



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 at the Ritz-Carlton Hotel, Oval Ballroom – 1228 Sherbrooke Street West, Montreal, Quebec, on May 17, 2007 at 10:00 a.m. 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, 2006 and the auditors' report thereon;
- (2) To elect directors;
- (3) To appoint auditors and authorize the directors to fix their remuneration;
- (4) To approve the amendments proposed to be made to the 1998 and 2004 Stock Option Plans of the Company; and
- (5) 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 20, 2007

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: (i) for the election of directors; (ii) for the appointment of auditors; and (iii) for the amendments proposed to the stock option 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, 2007, there were issued and outstanding 4,440,544 Class A Multiple Voting Shares and 28,956,648 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 March 20, 2007 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 March 20, 2007 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. In order for the applicable computerized form to validly constitute a voting instruction form, the Non-Registered Holder must 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, 2007, 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 Montreal, Quebec	771,600	17.4%
Martin Schwartz Montreal, Quebec	765,600	17.2%
Jeff Segel..... Montreal, Quebec	765,600	17.2%
Jeffrey Schwartz..... Toronto, Ontario	765,600	17.2%
Laura Schwartz..... Montreal, Quebec	669,240	15.1%

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..... San Mateo, California	6,144,614	21.2%

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 and the appointment of auditors.

1. Financial Statements

The audited consolidated financial statements of the Company for the fiscal year ended December 30, 2006 and the report of the auditors thereon will be tabled at the Meeting. These audited consolidated financial statements form part of the 2006 Annual Report of the Company. Copies of the 2006 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 nine 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 and municipality of residence 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, the number of Class B Subordinate Voting Shares in respect of which each such person holds an option and the number of Deferred Share Units (“DSUs”) held:

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, 2007		Number of Class B shares subject to option	Number of Deferred Share Units (DSUs) held
			Class A	Class B		
Martin Schwartz Montreal, Quebec, Canada President and Chief Executive Officer of the Company	1987	—	765,600	500,850	225,000	—
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, Canada Executive Vice-President, Sales and Marketing of the Company	1987	—	765,600	470,850	225,000	—
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, Canada Executive Vice-President, Operations of the Company	1987	—	771,600	485,923	225,000	—
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, 2007		Number of Class B shares subject to option	Number of Deferred Share Units (DSUs) held
			Class A	Class B		
Jeffrey Schwartz Toronto, Ontario, Canada Executive Vice-President and Chief Financial Officer of the Company	1987	—	765,600	500,850	225,000	—
<p>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.</p>						
Maurice Tousson Toronto, Ontario, Canada President and Chief Executive Officer CDREM Group Inc. (retailer)	1995	Lead Director, Member of the Audit Committee, Member of the Human Resources and Corporate Governance Committee	2,000	15,400	30,000	4,425
<p>Maurice Tousson is the President and Chief Executive Officer of CDREM Group Inc., a chain of retail stores known as <i>Centre du Rasoir</i> or <i>Personal Edge</i>, 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 currently sits on the Board of Directors of Le Château Inc. and several privately held companies. Mr. Tousson holds an MBA degree from Long Island University in New York.</p>						
Harold "Sonny" Gordon, Q.C. Sunny Isles, Florida, U.S.A. Chairman Dundee Corporation (financial services, wealth management and investment company)	2003	Chairman of the Human Resources and Corporate Governance Committee, Member of the Audit Committee	—	—	36,000	3,725
<p>Harold "Sonny" Gordon has been Chairman of the Board of Directors of Dundee Corporation (formerly 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 Alliance Atlantis Communications Inc., Dundee Corporation, Madacy Holding Inc., Pethealth Inc. and Transcontinental Inc.</p>						

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, 2007		Number of Class B shares subject to option	Number of Deferred Share Units (DSUs) held
			Class A	Class B		
Dian Cohen Toronto, Ontario, Canada President DC Productions Limited (economic communications and management consulting services company)	2004	Member of the Human Resources and Corporate Governance Committee	—	300	12,000	2,607
Dian Cohen is a well-known broadcaster and author, recipient of the Order of Canada and other awards for economic communications excellence. Ms. Cohen serves as a director of Norbord Industries and as a trustee of Great Lakes Hydro Power Income Fund.						
Alain Benedetti, FCA Montreal, Quebec, Canada Corporate Director	2004	Chairman of the Audit Committee	—	—	12,000	3,131
Alain Benedetti, FCA, is the retired Vice-Chairman of Ernst & Young LLP, where he worked for 34 years, most recently as 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 and currently serves on the Board of Directors of Russel Metals Inc and Birks & Mayors Inc. and as a Governor of Dynamic Mutual Funds. He is currently Chair of the Canadian Institute of Chartered Accountants. Mr. Benedetti has served on the Audit Committee of the Company since 2004 and has been its chairperson since early 2005.						
Robert P. Baird, Jr. Old Greenwich, Connecticut, U.S.A. Chairman International Retail Board Koninklijke Philips Electronics N.V.	2005	—	—	500	—	1,595
Since January 2007, Robert P. Baird, Jr. has been employed in the capacity of Chairman International Retail Board at Koninklijke Philips Electronics N.V. Prior to that Mr. Baird served as President and Chief Executive Officer of Philips Domestic Appliances and Personal Care, located in Stamford, Connecticut, a position he held since May 2002. Prior thereto, he was a consultant in the New York office of Egon Zehnder International, with practice specialties in the consumer products industry and marketing management. Mr. Baird holds an MBA degree from the J.L. Kellogg School at Northwestern University, with concentrations in Marketing, Management and Finance. He also holds a B.A. in Economics from St. Lawrence University.						

To the knowledge of the Company, none of the foregoing nominees for election as a director:

- (a) is, or within the last ten years has been, a director or executive officer of any company that, while that person was acting in that capacity:
 - (i) was the subject of a cease trade or similar order, or an order that denied such company access to any exemption under applicable securities legislation for a period of more than 30 consecutive days;

- (ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in such company becoming the subject of a cease trade or similar order, or an order that denied such company access to any exemption under applicable securities legislation for a period of more than 30 consecutive days; or
 - (iii) within a year of that person ceasing to act in that capacity, 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, receiver manager or trustee appointed to hold its assets; or
- (b) has, within the last ten years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his assets,

except for Mr. Gordon who was a director of Great Northern Paper, Inc., a private U.S. corporation, until June 3, 2002, approximately seven (7) months before such corporation filed for an arrangement under Chapter 11 of the U.S. Bankruptcy Code on January 9, 2003, followed by liquidation on May 22, 2003.

To the knowledge of the Company, none of the foregoing nominees for election as director has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for a proposed director.

Board of Directors' Compensation/Attendance

In 2006, 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 Resources 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 2006 were as follows:

<u>Name</u>	<u>Annual fee</u>	<u>Committee fees</u>	<u>Board attendance fees</u>	<u>Committee attendance fees</u>	<u>Total fees</u>
Maurice Tousson	\$ 35,000	\$ 5,000	\$ 6,000	\$ 9,000	\$ 55,000
Harold "Sonny" Gordon	25,000	7,000	6,000	9,000	47,000
Dian Cohen.....	25,000	2,000	5,000	5,000	37,000
Alain Benedetti.....	25,000	6,000	6,000	4,000	41,000
Robert P. Baird, Jr.	25,000	-	5,000	-	30,000
Laurent Picard ⁽¹⁾	12,5000	-	2,000	-	14,500

(1) Laurent Picard ceased to be a Director on June 21, 2006.

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 external directors. The Deferred Share Unit Plan enables external directors to defer receipt of their directors' compensation until their term expires or they resign. In the fiscal year ended December 30, 2006, the Company's five external directors elected to accept all of their directors' fees pursuant to the Deferred Share Unit Plan, which has the effect of deferring receipt of their directors' compensation until such time as their term expires or they resign, thereby aligning the interests of the directors with those of the shareholders. DSUs earned in the fiscal year ended December 30, 2006 were as follows:

<u>Name</u>	<u>Number of DSUs</u>
Maurice Tousson	1,900
Harold "Sonny" Gordon	1,623
Dian Cohen.....	1,277
Alain Benedetti.....	1,411
Robert P. Baird, Jr.	1,031
Total	<u>7,242</u>

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 fiscal year ended December 30, 2006, the Board of Directors met a total of six times, with a 93% attendance record by the directors. In addition, the independent directors held meetings without management or the other directors present at least once each quarter. In 2006, there were an aggregate of nine meetings of the Audit Committee and the Human Resources and Corporate Governance Committee. Attendance by committee members at these meetings was 100%. The Company does not have an Executive Committee.

Summary of Attendance of Directors

For the fiscal year ended December 30, 2006:

<u>Director</u>	<u>Board meetings attended</u>	<u>Committee meetings attended</u>
Martin Schwartz ⁽¹⁾	6/6	N/A
Jeff Segel ⁽¹⁾	5/6	N/A
Alan Schwartz ⁽¹⁾	6/6	N/A
Jeffrey Schwartz ⁽¹⁾	6/6	N/A
Maurice Tousson	6/6	9/9
Harold “Sonny” Gordon	6/6	9/9
Dian Cohen.....	5/6	5/5
Alain Benedetti.....	6/6	4/4
Robert P. Baird, Jr. ⁽¹⁾	5/6	N/A
Laurent Picard ⁽¹⁾⁽²⁾	2/3	N/A

(1) Did not serve on any Board of Directors committees in 2006.

(2) Ceased to be a Director on June 21, 2006.

3. Appointment of Auditors

Except where authorization to vote with respect to the appointment of auditors is withheld, the persons named in the accompanying form of proxy intend to vote for the appointment of KPMG LLP, Chartered Accountants, as the auditors of the Company until the next annual general meeting of shareholders. KPMG LLP have been the auditors of the Company since March 23, 2005.

Fees Paid to the Company’s Auditors

The table below represents all fees paid to the Company’s various auditors for the years ended December 30, 2006 and 2005:

	<u>Year ended December 30</u>	
	<u>2006</u>	<u>2005</u>
	(in U.S. dollars)	
Audit services	\$ 2,120,080	\$ 1,272,750
Audit related services	26,900	61,600
Tax services	4,500	7,250
Non-audit services	n/a	n/a
TOTAL	<u>\$ 2,151,480</u>	<u>\$ 1,341,600</u>

The Audit Committee has considered whether the provision of services other than audit services is compatible with maintaining auditors’ independence. The Audit Committee has adopted a policy that prevents 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 as required under Multilateral Instrument 52-110 Audit Committees.

Representatives of KPMG LLP, 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. Amendments to the 2004 Stock Option Plan and the 1998 Stock Option Plan

The Board of Directors approved amendments to the Company's 2004 Stock Option Plan (the "2004 Stock Option Plan") and the 1998 Stock Option Plan (the "1998 Stock Option Plan") and recommends that the shareholders approve these changes in order to, among other things:

1. extend the exercise period for insiders whose exercise period would otherwise expire during a blackout period or shortly thereafter to a further 10 business days after the blackout ends; and
2. provide for specific provisions governing amendments to the 2004 Stock Option Plan and the 1998 Stock Option Plan specifying when shareholder approval is required.

The form of the proposed amendments has been pre-cleared by the Toronto Stock Exchange (the "TSX"). The text of the resolution proposed to be adopted at the Meeting is provided at Schedule "A" attached hereto. The text of the amended provisions of 2004 Stock Option Plan and 1998 Stock Option Plan is provided at Schedule "B" and Schedule "C", respectively, attached hereto. **The persons named in the enclosed form of proxy intend to vote for the proposed amendments to the 2004 Stock Option Plan and 1998 Stock Option Plan.**

Extension of Exercise of Periods

As required by the Company's insider trading policy, options must not be exercised by insiders when a trading blackout period is in effect. This poses a potential problem when an option is set to expire during a blackout period. The policies of the TSX allow issuers' stock option plans to be amended to extend the exercise period for up to 10 business days beyond the issuer's trading blackout period. The proposed amendment adds a new section, whereby, if the date on which an option expires occurs during a "blackout period" or within 10 business days after the last day of a blackout period, the date of expiry of such option will be the last day of such 10 business day period.

New Amending Formula

Many companies' stock option plans, including the Company's, have a short form of amending formula that provides simply that the plan may be amended with the approval of the Board of Directors and applicable regulatory approvals. The TSX has a policy that sets out when shareholder approval is required for plan amendments. The TSX has advised issuers that it will rescind its existing policy and encourages issuers to adopt more detailed amending provisions designed to distinguish plan amendments that do, from those that do not, require shareholder approval. The proposed amending formula meets the requirements of the TSX.

Under the proposed amending formula, the Company can amend the 2004 Stock Option Plan, any portion thereof or any outstanding option in accordance with applicable legislation, without obtaining shareholder approval. However, any amendment to any provision of the 2004 Stock Option Plan, any portion thereof or any outstanding option will be subject to any required regulatory approval or shareholder approval. Furthermore, to the extent an amendment would materially prejudice the rights of an optionholder under the option previously granted, the consent or deemed consent of the optionholder shall be required for such amendment. The 2004 Stock Option Plan specifically provides that shareholder approval is required for amendments related to: (i) an increase of the maximum number of Common Shares reserved for issuance under the 2004 Stock Option Plan (an any other security based compensation arrangement); (ii) a reduction of the subscription price or extension of the option period or early expiry date of any option; (iii) an increase in the 10% limit on option grants to insiders set out in the 2004 Stock Option Plan; and (iv) an amendment to the provision in the 2004 Stock Option Plan restricting the assignment of options.

In other words, other than these four prescribed items, any other amendment can be made by the Board of Directors without shareholder approval. Such amendments may for example include, without limitation, amendments related to: (a) the vesting provisions of the 2004 Stock Option Plan or any option granted thereunder; (b) the addition of any form of financial assistance by the Company for the acquisition by all or certain categories of participants; and the subsequent amendment of any such provision which is more favourable to such participants; (c) the addition of a

cashless exercise feature, payable in cash or shares, which provides for a full deduction of the number of underlying shares from the 2004 Stock Option Plan reserve; (d) the suspension or termination of the 2004 Stock Option Plan; or (e) any other amendment, whether fundamental or otherwise, not requiring shareholders approval under applicable law (including, without limitation, the rules, regulations and policies of the TSX).

REPORTS OF COMMITTEES OF THE BOARD OF DIRECTORS

1. Report of the Audit Committee

Consisting of three independent directors (Alain Benedetti, Harold “Sonny” Gordon and Maurice Tousson), the Audit Committee has oversight responsibility for the Company’s financial reporting processes and the quality of its financial reporting.

In early 2006, the Audit Committee reviewed and revised its Charter. In early 2007, the Charter was further revised as the Audit Committee considered new Canadian and U.S. requirements for audit committees and emerging best practices. A copy of the revised Charter is annexed to this Circular at Schedule “E” For additional information concerning the Company’s Audit Committee, see the section of the Company’s renewal annual information form dated March 30, 2007 entitled “Information on the Audit Committee”.

In fulfilling its mandate in 2006, 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 with respect to 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 auditors 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 consolidated 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;
- 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;

- met privately with the representatives of the external auditors to discuss the scope of their work, their relationship with management and the internal auditor, and other issues which the external auditors wished to raise with the Audit Committee; and

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;
- assisted in establishing a Disclosure Committee, consisting of certain members of Company management, whose purpose is ensure that all disclosures made by the Company to its security holders or the investment community are accurate and complete and fairly present the Company’s financial condition and results of operations in all material respects, and should be made on a timely basis as required by applicable laws, regulations, and stock exchange requirements;
- 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;
- reviewed and approved all related party transactions undertaken by the Company;
- maintained, through the Company’s Whistleblower Policy, a procedure for the receipt of complaints regarding accounting or auditing matters, whereby issues may be submitted confidentially to the Audit Committee; and
- reviewed the specific Policy on Financial Reporting 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, the Audit Committee met without management at each meeting of the Committee.

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 2006.

Signed:

Alain Benedetti (Chair)

Harold “Sonny” Gordon, Q.C.

Maurice Tousson

2. Report of the Human Resources and Corporate Governance Committee

Consisting of three independent directors (Harold “Sonny” Gordon, Maurice Tousson and Dian Cohen), 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 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 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 2006 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 2006 incentive compensation payments for officers and employees and recommended those amounts to the Board of Directors;
- reviewed and approved the 2006 annual incentive compensation performance metrics and payment targets for officers and certain key employees; and
- reviewed and recommended the appointment of officers.

The HRCG Committee also reviewed its mandate and performance and is satisfied that it met the terms of its mandate in 2006.

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 set out in National Policy 58-201 *Corporate Governance Guidelines* and National Instrument 58-101 *Disclosure of Corporate Governance Practices*. The detailed disclosure of the Company's corporate governance practices required by National Instrument 58-101 *Disclosure of Corporate Governance Practices* is annexed to this Management Proxy Circular as Schedule "D".

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 interests 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. The 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. 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 and business unit goals. These performance metrics are based on attaining specific earnings targets, as well as specified Company stock price value objectives. 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. Options vest after one year, and option holders are entitled to exercise 25% of the total number of options held 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 \$800,000 for 2006, based on performance levels and market data from external surveys of comparable roles within the Company's comparative group of companies. In addition, an annual incentive of \$777,241 was paid to each, based on the Company's earnings targets and stock price value objectives.

Signed:

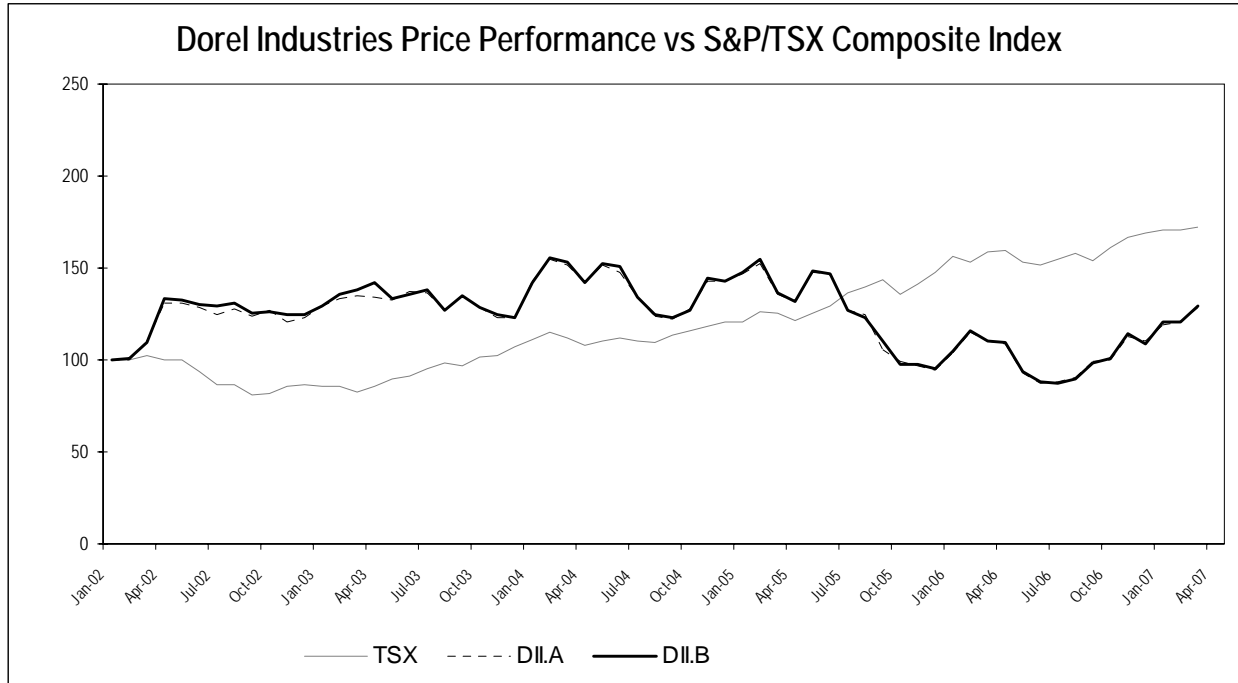
Harold "Sonny" Gordon, Q.C. (Chair)

Maurice Tousson

Dian Cohen

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, 2002 with the cumulative return of the S&P/TSX Composite Index for the period from January 1, 2002 to March 31, 2007.



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, 2006, 2005 and 2004 in respect of the President and Chief Executive Officer, the Executive Vice-President and Chief Financial Officer, and the three other most highly compensated executive officers (collectively, the “Named Executive Officers”).

Summary Compensation Table

Name and Principal Position	Year	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	2006	800,000	777,241	99,647	—	—	—	—
	2005	750,000	525,000	48,994	—	—	—	—
	2004	750,000	900,000	—	75,000	—	—	—
Jeff Segel Executive Vice-President, Sales and Marketing	2006	800,000	777,241	80,187	—	—	—	—
	2005	750,000	525,000	17,469	—	—	—	—
	2004	750,000	900,000	—	75,000	—	—	—
Alan Schwartz Executive Vice-President, Operations	2006	800,000	777,241	143,257	—	—	—	—
	2005	750,000	525,000	70,800	—	—	—	—
	2004	755,000	900,000	—	75,000	—	—	—

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation			All Other
		Salary \$	Bonus \$	Other annual compensation ⁽¹⁾ \$	Awards		Payouts	
					Number of options granted	Restricted stock awards	LTIP payouts	
Jeffrey Schwartz Executive Vice-President and Chief Financial Officer	2006	800,000	777,241	86,804	—	—	—	—
	2005	750,000	525,000	50,728	—	—	—	—
	2004	750,000	900,000	—	75,000	—	—	—
Camillo Lisio ⁽²⁾ Vice-President and Chief Operating Officer	2006	541,667	527,313	—	—	—	—	—
	2005	448,667	313,394	—	—	—	—	—
	2004	163,461	178,321	—	100,000	—	—	—

- (1) Disclosure of perquisites and other personal benefits is required only if they are greater than the lesser of \$50,000 and ten percent of the total of the annual salary and bonus of the Named Executive Officer. For 2005, the amounts listed represent taxable benefits for travel expenditures. For 2006, the amounts represent taxable benefits for travel expenditures, plus a \$50,000 taxable allowance to compensate the Named Executive Officers for other expenses incurred.
- (2) Mr. Lisio was appointed Vice-President and Chief Operating Officer of the Company on August 24, 2004.

Option Grants During the Most Recently Completed Fiscal Year

In March 1998, the Board of Directors of the Company established the 1998 Stock Option Plan (the “1998 Plan”) for the Company’s directors, officers, employees and subsidiaries. The 1998 Plan was ratified by the shareholders at the annual and special 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 and special general meeting held on May 31, 2001.

In April 2004, the Board of Directors of the Company established the 2004 Stock Option Plan. The 2004 Stock Option Plan was ratified by the shareholders at the annual and special general meeting held on May 28, 2004. A maximum of 3,000,000 Class B Subordinate Voting Shares may be issued under the 2004 Stock Option Plan. Since May 18, 2005, all options issued by the Company have been issued under the 2004 plan.

Among the objectives of the 1998 Plan and 2004 Stock Option Plan (collectively, the “Plans”) 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 Plans are 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.

Of the 3,000,000 Class B Subordinate Voting Shares initially reserved for issuance under the 2004 plan, 2,683,000 were available for issuance as at December 30, 2006. Any options granted by the Company in future will be granted under the 2004 Stock Option Plan.

Under the 2004 Stock Option 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. In addition, 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 Stock Option 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 Stock Option 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 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 Stock Option 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 Stock Option 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 following is a description of certain features of the 2004 Stock Option Plan, as required by the Toronto Stock Exchange:

- (a) options granted under the 2004 Stock Option Plan may not be assigned, except by will or by the laws of succession of the domicile of a deceased option holder;
- (b) the aggregate number of Class B Subordinate Voting Shares reserved for issuance to any one option holder, whether under the 2004 Stock Option Plan or any other share option plan, option for services or share purchase plan of the Company (if any), cannot exceed 5% of the number of issued and outstanding common shares of the Company;
- (c) unless otherwise determined by the Board of Directors at the time of grant, all stock options granted under the 2004 Stock Option Plan vest immediately;
- (d) upon an option holder’s employment with the Company being terminated for cause, any option not exercised prior to the date of termination immediately lapses and becomes null and void;
- (e) if an option holder dies while employed by the Company or while a director thereof, or if an option holder’s employment, office or directorship with the Company terminates otherwise than by reason of death or termination for cause, any option or unexercised part thereof held by the option holder may be exercised by the person to whom the option is transferred by will or the laws of succession, or by the option holder, as the case may be, for that number of shares only which the option holder was entitled to acquire under the option at the time of his death, termination or end of employment, office or directorship, as the case may be, within one year after such date or prior to the expiration of the term of the option, whichever occurs earlier;
- (f) the 2004 Stock Option Plan does not provide for financial assistance from the Company to option holders;

- (g) subject to regulatory approval, the Board of Directors may amend the 2004 Stock Option Plan at any time, provided that no such amendment may adversely affect options previously granted under the Plan without the consent of the option holder; and
- (h) in the event that the Company proposes to amalgamate or merge with another company (than a wholly-owned subsidiary of the Company) , or to liquidate, dissolve or wind-up, or in the event that an offer to purchase shares is made to all shareholders of the Company, the Company has the right, upon written notice, to permit the exercise of all options outstanding under the 2004 Stock Option Plan within a 20-day period following the date of such notice and to determine that upon the expiry of such 20-day period, all options terminate and cease to have effect.

As at March 31, 2007, since the establishment of the 2004 Stock Option Plan, no common shares have been issued upon the exercise of options, such that 3,000,000 common shares were available for issue under the 2004 Stock Option Plan, representing 10.4% of the issued and outstanding Class B Subordinate Voting Shares of the Company. As at March 31, 2007, there were options outstanding to purchase an aggregate of 317,000 Class B Subordinate Voting Shares, representing 1.1% of the issued and outstanding Class B Subordinate Voting Shares of the Company, leaving 2,683,000 Class B Subordinate Voting Shares available for future grants of stock options, representing 9.3% of the issued and outstanding Class B Subordinate Voting Shares of the Company.

The following is a description of certain features of the 1998 Stock Option Plan, as required by the Toronto Stock Exchange:

- (a) options granted under the 1998 Stock Option Plan may not be assigned, except by will or by the laws of succession of the domicile of a deceased option holder;
- (b) the aggregate number of Class B Subordinate Voting Shares reserved for issuance to any one option holder, whether under the 1998 Stock Option Plan or any other share option plan, option for services or share purchase plan of the Company (if any), cannot exceed 5% of the number of issued and outstanding common shares of the Company;
- (c) unless otherwise determined by the Board of Directors at the time of grant, all stock options granted under the 1998 Stock Option Plan may not be exercised during the first year following the date of grant. Thereafter, the option may be exercised in whole or in part in respect of twenty-five percent (25%) of share under option during each of the second, third, fourth and fifth years following the grant thereof;
- (d) upon an option holder's employment with the Company being terminated for cause, any option not exercised prior to the date of termination immediately lapses and becomes null and void;
- (e) if an option holder dies while employed by the Company or while a director thereof, or if an option holder's employment, office or directorship with the Company terminates otherwise than by reason of death or termination for cause, any option or unexercised part thereof held by the option holder may be exercised by the person to whom the option is transferred by will or the laws of succession, or by the option holder, as the case may be, for that number of shares only which the option holder was entitled to acquire under the option at the time of his death, termination or end of employment, office or directorship, as the case may be, within 30 days after such date or prior to the expiration of the term of the option, whichever occurs earlier;
- (f) the 1998 Stock Option Plan does not provide for financial assistance from the Company to option holders;
- (g) subject to regulatory approval, the Board of Directors may amend the 1998 Stock Option Plan at any time, provided that no such amendment may adversely affect options previously granted under the Plan without the consent of the option holder; and
- (h) in the event that the Company proposes to amalgamate or merge with another company (than a wholly-owned subsidiary of the Company) , or to liquidate, dissolve or wind-up, or in the event that an offer to purchase shares is made to all shareholders of the Company, the Company has the right, upon written

notice, to permit the exercise of all options outstanding under the 1998 Stock Option Plan within a 20-day period following the date of such notice and to determine that upon the expiry of such 20-day period, all options terminate and cease to have effect.

As at March 31, 2007, since the establishment of the 1998 Stock Option Plan, a total of 2,171,500 common shares have been issued upon the exercise of options. In addition, a total of 297,000 options available under the 1998 plan have been cancelled, such that 531,500 common shares were available for issue under the 1998 Stock Option Plan, representing 1.8% of the issued and outstanding Class B Subordinate Voting Shares of the Company. As at March 31, 2007, all of the 531,500 options available have been issued, leaving no remaining Class B Subordinate Voting Shares available for future grants of stock options.

No options were granted to the Named Executive Officers during the fiscal year ended December 30, 2006.

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 2006 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	Aggregate 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	—	—	137,500 / 37,500	—	—
Jeff Segel	—	—	137,500 / 37,500	—	—
Alan Schwartz	—	—	137,500 / 37,500	—	—
Jeffrey Schwartz	—	—	137,500 / 37,500	—	—
Camillo Lisio	—	—	50,000 / 50,000	—	—

(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, 2006 (\$31.54) less the respective exercise prices of the options. The exercisable options held by the Named Executive Officers as at December 30, 2006 had no value.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets out certain details as at December 30, 2006, the end of the Company’s last fiscal year, with respect to compensation plans pursuant to which equity securities of the Company are authorized for issuance.

Plan Category	Number of shares to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (US\$) (b)	Number of shares remaining available for future issuance under the Equity Compensation Plans (excluding securities reflected in column (a)) (c)
Equity compensation plans previously approved by shareholders	1,364,000	\$30.73	2,683,000
Equity compensation plans not previously approved by shareholders	Nil	Nil	Nil

The options referred to in the table above were granted under the 1998 Plan and the 2004 Plan. See “Executive Compensation - Option Grants During the Most Recently Completed Fiscal Year” for a description of the material features of the 1998 Plan and 2004 Plan.

INDEBTEDNESS OF DIRECTORS AND OFFICERS

The *Sarbanes-Oxley Act of 2002* prohibits public companies, such as the Company, whose securities are listed on a U.S. securities exchange or NASDAQ, from making loans or otherwise extending loans or arranging credit to directors and executive officers except in very limited circumstances. Loans or other arrangements that existed on July 30, 2002 may be maintained, but they may not be extended or materially modified. As of December 30, 2006, the Company had no loans outstanding to any of its directors or executive officers.

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 2006, the cost of this coverage was approximately US\$295,000 and was paid by the Company.

CORPORATE GOVERNANCE

The Board of Directors of the Company is committed to maintaining high standards of corporate governance. The Board of Directors has instituted and maintains the following policies:

- holding regular meetings of the independent directors without the presence of management or non-independent directors;
- ensuring that the Company’s Lead Director is independent of management;
- all members of the two committees of the Board of Directors are independent;
- a formal disclosure policy exists for all insiders with access to confidential information with respect to the Company, ensuring timely and accurate disclosure;
- a policy of financial reporting adhered to by applicable personnel;
- policies of “whistle-blowing” and “incident reporting” are to be followed throughout the Company;
- a policy on consulting services administered by the Audit Committee, including the exclusion of specific non-audit services that cannot be provided by the Company’s external auditors;
- compliance with trading restrictions and blackout periods with respect to trading in the Company’s shares is required for all employees and directors;
- a formal code of business conduct that establishes a high standard for ethical behaviour among management, employees and directors is to be signed each year;
- ensuring that the Company’s stock option plan restricts the number of options outstanding at any one time to less than 10% of the number of 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.

Corporate Governance Guidelines

National Policy 58-201 *Corporate Governance Guidelines* and National Instrument 58-101 *Disclosure of Corporate Governance Practices*, which came into force on June 30, 2005, set out a series of guidelines for effective corporate governance. The guidelines address matters such as the composition and independence of corporate boards, the functions to be performed by boards and their committees, and the effectiveness and education of board members. Each reporting issuer, such as the Company, must disclose on an annual basis and in prescribed form, the corporate governance practices that it has adopted.

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 "D" 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 "E" to this Management Proxy Circular.

ADDITIONAL INFORMATION

Additional information relating to the Company is available on SEDAR at www.sedar.com. Financial information regarding the Company is provided in the Company's comparative consolidated financial statements and Management's Discussion and Analysis for the fiscal year ended December 30, 2006. Copies of the annual comparative consolidated financial statements and Management's Discussion and Analysis 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.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

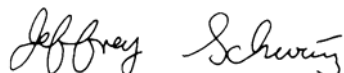
No "informed person" of the Company, that is: (a) the directors and executive officers of the Company; (b) any person who beneficially owns, directly or indirectly, or exercises control or direction over more than 10% of the Company's outstanding voting shares; (c) any director or executive officer of a person referred to in (b) above; or (d) any associate or affiliate of any "informed person" of the Company, has any material interest, direct or indirect, in any transaction since December 31, 2005 or in any proposed transaction which has materially affected or would materially affect the Company.

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 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.



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

DATED at Montreal, Quebec
April 20, 2007

SCHEDULE "A"

**PROPOSED RESOLUTION TO APPROVE THE AMENDMENT OF
THE 2004 STOCK OPTION PLAN AND 1998 STOCK OPTION PLAN**

DOREL INDUSTRIES INC.
(the "Company")

RESOLUTION OF THE SHAREHOLDERS OF THE COMPANY
May 17, 2007

WHEREAS the Board of Directors of the Company has recommended that the shareholders approve certain changes to the 2004 Stock Option Plan (the "2004 Stock Option Plan") and the 1998 Stock Option Plan (the "1998 Stock Option Plan") of the Company in order, among other thing, to extend the exercise period for insiders who are prevented from exercising options because of blackout periods and adopt a new amending formula for the 2004 Stock Option Plan and the 1998 Stock Option Plan;

WHEREOF, on motion duly made and seconded, it is resolved:

1. THAT the amendments to the 2004 Stock Option Plan and the 1998 Stock Option Plan to:
 - a. extend the exercise period for insiders whose exercise period would otherwise expire during a blackout period to a further 10 business days after the blackout period ends; and
 - b. provide specific provisions governing amendments to the 2004 Stock Option Plan and the 1998 Stock Option Plan specifying when shareholder approval of amendments is required,be and are hereby approved; and
2. THAT any director or officer to the Company be and each of them is hereby authorized, for and on behalf of the Company, to do such things and to sign, execute and deliver all such documents that such director or officer may, in their discretion, determined to be necessary or useful in order to give full effect to the intent and purpose of this resolution.

SCHEDULE “B”

TEXT OF THE AMENDED PROVISIONS OF THE 2004 STOCK OPTION PLAN

SECTION 6 - CONDITIONS GOVERNING OPTIONS

6.1 Each option shall be subject to the following conditions:

[...]

6.1.2 Option Term

The maximum period during which an option is exercisable shall not, subject to the provisions of the Plan, exceed ten (10) years from the date the option is granted, after which the option shall lapse. However, if an option is to expire during a period when the optionee is prohibited by the Company from trading in the Shares pursuant to its policies (a “Blackout Period”), or within ten (10) business days of expiry of such Blackout Period, the term of such option shall automatically be extended for a period of ten (10) business days immediately following the end of the Blackout Period (“Blackout Extension Period”).

[...]

SECTION 8 - AMENDMENT OR DISCONTINUANCE OF THE PLAN

8.1 Subject to the exceptions set out below, the Board of Directors may amend, suspend or terminate this Plan, or any portion thereof, at any time, and may do so without shareholder approval, subject to those provisions of applicable law, if any, that require the approval of shareholders or any governmental or regulatory body. Without limiting the generality of the foregoing, the Board of Directors may make the following types of amendments to the Plan without seeking shareholder approval:

- (a) amendments of a “housekeeping” or ministerial nature including, without limiting the generality of the foregoing, any amendment for the purpose of curing any ambiguity, error or omission in the Plan or to correct or supplement any provision of the Plan that is inconsistent with any other provision of the Plan;
- (b) amendments necessary to comply with the provisions of applicable law (including, without limitation, the rules, regulations and policies of the Toronto Stock Exchange);
- (c) amendments necessary in order for options to qualify for favourable treatment under applicable taxation laws;
- (d) amendments respecting administration of the Plan;
- (e) any amendment to the vesting provisions of the Plan or any option;
- (f) any amendment which reduces the exercise price or purchase price of an option held by an optionee who is not an Insider of the Company;
- (g) any amendment to the early termination provisions of the Plan or any option, whether or not such option is held by an Insider, provided such amendment does not entail an extension beyond the original expiry date;
- (h) any amendment to the termination provisions of the Plan or any option, other than an option held by an Insider in the case of an amendment extending the term of an option, provided any such

amendment does not entail an extension of the expiry date of such option beyond its original expiry date;

- (i) the addition of any form of financial assistance by the Company for the acquisition by all or certain categories of eligible participants of Shares under the Plan, and the subsequent amendment of any such provisions;
- (j) the addition or modification of a cashless exercise feature, payable in cash or Shares;
- (k) amendments necessary to suspend or terminate the Plan; and
- (l) any other amendment, whether fundamental or otherwise, not requiring shareholder approval under applicable law.

8.2 Shareholder approval will be required for the following types of amendments:

- (a) amendments to the number of Shares issuable under the Plan, including an increase to a fixed maximum number of Shares or a change from a fixed maximum number of Shares to a fixed maximum percentage;
- (b) any amendment to the Plan that increases the length of the Blackout Extension Periods;
- (c) any amendment which reduces the exercise price or purchase price of an option held by an Insider;
- (d) any amendment extending the term of an option held by an Insider beyond its original expiry date except as otherwise permitted by the Plan; and
- (e) amendments required to be approved by shareholders under applicable law (including, without limitation, the rules, regulations and policies of the Toronto Stock Exchange).

8.3 In the event of any conflict between subsections 8.1(a) to 8.1(l) and subsections 8.2(a) to 8.2(e) above, the latter shall prevail.

8.4 Notwithstanding anything contained to the contrary in this Plan or in any resolution of the Board of Directors in implementation thereof:

- (a) in the event the Company proposes to amalgamate, merge or consolidate with or into any other company (other than with a wholly-owned subsidiary of the Company) or to liquidate, dissolve or wind-up, or in the event an offer to purchase the Class B Shares of the Company or any part thereof shall be made to all holders of Class B Shares of the Company, the Company shall have the right, upon written notice thereof to each optionee holding options under this Plan, to permit the exercise of all such options within the twenty (20) day period next following the date of such notice and to determine that upon the expiration of such twenty (20) day period, all rights of optionees to such options or to exercise same (to the extent not theretofore exercised) shall terminate and cease to have further force or effect whatsoever;
- (b) the Board of Directors may, by resolution, advance the date on which any option may be exercised in a manner to be set forth in such resolution. The Board of Directors shall not, in the event of any such advancement, be under any obligation to advance the date on or by which any option may be exercised by any other optionee; and
- (c) the Board of Directors may, by resolution, but subject to applicable regulatory requirements, decide that any of the provisions hereof concerning the effect of termination for cause of the optionee's employment shall not apply for any reason acceptable to the Board of Directors.

SCHEDULE “C”

TEXT OF THE AMENDED PROVISIONS OF THE 1998 STOCK OPTION PLAN

SECTION 6 - CONDITIONS GOVERNING OPTIONS

6.1 Each option shall be subject to the following conditions:

[...]

6.1.2 Option Term

The maximum period during which an option is exercisable shall not, subject to the provisions of the Plan, exceed ten (10) years from the date the option is granted, after which the option shall lapse. However, if an option is to expire during a period when the optionee is prohibited by the Company from trading in the Shares pursuant to its policies (a “Blackout Period”), or within ten (10) business days of expiry of such Blackout Period, the term of such option shall automatically be extended for a period of ten (10) business days immediately following the end of the Blackout Period (“Blackout Extension Period”).

[...]

SECTION 8 - AMENDMENT OR DISCONTINUANCE OF THE PLAN

8.1 Subject to the exceptions set out below, the Board of Directors may amend, suspend or terminate this Plan, or any portion thereof, at any time, and may do so without shareholder approval, subject to those provisions of applicable law, if any, that require the approval of shareholders or any governmental or regulatory body. Without limiting the generality of the foregoing, the Board of Directors may make the following types of amendments to the Plan without seeking shareholder approval:

- 8.1.1 amendments of a “housekeeping” or ministerial nature including, without limiting the generality of the foregoing, any amendment for the purpose of curing any ambiguity, error or omission in the Plan or to correct or supplement any provision of the Plan that is inconsistent with any other provision of the Plan;
- 8.1.2 amendments necessary to comply with the provisions of applicable law (including, without limitation, the rules, regulations and policies of the Toronto Stock Exchange);
- 8.1.3 amendments necessary in order for options to qualify for favourable treatment under applicable taxation laws;
- 8.1.4 amendments respecting administration of the Plan;
- 8.1.5 any amendment to the vesting provisions of the Plan or any option;
- 8.1.6 any amendment which reduces the exercise price or purchase price of an option held by an optionee who is not an Insider of the Company;
- 8.1.7 any amendment to the early termination provisions of the Plan or any option, whether or not such option is held by an Insider, provided such amendment does not entail an extension beyond the original expiry date;
- 8.1.8 any amendment to the termination provisions of the Plan or any option, other than an option held by an Insider in the case of an amendment extending the term of an option, provided any such

amendment does not entail an extension of the expiry date of such option beyond its original expiry date;

- 8.1.9 the addition of any form of financial assistance by the Company for the acquisition by all or certain categories of eligible participants of Shares under the Plan, and the subsequent amendment of any such provisions;
 - 8.1.10 the addition or modification of a cashless exercise feature, payable in cash or Shares;
 - 8.1.11 amendments necessary to suspend or terminate the Plan; and
 - 8.1.12 any other amendment, whether fundamental or otherwise, not requiring shareholder approval under applicable law.
- 8.2 Shareholder approval will be required for the following types of amendments:
- 8.2.1 amendments to the number of Shares issuable under the Plan, including an increase to a fixed maximum number of Shares or a change from a fixed maximum number of Shares to a fixed maximum percentage;
 - 8.2.2 any amendment to the Plan that increases the length of the Blackout Extension Periods;
 - 8.2.3 any amendment which reduces the exercise price or purchase price of an option held by an Insider;
 - 8.2.4 any amendment extending the term of an option held by an Insider beyond its original expiry date except as otherwise permitted by the Plan; and
 - 8.2.5 amendments required to be approved by shareholders under applicable law (including, without limitation, the rules, regulations and policies of the Toronto Stock Exchange).
- 8.3 In the event of any conflict between subsections 8.1.1 to 8.1.12 and subsections 8.2.1 to 8.2.5 above, the latter shall prevail.
- 8.4 Notwithstanding anything contained to the contrary in this Plan or in any resolution of the Board of Directors in implementation thereof:
- 8.4.1 in the event the Company proposes to amalgamate, merge or consolidate with or into any other company (other than with a wholly-owned subsidiary of the Company) or to liquidate, dissolve or wind-up, or in the event an offer to purchase the Shares of the Company or any part thereof shall be made to all holders of Shares of the Company, the Company shall have the right, upon written notice thereof to each optionee holding options under this Plan, to permit the exercise of all such options within the 20 day period next following the date of such notice and to determine that upon the expiration of such 20 day period, all rights of optionees to such options or to exercise same (to the extent not theretofore exercised) shall terminate and cease to have further force or effect whatsoever;
 - 8.4.2 the Board of Directors may, by resolution, advance the date on which any option may be exercised in a manner to be set forth in such resolution. The Board of Directors shall not, in the event of any such advancement, be under any obligation to advance the date on or by which any option may be exercised by any other optionee; and
 - 8.4.3 the Board of Directors may, by resolution, but subject to applicable regulatory requirements, decide that any of the provisions hereof concerning the effect of termination for cause of the optionee's employment shall not apply for any reason acceptable to the Board of Directors.

SCHEDULE “D”

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

1. Board of Directors

(a) *Disclose the identity of directors who are independent.*

The Board of Directors considers that Maurice Tousson, Harold “Sonny” Gordon, Q.C., Dian Cohen, Alain Benedetti and Robert P. Baird, Jr. are independent within the meaning of Multilateral Instrument 52-110 *Audit Committees*.

(b) *Disclose the identity of directors who are not independent, and describe the basis for that determination.*

The Board of Directors considers that Martin Schwartz, Jeff Segel, Alan Schwartz and Jeffrey Schwartz are not independent within the meaning of Multilateral Instrument 52-110 *Audit Committees* in that each is an executive officer of the Company.

(c) *Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the Board of Directors does to facilitate its exercise of independent judgment in carrying out its responsibilities.*

The Board of Directors considers that five of the nine directors are independent within the meaning of Multilateral Instrument 52-110 *Audit Committees*. Accordingly, a majority of the Board of Directors is independent.

(d) *If a director is presently a director, trustee or governor of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.*

The following directors are currently director(s), trustee(s) or governor(s) of other issuers that are reporting issuers (or the equivalent) in a jurisdiction of Canada or a foreign jurisdiction:

Name of Director	Issuer
Jeffrey Schwartz	Tucows Inc.
Maurice Tousson	Le Château Inc.
Harold “Sonny” Gordon, Q.C.	Alliance Atlantis Communications Inc. Dundee Corporation Madacy Holding Inc. Pethealth Inc. Transcontinental Inc.
Dian Cohen	Norbord Inc. Great Lakes Hydro Power Income Trust
Alain Benedetti	Russel Metals Inc. Birks & Mayors Inc. Dynamic Mutual Funds

- (e) *Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer’s most recently completed financial year. If the independent directors do not hold such meetings, describe what the board does to facilitate open and candid discussion among its independent directors.*

At each meeting of the Board of Directors, the independent directors hold a meeting at which the non-independent directors and members of management are not in attendance. Since December 31, 2005, the independent directors held four such meetings. Maurice Tousson, the “Lead Director”, chairs meetings of the independent directors.

- (f) *Disclose whether or not the chair of the board is an independent director. If the board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the board has neither a chair that is independent nor a lead director that is independent, describe what the board does to provide leadership for its independent directors.*

Martin Schwartz, the President and Chief Executive Officer of the Company, chairs meetings of the Board of Directors. Mr. Schwartz is not an independent director.

The Board of Directors has appointed Maurice Tousson, an independent director, as “Lead Director”. As Lead Director, Mr. Tousson provides leadership in ensuring board effectiveness and is responsible for facilitating and encouraging open and effective communication between the management of the Company and the Board, consulting with the President and Chief Executive Officer 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 and Chief Executive Officer 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 Harold “Sonny” Gordon, Q.C., and an independent director) the responsibility of ensuring that the Board of Directors functions independently of management.

- (g) *Disclose the attendance record of each director for all board meetings held since the beginning of the issuer’s most recently completed financial year.*

Since December 31, 2005, the Board of Directors has held six meetings. Attendance of directors at the meetings is indicated in the table below.

Martin Schwartz	6/6	Maurice Tousson	6/6
Jeff Segel	5/6	Harold “Sonny” Gordon, Q.C.	6/6
Alan Schwartz	6/6	Dian Cohen	5/6
Jeffrey Schwartz	6/6	Alain Benedetti	6/6
Robert P. Baird, Jr.	5/6		

2. Board Mandate

Disclose the text of the board’s written mandate. If the board does not have a written mandate, describe how the board delineates its role and responsibilities.

The Board does not currently have a written mandate.

The primary role and responsibility of the Board of Directors is to supervise the management of the business and affairs of the Company and to act in the best interests of the Company. In fulfilling its mandate, the Board's responsibilities include the following:

- (i) approving quarterly financial statements, the declaration of dividends, material press releases, annual reports, annual financial statements, annual information forms and management proxy circulars;
- (ii) appointing senior officers;
- (iii) appointing members to the Audit Committee, Human Resources and Corporate Governance Committee and, if applicable, other committees of the Board and determining their respective mandates;
- (iv) discussing and analyzing opportunities as they present themselves to the Company;
- (v) reviewing and authorizing material transactions; and
- (vi) approving material transactions outside the normal course of business.

In addition to those matters which must by law or by the articles of the Company be approved by the Board, management is required and expected to seek Board approval for major decisions concerning, among other things, the Company's corporate status, capital debt financing, the issuance or repurchase of the Company's securities, dividends and other distributions, investments, material acquisitions and divestitures and those transactions which would materially affect the financial position of the Company. Nevertheless, the Company continues to operate in a manner which enables it to respond quickly to changes and opportunities while maintaining administrative costs as low as possible.

3. Position Description

- (a) *Disclose whether or not the board has developed written position descriptions for the chair and the chair of each board committee. If the board has not developed written position descriptions for the chair and/or the chair of each board committee, briefly describe how the board delineates the role and responsibilities of each such position.*

The Company does not have a chairman of the Board. Rather, it has appointed a "Lead Director" as described above. The Board has not developed written position descriptions for the Lead Director or for the chair of the other Board committees.

The primary role and responsibility of the Lead Director is to provide leadership in ensuring board effectiveness and is responsible for facilitating and encouraging open and effective communication between the management of the Company and the Board, consulting with the President and Chief Executive Officer 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 and Chief Executive Officer is absent.

The primary role and responsibility of the chair of each committee of the Board of Directors is to: (i) in general, ensure that the committee fulfills its mandate, as determined by the Board of Directors; (ii) chair meetings of the committee; (iii) report thereon to the Board of Directors; and (iv) act as liaison between the committee and the Board of Directors and, if necessary, management of the Company.

- (b) *Disclose whether or not the board and CEO have developed a written position description for the CEO. If the board and CEO have not developed such a position description, briefly describe how the board delineates the role and responsibilities of the CEO.*

The Board and the CEO have not developed a written position description for the CEO. The primary role and responsibility of the CEO is to direct, supervise, coordinate and assume overall management responsibility for all areas of the Company's business. In particular, the CEO is responsible for: (i) developing the strategic direction for the business and evaluating alternative market strategies; (ii) identifying competitive issues; (iii) capitalizing on the core strengths of the Company; (iv) developing and implementing operating plans to achieve the Company's objectives; (v) motivating, measuring, coaching and mentoring the management staff and employee base to ensure optimum operating performance; (vi) working closely with the Board of Directors to keep it informed, thus enabling it to render effective counsel to the Company; and (vii) representing the Company, as appropriate, in its relationships with major

customers, suppliers, the banking and financial community, and the public to promote a positive image in the industry and to promote business growth and success.

4. Orientation and Continuing Education

(a) *Briefly describe what measures the board takes to orient new directors regarding*

(i) *the role of the board, its committees and its directors, and*

(ii) *the nature and operation of the issuer's business.*

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.

(b) *Briefly describe what measures, if any, the board takes to provide continuing education for its directors. If the board does not provide continuing education, describe how the board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.*

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. The directors are experienced members, including several who are directors of other reporting issuers. The Board of Directors relies on professional assistance when judged necessary in order to be educated / updated on a particular topic.

5. Ethical Business Conduct

(a) *Disclose whether or not the board has adopted a written code for the directors, officers and employees. If the board has adopted a written code:*

(i) *disclose how a person or company may obtain a copy of the code*

The Company has adopted a Code of Ethics, referred to as the *Code of Business Conduct* (the "Code") which can be found on SEDAR at www.sedar.com and on the Company's website. A copy of the Code can also be obtained by contacting the Secretary of the Company.

(ii) *describe how the board monitors compliance with its code, or if the board does not monitor compliance, explain whether and how the board satisfies itself regarding compliance with its code;*

The Board, through its Audit Committee, has the responsibility to periodically review the Code, and monitors adherence thereto by management. In early 2007, the Company renewed its Code, which was reviewed and approved by the Board prior to distribution to employees, officers and directors. Additionally, the Board has approved the following policies, all of which provide direct contact with specific members of the Board:

Policy on Incident Reporting

Policy on Whistle Blowing

Policy on Financial Reporting

(iii) *provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.*

There are no such reports.

- (b) *Describe any steps the board takes to ensure directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest.*

The Board ensures independent judgment through the enforcement of the Company's Code of Business Conduct, which contains the following excerpt detailing the Company's policy on conflicts of interest:

"It is essential to remain free of, or disclose, commitments and relationships that involve, or could involve, a conflict of interest with the Company.

A conflict of interest can exist when one has a direct or indirect personal interest in a decision being made where that decision should be made objectively, free from bias and in the best interests of the Company. It is important that even the appearance of a conflict of interest be avoided.

Any employee who believes that he or she may be affected by a conflict of interest must immediately disclose all relevant details to his or her supervisor. Anything that could present a conflict of interest to an employee could also present a conflict of interest if it is passed on to a family member or a third party who is receiving benefits for the employee. Common sense and good judgment must be exercised to avoid any perception of impropriety or conflict of interest."

The Company's Code of Business Conduct is signed by all employees, officers and directors.

If such a transaction or agreement arises, any member of the Board of Directors who has a material interest therein does not participate during that part of the meeting of the Board of Directors at which the transaction or agreement is considered

Additionally, on a quarterly basis, each director confirms in writing whether or not there exists a related party transaction or relationship between the director and another party. Should such a transaction or relationship exist, it is then reviewed by the Board to determine to ensure it does not have any ramifications that could be considered improper.

- (c) *Describe any other steps the board takes to encourage and promote a culture of ethical business conduct.*

As detailed above, the Board, along with management, encourage compliance with ethical business conduct by actively creating and instituting the following policies:

Code of Business Conduct

Policy on Incident Reporting

Policy on Whistle Blowing

Policy on Financial Reporting

The Board will continue to monitor these policies and revise them as necessary should the environment require such a change. Additionally, the Company's Code of Business Conduct stipulates the expectation that all consultants and suppliers to the Company comply with the Code. Also, the Company has issued a *Policy on Supplier's Code of Conduct*, which specifies that the Company's suppliers must be held to a standard that ensures their employees are treated in a fair and ethical manner.

6. Nomination of Directors

- (a) *Describe the process by which the board identifies new candidates for board nomination.*

The Human Resources and Corporate Governance Committee periodically 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 Human Resources and Corporate Governance Committee makes recommendations to the Board of Directors, identifying suitable candidates to be recommended for election to the Board of Directors by the shareholders. The Human

Resources and Corporate Governance Committee annually assesses the performance of individual directors.

- (b) *Disclose whether or not the board has a nominating committee composed entirely of independent directors. If the board does not have a nominating committee composed entirely of independent directors, describe what steps the board takes to encourage an objective nomination process.*

The Human Resources and Corporate Governance Committee is composed entirely of independent directors. The members of the Human Resources and Corporate Governance Committee are Harold “Sonny” Gordon, Q.C., Maurice Tousson and Dian Cohen.

- (c) *If the board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.*

The Charter of the Human Resources and Corporate Governance Committee is annexed to this circular at Schedule “E”. The Human Resources and Corporate Governance Committee is responsible for making recommendations to the Board of Directors on all matters relating to the composition of the Board of Directors.

7. Compensation

- (a) *Describe the process by which the board determines the compensation for the issuer’s directors and officers.*

The Human Resources and Corporate Governance 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.

- (b) *Disclose whether or not the board has a compensation committee composed entirely of independent directors. If the board does not have a compensation committee composed entirely of independent directors, describe what steps the board takes to ensure an objective process for determining such compensation.*

The Human Resources and Corporate Governance Committee is composed entirely of independent directors within the meaning of Multilateral Instrument 52-110 *Audit Committees*. The members of the Human Resources and Corporate Governance Committee are Harold “Sonny” Gordon, Maurice Tousson and Dian Cohen.

- (c) *If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.*

The Charter of the Human Resources and Corporate Governance Committee is annexed to this circular at Schedule “E”. The Human Resources and Corporate Governance 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.

- (d) *If a compensation consultant or advisor has, at any time since the beginning of the issuer’s most recently completed financial year, been retained to assist in determining compensation for any of the issuer’s directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.*

During the year in fulfilling its role regarding the compensation of the Company’s executives, the Human Resources and Corporate Governance Committee examined the compensation formulae of several companies of similar size. However, since there are no public companies directly comparable to Dorel, the

committee retained Mercer Human Resource Consulting in Montreal to provide additional perspectives with respect to senior executive compensation matters.

8. Other Board Committees

If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.

Other than the Audit Committee and the Human Resources and Corporate Governance Committee, the Board has no other standing committees.

9. Assessments

Disclose whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the board satisfies itself that the board, its committees, and its individual directors are performing effectively.

The Board of Directors has created a process for assessing the effectiveness of the Board of Directors, its committees or individual directors, and the Company has implemented a formal policy.

SCHEDULE “E”

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 of Dorel Industries Inc. (the “Company”) 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 and exchange authorities.

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 and exchange regulations.
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 shall be designated as the “financial expert” as defined by applicable legislation and regulation. The Committee shall appoint a Secretary who need not be a Director of the Company.
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 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 total 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, internal audit and the external auditors.
5. The Committee has the authority to investigate any matter brought to its attention and to retain outside counsel, accountants, or others 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
7. The Committee may delegate authority to subcommittees, including the authority to pre-approve all auditing and permitted non-audit services, providing that such decisions are presented to the full Committee at its next scheduled meeting.
8. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared.

GENERAL RESPONSIBILITIES

1. Meet periodically with representatives of the external auditors, the Director, Internal Audit, and management in separate sessions to discuss any matters that the Committee or these groups believe should be discussed privately (in camera) with the Committee. Provide sufficient opportunity for the external auditors to meet with the internal auditors as appropriate without members of the management being present.
2. Submit the minutes of all Committee meetings to the Board of Directors and regularly report to the Board of Directors about Committee activities and issues that arise with respect to the quality of integrity of the Company’s financial statements, the Company’s compliance with legal or regulatory requirements, the performance and independence of the Company’s independent auditors and the performance of the internal audit function.
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' firm 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. Pre-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 audited financial statements and quarterly financial statements, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations", 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 release. These discussions should cover the quality of the financial reporting, and such others matters as the Committee deems appropriate.
2. Review with management and the external auditors the results of the audit, including any difficulties encountered. This review will include any restrictions on the scope of the independent auditor's activities or on access to requested information, and any significant disagreements with management.
3. Review disclosures made by the President and Chief Executive Officer and the Executive Vice-President, Chief Financial Officer and Secretary during the Form 40-F and Form 52-109F certification process about significant deficiencies in the design or operation of internal controls or any fraud that involves management or other employees who have a significant role in the Company's internal controls.
4. Review with the external auditors and management the audit plan, including scope and approach, of the external auditors for the current year and the following year.
5. Review the adequacy and effectiveness of the accounting, financial, and computerized information systems controls of the Company. Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's response.
6. 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.
7. 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 TSE rules.
3. Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.

4. Perform such other functions assigned by law, the Company's charter 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 prior meeting as well as an updated projection of the total costs for the fiscal year.
6. Review the process for communicating the Code of Conduct to Company personnel, and for monitoring compliance therewith.
7. Review with the Director, Internal Audit the charter, plans, activities, staffing and organization structure of the internal audit function. Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the Director, Internal Audit.
8. Discuss with management the Company's major policies with respect to risk assessment and risk management.

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. Annually reviewing 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 relationship exists, whether the Director is acting appropriately.

6. 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.

7. 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.

8. Considering and, if thought fit, approving requests from directors or committees of directors for the engagement of special advisors from time to time.

9. Monitoring and evaluating the performance of the Chief Executive Officer and other members of senior management.

10. 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.

11. 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.

12. The Human Resources and Corporate Governance Committee will provide an annual report on executive compensation to the shareholders of the Company in the Management Proxy Circular prepared for the annual general meeting of the shareholders.