to "insiders" within a one-year period of a number of Class B Subordinate Voting Shares exceeding 10% of the aggregate number of issued and outstanding Class A Multiple Voting Shares and Class B Subordinate Voting Shares; or
- (c) the issuance to any one "insider" and such insider's associates, within a one-year period, of a number of Class B Subordinate Voting Shares exceeding 5% of the aggregate number of issued and outstanding Class A Multiple Voting Shares and Class B Subordinate Voting Shares.

Under the 2004 Plan, the option price per share is set by the Board of Directors at the time of the granting of each option, but cannot be less than the closing sale price of the Class B Subordinate Voting Shares on the Toronto Stock Exchange on the trading day immediately preceding the date of the grant. The maximum period during which an option may be exercised is ten years from the date of the grant. No option may be exercised during the first year following the grant thereof. An option may be exercised in whole or in part in respect of 25% of the Class B Subordinate Voting Shares subject to the option during each of the second, third, fourth and fifth years following the grant thereof.

Under the 2004 Plan, upon an optionee's employment with the Company being terminated for cause, any option not exercised terminates immediately. If an optionee dies, any option may be exercised for that number of shares which the optionee was entitled to acquire at the time of death. Such option may be exercised for a period of 30 days after the date of death. Upon an optionee's employment, office or directorship ending other than by reason of death or termination for cause, any option may be exercised for that number of shares which the optionee was entitled to acquire at the time of such termination. Such option may be exercised for a period of 30 days after such termination.

The 2004 Plan is subject to the approval of the Toronto Stock Exchange and the Autorité des marchés financiers and requires approval by a majority of the votes cast by the holders of the Class A Multiple Voting Shares and Class B Subordinate Voting Shares, either present in person or represented by proxy at the Meeting.

The text of the resolution with respect to the 2004 Plan is annexed as Schedule A to this Management Proxy Circular.

5. Approval of the Deferred Share Unit ("DSU") Plan

In April 2004, the Board of Directors approved a Deferred Share Unit Plan (the "DSU Plan") for the Company's external directors. The purpose of the DSU Plan is to assist the Company in attracting, retaining and motivating qualified individuals to serve as members of the Board of Directors of the Company and to promote a greater alignment of interests between the external directors and the shareholders of the Company.

Under the DSU Plan, an external director of the Company may elect annually to have his or her director's fees and fees for attending meetings of the Board of Directors or committees thereof paid in the form of deferred share units ("DSUs"). The number of DSUs received by a director will be determined by dividing the amount of the fees to be paid in the form of DSUs on that date (the "Award Date") by the fair market value of the Company's Class B Subordinate Voting Shares on the Award Date. The Award Date is generally the last business day of each quarter of the Company's fiscal year. The fair market value of the Class B Subordinate Voting Shares is equal to their average closing price during the five trading days preceding the Award Date. The DSUs will be credited to an account maintained for the director by the Company.

Upon the termination of a director's service with the Company, the director will receive either:

- (a) a cash amount equal to the number of DSUs in the director's account multiplied by the fair market value of the Class B Subordinate Voting Shares on the date a notice of redemption is filed with the Company by the director. The fair market value of the Class B Subordinate Voting Shares will be equal to their average closing price during the five trading days preceding the redemption date;
- (b) a number of Class B Subordinate Voting Shares equal to the number of DSUs in the director's account. Such Class B Subordinate Voting Shares will be purchased by the Company on the Toronto Stock Exchange or issued from treasury; or
- (c) a combination of cash and Class B Subordinate Voting Shares.

The mode of payment will be determined by the Board of Directors in its discretion. All payments will be made net of applicable taxes

The DSU Plan is subject to the approval of the Toronto Stock Exchange and the Autorité des marchés financiers and requires approval by a majority of the votes cast by the holders of the Class A Multiple Voting Shares and Class B Subordinate Voting Shares, either present in person or represented by proxy at the Meeting. In addition, under the policies of the Toronto Stock Exchange, the DSU Plan must be approved by a majority of the votes cast at the Meeting other than the votes attaching to shares beneficially owned by external directors of the Company who may participate in the DSU Plan and their associates. Consequently, the votes attached to an aggregate of 2,000 Class A Multiple Voting Shares and 57,600 Class B Subordinate Voting Shares held by such individuals will not be calculated for the purposes of approving the DSU Plan.

The text of the resolution with respect to the DSU Plan is annexed as Schedule B to this Management Proxy Circular.

REPORTS OF COMMITTEES OF THE BOARD OF DIRECTORS

1. Report of the Audit Committee

Consisting of three independent directors, the Audit Committee has oversight responsibility for the Company's financial reporting processes and the quality of its financial reporting.

In 2003, the Audit Committee reviewed and revised its Charter. As part of this work, the Audit Committee considered new Canadian and U.S. requirements for audit committees and emerging best practices. A copy of the revised Charter adopted by the Audit Committee and approved by the Board of Directors is annexed to this Circular at Schedule D.

In fulfilling its mandate in 2003 the Audit Committee has:

Financial Reporting:

- reviewed with management and the external auditors prior to publication, the annual consolidated financial statements, the notes thereto and Management Discussion and Analysis ("MD&A"), the

interim financial statements and MD&A, the annual information form and this Management Proxy Circular. This review included a discussion with the external auditors about matters required to be disclosed under generally accepted accounting principles and matters pertaining to professional auditing guidelines and standards in Canada and the United States, including the auditors' independence;

- reviewed and approved the implementation of any new accounting policies; and
- received the written disclosures from the external auditor recommended by the Canadian Institute of Chartered Accountants and the Independence Standards Board in the United States.

The Chief Executive Officer and the Chief Financial Officer of the Company currently certify the information set forth in the consolidated financial statements and related disclosure materials as required by the Sarbanes-Oxley Act.

Based on this information, the Audit Committee recommended to the Board of Directors that the audited financial statements, the notes thereto and MD&A be included in the Annual Report to shareholders.

External Auditors:

- reviewed the performance and qualifications of the external auditors and recommended reappointment for shareholders' approval;
- reviewed the independence of the external auditors, based on the auditors' disclosure of its relationships with the Company and its compensation, and determined that the auditors were independent;
- approved the fees payable to the external auditors;
- reviewed the overall scope and plans of the annual audit with the external auditors and management; and
- met privately with the representatives of the external auditors to discuss the scope of their work, their relationship with management and internal audit and other issues which the external auditors wished to raise with the Audit Committee.

Internal Auditor:

- reviewed the mandate, independence, qualifications, resources and annual work plan of the internal audit department;
- reviewed the results of audits performed; and
- met privately with the Director, Internal Audit.

Risk Management, Regulatory Compliance and Other

- established a process to review and approve any services to be provided by the external auditors, including the use of other accounting and tax advisors to conduct work not performed by the external auditors;
- ensured that a risk management process is fully operational and that the Company provides regular reports;

- reviewed reports from the external auditors and the internal auditor relating to the adequacy of the Company's risk management practices, as well as management responses;
- reviewed the financial performance of the Company's pension plans;
- established, through the Company's Code of Conduct, a procedure for the receipt of complaints regarding accounting or auditing matters, whereby issues may be submitted confidentially to the Audit Committee; and
- approved a specific Code of Conduct applicable to the senior financial management group of the Company.

The Audit Committee met regularly with the external auditors, the Director, Internal Audit, the Chief Financial Officer, the Vice-President, Finance and other members of management. In addition, it met without management at each meeting.

The Audit Committee also reviewed its mandate and performance. The Audit Committee is satisfied with the appropriateness of its mandate and is satisfied that it met the terms of its mandate in 2003.

Signed:

Maurice Tousson (Chair)

Dr. Laurent Picard

Harold P. Gordon, Q.C.

2. Report of the Human Resources and Corporate Governance Committee

Consisting of three independent directors, the mandate of the Human Resources and Corporate Governance ("HRCG") Committee is to generally assume the responsibility for developing the Company's approach to matters of corporate governance and to review and make recommendations to the Board of Directors as to all such matters. In addition, the Committee generally assumes responsibility for making recommendations to the Board of Directors on all matters relating to the compensation of directors, members of the various committees of the Board of Directors, the Chairman of the Board, officers and employees of the Company.

In early 2004, the HRCG Committee reviewed and revised its Charter, which was then approved by the Board of Directors and which is annexed to this Management Proxy Circular at Schedule D.

In fulfilling its mandate, the HRCG Committee has:

- reviewed the size and composition of the Board of Directors to ensure that the current Board of Directors membership has the diversity of experience and is of an adequate size to provide for effective decision-making and staffing of Board of Directors committees;
- recommended to the Board of Directors the nominees to stand for election as directors at the Meeting;
- ensured the appropriate structure, composition and mandate of each Board of Directors committee;
- reviewed the compensation paid to directors to ensure that it was competitive and aligned the interests of directors with those of shareholders;
- monitored the Board of Directors' governance guidelines;

- reviewed the performance of the Chief Executive Officer and three Executive Vice-Presidents for 2003 and recommended to the Board of Directors their annual salary, incentive compensation and option grants;
- determined performance metrics and payout targets for the Chief Executive Officer and three Executive Vice-Presidents;
- reviewed the calculation of 2003 incentive compensation payments for officers and employees and recommended those amounts to the Board of Directors;
- reviewed and recommended the 2003 employee stock option program grants;
- reviewed and approved the 2003 annual incentive compensation performance metrics and target payout levels for officers and employees; and
- reviewed and recommended appointment of officers.

The HRCG Committee also reviewed its mandate and performance and is satisfied that it met the terms of its mandate in 2003.

Through the HRCG Committee, the Board of Directors reviews, evaluates and modifies its governance standards. The Board of Directors is satisfied that the Company's governance program is consistent with the guidelines adopted or proposed by the Toronto Stock Exchange and NASDAQ. A detailed comparison of the Company's governance practices with the guidelines of the Toronto Stock Exchange is annexed to this Management Proxy Circular as Schedule C.

Executive Compensation Strategy

The compensation program for the Company's executives is based on the Company's total reward strategy and is designed to:

- align the immediate and long-term actions of the executive team with the annual and long-term interests of the shareholders;
- attract and retain highly capable executives; and
- engage the leadership team by defining and rewarding performance for achieving a balance of Company-wide and business unit goals.

Base pay, annual incentives, long-term incentives, benefits and related rewards are designed within this overall strategy.

The Company gathers and compiles competitive remuneration data from external surveys using a cross section of comparable Canadian and U.S. based organizations with which the Company competes for executive talent.

Program Components

Base Pay for each executive is reviewed annually to ensure that it properly reflects a balance of market conditions, the levels of responsibility and accountability of each individual, their unique talents, capabilities and level of sustained performance, and the fiscal resources of the Company.

Annual Incentives are reviewed annually and designed around the fiscal year's business strategies and performance targets. They combine metrics that reflect a blend of financial and operational Company-wide, business unit goals. These performance metrics are based on attaining specific earnings targets. At the end of the year, the Company compares actual results against each performance goal and computes the incentive compensation earned.

Long-Term Incentives. The Company uses a stock option plan to align the executives' and selected senior employees' long-term interests with those of its shareholders. Vesting after one year, recipients of grants are entitled to exercise 25% of the total grant amount in each successive year. The HRCG Committee believes this long-term incentive helps focus the Company's executives and other senior management on long-term growth.

Executive Compensation and Evaluation. The base salary, annual incentives and long-term incentives for the Chief Executive Officer and three Executive Vice-Presidents are reviewed by the HRCG Committee and recommended to the Board of Directors for approval.

The base pay of the Chief Executive Officer and three Executive Vice-Presidents was set at \$725,000 for 2003, based on performance level and market data from external surveys of comparable roles within the Company's comparative group of companies, and an annual incentive of \$914,932 was paid, based on the Company's earnings targets.

Signed:

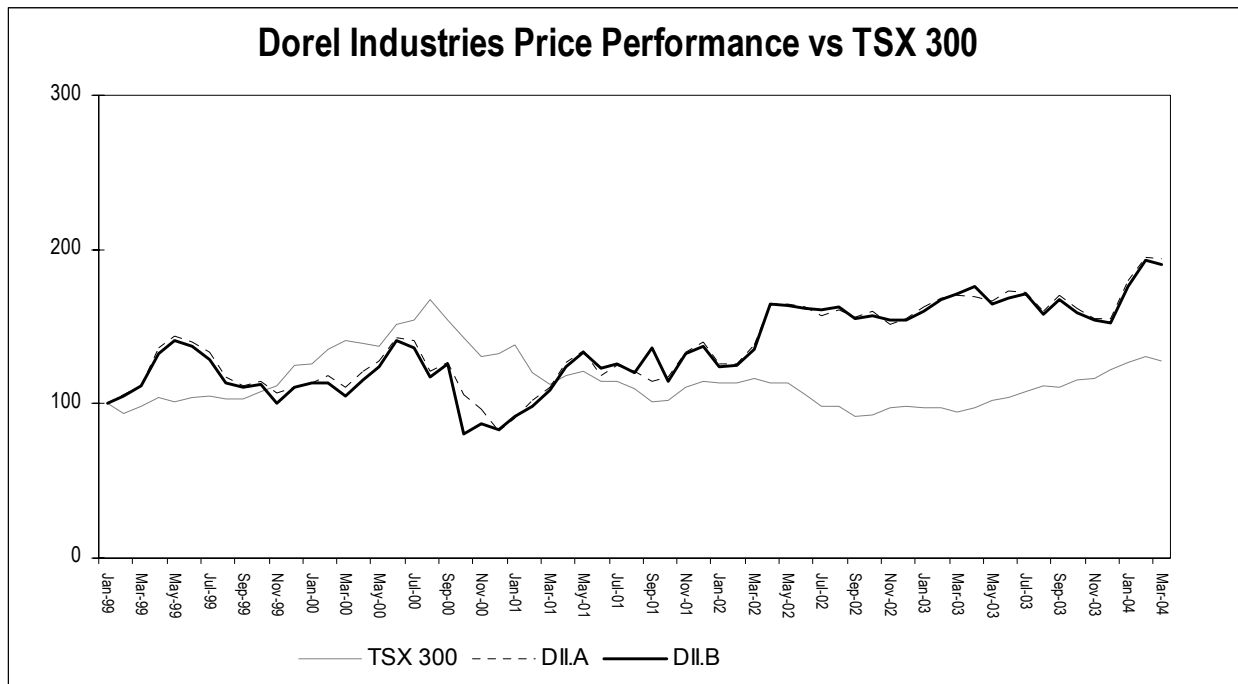
Maurice Tousson (Chair)

Dr. Laurent Picard

Harold P. Gordon, Q.C.

COMPARATIVE SHAREHOLDER RETURN

The following graph compares the total return of a \$100 investment in the Class A Multiple Voting Shares and Class B Subordinate Voting Shares of the Company, respectively, made on January 1, 1999 with the cumulative return of the S&P/TSX Composite Index for the period from January 1, 1999 to March 1, 2004.



EXECUTIVE COMPENSATION

The following table sets forth all annual compensation for services in all capacities to the Company and its subsidiaries for the fiscal years ended December 30, 2003, 2002 and 2001 in respect of the President and Chief Executive Officer, and the four other most highly compensated executive officers (collectively, the “Named Executive Officers”).

Summary Compensation Table

| Name and Principal Position | Annual Compensation | | | | Long Term Compensation | | | All Other |
|---|---------------------|--------------|-------------|---|---------------------------------|-------------------------------|-----------------|-----------|
| | | Salary \$ | Bonus \$ | Other annual compensation ⁽¹⁾ \$ | Awards | | Payouts | |
| | | | | | Number of options granted | Restricted stock awards | LTIP payouts | |
| Martin Schwartz President and Chief Executive Officer | 2003 | 725,000 | 914,932 | — | — | — | — | — |
| | 2002 | 700,000 | 762,153 | — | 100,000 | — | — | — |
| | 2001 | 625,000 | 335,000 | — | — | — | — | — |
| Jeff Segel Executive Vice-President, Sales and Marketing | 2003 | 725,000 | 914,932 | — | — | — | — | — |
| | 2002 | 700,000 | 762,153 | — | 100,000 | — | — | — |
| | 2001 | 625,000 | 335,000 | — | — | — | — | — |
| Alan Schwartz Executive Vice-President, Operations | 2003 | 725,000 | 914,932 | — | — | — | — | — |
| | 2002 | 700,000 | 762,153 | — | 100,000 | — | — | — |
| | 2001 | 625,000 | 335,000 | — | — | — | — | — |
| Jeffrey Schwartz Executive Vice-President and Chief Financial Officer | 2003 | 725,000 | 914,932 | — | — | — | — | — |
| | 2002 | 700,000 | 762,153 | — | 100,000 | — | — | — |
| | 2001 | 625,000 | 335,000 | — | — | — | — | — |
| Pierre Dupuis Vice-President and Chief Operating Officer | 2003 | 427,500 | 427,500 | — | — | — | — | — |
| | 2002 | 399,583 | 362,552 | — | 50,000 | — | — | — |
| | 2001 | 372,969 | 166,593 | — | — | — | — | — |

(1) Disclosure of perquisites and other personal benefits is required only if they are greater than the lesser of \$50,000 and 10 percent of the total of the annual salary and bonus of the Named Executive Officer.

During the fiscal year ended December 30, 2003, the Company paid a total of \$3,777,481 in salary and \$4,431,878 in bonuses to its eight executive officers.

Option Grants During the Most Recently Completed Fiscal Year

In March 1998, the Board of Directors created the 1998 Plan for the directors, officers and employees of the Company and its subsidiaries. The 1998 Plan was ratified by the shareholders at the annual general meeting held on May 28, 1998. In January 2001, the Board of Directors amended the 1998 Plan, increasing the number of Class B Subordinate Voting Shares that can be issued thereunder from 1,500,000 to 3,000,000. The amendment was ratified by the shareholders at the annual general meeting held on May 31, 2001.

Under the 1998 Plan, the option price per share is set by the Board of Directors at the time of the granting of each option, but cannot be less than the closing sale price of the Class B Subordinate Voting Shares on the Toronto Stock Exchange on the trading day immediately preceding the date of the grant. The maximum period during which an option may be exercised is ten years from the date of the grant. No option may be exercised during the first year following the grant thereof. An option may be exercised in whole or in part in respect of 25% of the shares underlying the option during each of the second, third, fourth and fifth years following the grant thereof.

There were no options granted to the Named Executive Officers during the fiscal year ended December 30, 2003.

Options Exercised in Last Fiscal Year and Fiscal Year End Option Value

The following table sets out information concerning the exercise of stock options during the 2003 fiscal year by each of the Named Executive Officers and the number and value of options held by the Named Executive Officers at fiscal year end.

| Name | Shares acquired on exercise | Value realized (\$) | Number of unexercised options at fiscal year end Exercisable / Unexercisable | Value of unexercised in the money options at fiscal year end (\$) ⁽¹⁾ | | |
|------------------|-----------------------------|---------------------|---|--|---|---------------|
| | | | | Exercisable | / | Unexercisable |
| Martin Schwartz | 200,000 | 4,489,229 | 25,000 / 75,000 | 93,000 | / | 279,000 |
| Jeff Segel | 200,000 | 4,489,229 | 25,000 / 75,000 | 93,000 | / | 279,000 |
| Alan Schwartz | 200,000 | 4,489,229 | 25,000 / 75,000 | 93,000 | / | 279,000 |
| Jeffrey Schwartz | 200,000 | 4,489,229 | 25,000 / 75,000 | 93,000 | / | 279,000 |
| Pierre Dupuis | 25,000 | 403,750 | 37,500 / 37,500 | 283,750 | / | 139,500 |

(1) The value of unexercised "in the money" options is calculated using the closing price of the Class B Subordinate Voting Shares on the Toronto Stock Exchange on December 30, 2003 (\$35.49) less the respective exercise prices of the options.

INDEBTEDNESS OF DIRECTORS AND OFFICERS

The following table sets out the indebtedness to the Company of its officers and directors and their associates:

| Name, principal position and <u>municipality of residence</u> | <u>Lender</u> | <u>Largest amount outstanding during fiscal 2003</u> | <u>Interest rate</u> | <u>Current amount owing</u> | <u>Purpose</u> | <u>Number of shares purchased</u> | <u>Security for indebtedness</u> |
|--|----------------|--|----------------------|-----------------------------|---|-----------------------------------|----------------------------------|
| Frank Rana Vice-President, Finance St. Leonard, Quebec | The Company | \$594,000 | Nil | Nil | Purchase of the Company's Class B Subordinate Voting Shares | 33,000 | None |

DIRECTORS' AND OFFICERS' INSURANCE

The Company has purchased directors' and officers' liability insurance, which has an aggregate claim limit of approximately US\$15 million each policy year for all directors and officers of the Company and its subsidiaries. In 2003, the cost of this coverage was approximately US\$210,000 and was paid by the Company.

CORPORATE GOVERNANCE

Recent Developments

The Board of Directors of the Company is committed to maintaining high standards of corporate governance. Over the course of 2003 and continuing into 2004, the Company initiated a number of important measures aimed at improving its corporate governance practices. These measures include:

- as in previous years, ensuring that both the Audit Committee and the HRCG Committee consist exclusively of independent directors;
- holding regular meetings of the independent directors without the presence of management or non-independent directors;

- creating the position of “lead director” and appointing Maurice Tousson, a long-standing independent board member, to the position;
- recommending to the shareholders the election or appointment of two additional independent Board members (Dian Cohen and Alain Benedetti), bringing the total number of directors to nine, of which a majority of five will be independent;
- instituting a Deferred Share Unit Plan for the independent directors, to encourage ownership of the Company’s shares;
- revising the charter of the Audit Committee to ensure conformity with all Canadian and United States regulatory requirements;
- improving the charter of the HRCG Committee;
- adopting a policy of financial reporting to be adhered to by all applicable Company personnel;
- creating procedures for “whistle blowing” and “incident reporting” to be followed throughout the Company;
- formalizing a policy on consulting services, including non-audit services provided by the Company’s auditors;
- instituting a written policy for all employees with respect to trading in the Company’s shares, including trading restrictions and blackout periods;
- implementing a policy governing all press releases issued by the Company and a disclosure policy to be adhered to by all management and other employees with access to confidential information concerning the Company;
- expanding the code of business conduct for all Company employees;
- ensuring that the Company’s stock option plan restricts the number of options outstanding at any one time to less than 10% of the issued and outstanding shares of the Company; and
- restricting options held by any one insider to less than 5% of the issued and outstanding shares of the Company.

Toronto Stock Exchange Guidelines

The Toronto Stock Exchange has adopted a set of guidelines for effective corporate governance that requires a listed company to disclose annually its approach to corporate governance, with a specific reference to each guideline.

A complete description of the Company’s approach to corporate governance, with a specific reference to each guideline is set out in the “Statement of Corporate Governance Practices” annexed as Schedule C to this Management Proxy Circular. This disclosure statement has been approved by the HRCG Committee and by the Board of Directors. The Charters of each of the Audit Committee and HRCG Committee are annexed at Schedule D to this Management Proxy Circular.

ADDITIONAL INFORMATION

Additional information regarding the business of the Company is contained in the Company’s renewal annual information form for 2003, and documents incorporated by reference therein. Additional financial information regarding the Company is provided in the Company’s comparative consolidated financial statements for the fiscal

year ended December 30, 2003. Copies of these documents, the Company's renewal annual information form for the fiscal year ended December 30, 2003 and documents incorporated by reference therein, any interim financial statements for periods subsequent to December 30, 2003 and additional copies of this Management Proxy Circular may be obtained upon request from the Company at 1255 Greene Ave, Suite 300, Westmount, Quebec H3Z 2A4; telephone (514) 934-3034; fax (514) 934-9379; e-mail info@Dorel.com.

Corporate information is also available on the Company's Web site: www.Dorel.com.

OTHER MATTERS

Management of the Company knows of no other matter to come before the Meeting other than those referred to in the Notice of Meeting. However, if any other matters that are not known to the management should properly come before the Meeting, the accompanying form of proxy confers discretionary authority upon the persons named therein to vote on such matters in accordance with their best judgment.

DIRECTORS' APPROVAL

The Board of Directors of the Company has approved the contents and the mailing of this Management Proxy Circular.

A handwritten signature in cursive script, appearing to read "Jeffrey Schwartz".

Jeffrey Schwartz
Executive Vice-President, Chief Financial Officer and Secretary

DATED at Montreal, Quebec
April 24, 2004

SCHEDULE A

SHAREHOLDERS' RESOLUTION

BE AND IT IS HEREBY RESOLVED:

THAT the 2004 Stock Option Plan of the Company (the "2004 Plan"), as approved by the Board of Directors on April 28, 2004 and as described in the Management Proxy Circular of the Company dated April 30, 2004, is hereby approved, with all such modifications, additions or deletions thereto which the President and Chief Executive Officer of the Company, in his sole discretion, may deem appropriate or necessary in light of observations with respect to the 2004 Plan by applicable regulatory authorities.

SCHEDULE B

SHAREHOLDERS' RESOLUTION

BE AND IT IS HEREBY RESOLVED:

THAT the Deferred Share Unit Plan of the Company (the "DSU Plan"), as approved by the Board of Directors on April 28, 2004 and as described in the Management Proxy Circular of the Company dated April 30, 2004, is hereby approved, with all such modifications, additions or deletions thereto which the President and Chief Executive Officer of the Company, in his sole discretion, may deem appropriate or necessary in light of observations with respect to the DSU Plan by applicable regulatory authorities.

Guideline 1e **Board of Directors should specifically assume responsibility for the integrity of internal control and management information systems**

Does the Company comply?

Yes

Comments:

The Audit Committee requires management to implement and maintain appropriate systems of internal control and meets with the internal and external auditors and management to assess the adequacy and effectiveness of these systems of internal control.

Guideline 2 **Majority of directors should be “unrelated” (independent from management and free from conflicts of interest)**

Does the Company comply?

2003 — No

2004 — Yes: If the proposed directors (including Dian Cohen and Alain Benedetti) are elected or appointed to the Board of Directors, five of the nine directors will be considered “unrelated” and independent from management. During the period from May 28, 2004 to July 1, 2004, at which time it is expected that Neil Wiener will resign as a director and be replaced by Alain Benedetti, four of the nine directors will be considered “unrelated” and independent of management.

Comments:

The HRCG Committee annually reviews the existence of any relationships between each director and the Company in order to determine whether the majority of directors are independent and unrelated to the Company and, where any relationships exist, whether the director is acting appropriately.

Guideline 3 **Disclose for each director whether he or she is unrelated, and how that conclusion was reached**

Does the Company comply?

Yes

Comments:

The Board of Directors considers that Martin Schwartz, Jeff Segel, Alan Schwartz and Jeffrey Schwartz are related to management in that each is a senior officer of the Company.

In the case of all of the other directors proposed for election or appointment to the Board of Directors, based on information provided by the directors as to their individual circumstances, the Board of Directors has determined that, with the exception of Neil Wiener, each is unrelated to management in that none has any interest, business or other relationship that could or could reasonably be perceived to materially interfere with his or her ability to act in the best interest of the Company and none has received remuneration from the Company other than directors’ fees. The Board of Directors considers that Neil Wiener is related to management in that he is a partner of Heenan Blaikie LLP, legal counsel to the Company. It is expected that if elected at the Meeting, Mr. Wiener will resign as a director of the Company on July 1, 2004 and be replaced by Alain Benedetti.

Guideline 4 **Appoint a committee of outside directors responsible for appointment of new nominees and ongoing assessment of directors**

Does the Company comply?

Yes

Comments: The HRCG Committee annually reviews the criteria applicable to candidates to be considered for nomination to the Board of Directors. The objective of this review is to ensure that the composition of the Board of Directors provides the best mix of skills and experience to guide the long-term strategy and ongoing business operations of the Company. The HRCG Committee makes recommendations to the Board of Directors and the Board of Directors is responsible for identifying suitable candidates to be recommended for election to the Board of Directors by the shareholders. The HRCG Committee, together with the President and Chief Executive Officer, annually assesses the performance of individual directors.

Guideline 5 **Implement a committee process for assessing the effectiveness of the Board of Directors, its committees and the contribution of individual directors**

Does the Company comply? 2003 — No
2004 — It is the Board of Directors' intention to implement a formal policy.

Comments: The Company has no formal policy for assessing the effectiveness of the Board of Directors, its committees or individual directors. The directors from time-to-time comment on the effectiveness of Board of Directors operations.

Guideline 6 **Provide orientation and education programs for new recruits to the Board of Directors**

Does the Company comply? Yes

Comments: The Company provides an orientation program for new directors in the form of informal meetings with members of senior management, complemented by presentations on the main areas of the Company's business. On an ongoing basis, directors receive updates on developments in the industry, economic developments in the geographical areas in which the Company is active and communications from the Chief Executive Officer to employees.

Guideline 7 **Examine size and undertake a program to establish a board size which facilitates effective decision making**

Does the Company comply? Yes

Comments: The Board of Directors currently consists of seven directors. Shareholders will be asked to increase this number and consider nine nominees for election as directors at the Meeting. The Board of Directors is of the view that a Board of Directors consisting of nine directors, of which a majority is independent, is large enough to present a diversity of views and experience, but also small enough to carry out its duties efficiently.

Guideline 8 **Review adequacy and form of compensation of directors to ensure compensation reflects risks and responsibilities**

Does the Company comply? Yes

Comments: The HRCG Committee reviews the compensation of the directors annually and is mandated to review and recommend to the Board of Directors for approval the remuneration of directors. The Committee considers time commitment, comparative fees and responsibilities in determining remuneration.

Does the Company comply?

Yes

Comments:

Meetings of the Board of Directors are chaired by the President and Chief Executive Officer of the Company, Martin Schwartz, who is not considered by the Board of Directors to be independent of the Company's management. The Board of Directors believes that setting the agenda and ensuring that the relevant information is made available to the Board of Directors, a key element for an efficient corporate governance practice, is best served by a person who has intimate knowledge of the Company and its business.

The Board of Directors has also appointed Maurice Tousson, an independent director, as "lead director". As lead director, Mr. Tousson provides the leadership in ensuring board effectiveness and is responsible for consulting with the President in setting the agenda for board meetings, ensuring board committees function appropriately, chairing meetings of the independent members of the Board of Directors and chairing Board of Directors meetings when the President is absent.

Since meetings of the Board of Directors are chaired by the President and Chief Executive Officer of the Company, the Board of Directors has given the HRCG Committee (chaired by Maurice Tousson, an unrelated director of the Company) the responsibility of ensuring that the Board of Directors functions independently of management. Moreover, the outside directors meet independently of management at each Board of Directors meeting.

Guideline 13

Establish an audit committee composed only of outside directors with specifically defined roles and responsibilities

Does the Company comply?

Yes

Comments:

All of the members of the Audit Committee are independent and unrelated to the Company.

The charter of the Audit Committee annexed at Schedule D specifically defines its roles and responsibilities.

Guideline 14

Implement a system to enable individual directors to engage outside advisors at the corporation's expense

Does the Company comply?

Yes

Comments:

The Board of Directors has determined that any director who wishes to engage an outside advisor on matters relating to his or her responsibilities as a director may do so, at the expense of the Company, after obtaining the authorization of the HRCG Committee.

SCHEDULE D

CHARTERS OF THE COMMITTEES OF THE BOARD OF DIRECTORS

The mandates, duties and responsibilities of the committees, as set out in their Charters, are as follows:

1. AUDIT COMMITTEE

The Audit Committee of the Board of Directors assists the Board in fulfilling its oversight responsibilities relating to the quality and integrity of the accounting, auditing and reporting practices of the Company and such other duties as directed by the Board of Directors or imposed by legislative authorities or stock exchanges.

Structure and Organization

1. The Committee will be composed solely of directors who are independent of the management of the Company and are free of any relationship that, in the opinion of the Board of Directors, may interfere with their exercise of independent judgment as a committee member, all in accordance with applicable securities law and stock exchange requirements.
2. The membership of the Committee will consist of at least three independent members of the Board of Directors. Committee members and the Committee Chairman shall be designated by and serve at the pleasure of the Board of Directors. All members must be financially literate and at least one member must have accounting or related financial management expertise, in each case in the judgment of the Board of Directors.
3. The Committee shall meet at least four times per year or more frequently as circumstances require. The Committee may ask members of management or others to attend meetings and provide pertinent information as necessary. The required quorum is two out of three members, or three out of four members, depending on the number of members on the Committee at the time of the meeting.
4. The Committee is expected to maintain free and open communication with management and the external auditors.
5. The Committee has the authority to investigate any matter brought to its attention and to retain outside counsel for this purpose if, in its judgment, that is appropriate.
6. Members of the Audit Committee are prohibited from receiving any payment, either directly or indirectly, from the Company other than for Board or Audit Committee service.

General Responsibilities

1. Meet periodically with representatives of the external auditors, the Director of Internal Audit, and management in separate sessions to discuss any matters that the Committee or these groups believe should be discussed privately with the Committee. Provide sufficient opportunity for the external auditors to meet with the internal auditors as appropriate without members of management being present.
2. Submit the minutes of all Committee meetings to the Board of Directors.
3. Review and reassess the adequacy of this Charter annually.

Responsibilities for Engaging External Auditors

1. Recommend for approval by the Board of Directors and ratification by the shareholders the selection and retention of an independent firm of chartered accountants as external auditors, approve compensation of the external auditors, and review and approve in advance the discharge of the external auditors.
2. Review the independence of the external auditors. In considering the independence of the external auditors, the Committee will review the nature of the services provided by the external auditors and the fees charged, and such other matters as the Committee deems appropriate.
3. Arrange for the external auditors to be available to the Board of Directors at least annually to help provide a basis for the Board's approval of the external auditors' appointment.
4. Approve all allowable non-audit related services to be provided by the Company's external auditors on a case-by-case basis.

Responsibilities for Oversight of the Quality and Integrity of Accounting, Auditing and Reporting Practices of the Company

1. Review the annual financial statements with management and the external auditors prior to release. The Committee, or at least its Chairman, should discuss each quarterly earnings announcement with management (and the external auditors if desired) prior to their release. These discussions should cover the quality of the financial reporting, and such others matters as the Committee deems appropriate.
2. Review with the external auditors and management the audit plan of the external auditors for the current year and the following year.
3. Review with the external auditors and financial and accounting personnel, the adequacy and effectiveness of the accounting, financial, and computerized information systems controls of the Company.
4. Establish procedures for the receipt, retention and treatment of complaints received regarding accounting, internal accounting controls or auditing matters. Such complaints are to be treated confidentially and anonymously.
5. Review and approve all related party transactions undertaken by the Company.

Periodic Responsibilities

1. Review periodically with management any legal and regulatory matters that may have a material impact on the Company's financial statements, compliance policies and compliance programs.
2. Review with management and approve transactions involving management and/or members of the Board of Directors, which would require disclosure under SEC or TSX rules.
3. Oversee the Company's Corporate Compliance Program and periodically review and suggest to management any necessary improvements for the Corporate Compliance Program.
4. Perform such other functions assigned by law, the Company's Articles or bylaws, or by the Board of Directors.

5. Review services and related fees for work done by the external auditors in the period and newly pre-approved services since the previous meeting as well as an updated projection of the total costs for the fiscal year.

2. HUMAN RESOURCES AND CORPORATE GOVERNANCE COMMITTEE

The mandate of the Human Resources and Corporate Governance Committee is to assume the responsibility for developing the Company's approach to matters of corporate governance and to review and make recommendations to the Board of Directors as to all such matters. In addition, the Committee assumes responsibility for making recommendations to the Board of Directors on all matters relating to the compensation of directors, members of the various committees of the Board of Directors, officers and employees of the Company, as more specifically delineated in the responsibilities of the Committee set forth below.

Structure and Organization

1. The Committee will be composed solely of directors who are independent of the management of the Company and are free of any relationship that, in the opinion of the Board of Directors, may interfere with their exercise of independent judgment as a committee member, all in accordance with applicable securities law and stock exchange requirements.
2. The membership of the Committee will consist of at least three independent members of the Board of Directors. Committee members and the Committee Chairman shall be designated by the Board of Directors.
3. The Committee shall meet at least once per year or more frequently as circumstances require. The Committee may ask members of management or others to attend the meetings and provide pertinent information as necessary. The required quorum is two out of three members, or three out of four members, depending on the number of members on the Committee at the time of the meeting.
4. The Committee has the authority to investigate any matter brought to its attention and to retain outside counsel for this purpose if, in its judgment, that is appropriate.

General Responsibilities

The responsibilities of the Human Resources and Corporate Governance Committee generally include, but are not limited to, the following.

1. Annually reviewing the charters of the Board of Directors and its committees and after consulting with the members of each respective committee, recommending to the Board of Directors such amendments to those charters as the Human Resources and Corporate Governance Committee believes are necessary or desirable.
2. Reviewing, from time to time, the size, composition and profile of the Board of Directors taking into account age, geographical representation, disciplines and other issues it considers appropriate.
3. Reviewing and proposing to the Board of Directors criteria for selecting new directors.
4. Recommending to the Board of Directors suitable candidates for election to the Board by the shareholders.
5. Assisting the Lead Director in carrying out his responsibilities, including without limitation:

- Ensuring that the responsibilities of the Board of Directors are well understood by both the Board of Directors and management, and that the boundaries between the Board of Directors and management responsibilities are clearly understood and respected;
 - Ensuring that the Board of Directors works as a cohesive team and providing the leadership essential to achieve this;
 - Ensuring that the resources available to the Board of Directors (in particular timely and relevant information) are adequate to support its work; and
 - Adopting procedures to ensure that the Board of Directors can conduct its work effectively and efficiently, including committee structure and composition, scheduling, and management of meetings.
6. Supervising and evaluating the Company's securities compliance procedures and reporting to the Board of Directors on the necessary changes to such procedures and on the adoption of any additional procedures.
 7. Considering and, if thought fit, approving requests from directors or committees of directors for the engagement of special advisors from time to time.
 8. Monitoring and evaluating the performance of the Chief Executive Officer and other members of senior management.
 9. Annually reviewing and making recommendations to the Board of Directors with respect to the Company's compensation and benefit programs for the President and Chief Executive Officer and other senior officers of the Company, including base salaries, bonuses or other performance incentives, stock options and/or restricted share rights.
 10. Reviewing and making recommendations to the Board of Directors with respect to the implementation or variation of stock option plans, restricted share rights plans, share purchase plans, compensation and incentive plans and retirement plans. Further, the Human Resources and Corporate Governance Committee will ensure proper administration of the Company's existing share incentive plans, including making recommendations with respect to the granting of options or restricted share rights.
 11. The Human Resources and Corporate Governance Committee will provide an annual report on executive compensation to the shareholders of the Company in the Management Information Circular prepared for the annual general meeting of the shareholders.