



Indigo Books & Music Inc. Notice of Annual Meeting of Shareholders

NOTICE IS HEREBY GIVEN that the annual meeting of the shareholders of Indigo Books & Music Inc. (the "Corporation") will be held at the TSX Conference Centre, Exchange Tower, 130 King Street West, Street Level, Toronto, Ontario on the 28th day of August, 2002 at the hour of 8:00 a.m. for the following purposes:

1. to receive the financial statements of the Corporation for the fiscal year ended March 30, 2002 together with the report of the auditors thereon;
2. to elect directors for the ensuing year;
3. to appoint auditors for the ensuing year and to authorize the directors to fix the remuneration to be paid to the auditors; and
4. to transact such other business as may properly come before the meeting or any adjournment thereof.

DATED at Toronto, Ontario this 12th day of July, 2002.

By Order of the Board of Directors

(signed) Ian D.Young
Secretary

If you are not able to be present at the meeting, please exercise your right to vote by signing and returning the enclosed form of proxy to Indigo Books & Music Inc., c/o CIBC Mellon Trust Company, 200 Queens Quay East, Unit 6, Toronto, Ontario, Canada, M5A 4K9, Facsimile: (416) 368-2502, so as to arrive not later than the close of business on August 23, 2002 or, if the meeting is adjourned, 48 hours (excluding Saturdays and holidays) before any adjourned meeting.

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Indigo Books & Music Inc.

Management Information Circular

SOLICITATION OF PROXIES

The information contained in this management information circular is furnished in connection with the solicitation of proxies to be used at the annual meeting of shareholders of Indigo Books & Music Inc. (the "Corporation") to be held on the 28th day of August, 2002 at 8:00 a.m. at the TSX Conference Centre, Exchange Tower, 130 King Street West, Street Level, Toronto, Ontario, and at all adjournments of the meeting, for the purposes set forth in the accompanying notice of meeting. It is expected that the solicitation will be made primarily by mail but proxies may also be solicited personally by employees of the Corporation. **The solicitation of proxies by this circular is being made by or on behalf of the management of the Corporation** and the total cost of the solicitation will be borne by the Corporation. The information contained in this circular is given as at July 12, 2002 except where otherwise noted.

Copies of the Corporation's current Annual Information Form, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in the current AIF; the Corporation's most recently filed comparative annual financial statements, together with the accompanying report of the auditor, and any interim financial statements of the issuer that have been filed for any period after the end of the Corporation's most recently completed financial year; and this circular are available to anyone, upon request, from the Secretary of the Corporation, and without charge to security holders of the Corporation.

Appointment of Proxies

The persons named in the enclosed form of proxy are representatives of management of the Corporation and are officers of the Corporation. A shareholder who wishes to appoint some other person to represent such shareholder at the meeting may do so by inserting such person's name in the blank space provided in the form of proxy. Such other person need not be a shareholder of the Corporation.

To be valid, proxies must be deposited with Indigo Books & Music Inc., c/o CIBC Mellon Trust Company, 200 Queens Quay East, Unit 6, Toronto, Ontario, Canada, M5A 4K9, Facsimile: (416) 368-2502, not later than the close of business on August 23, 2002 or, if the meeting is adjourned, 48 hours, (excluding Saturdays and holidays) before any adjourned meeting.

Non-Registered Holders

Only registered holders of common shares of the Corporation, or the persons they appoint as their proxies, are permitted to attend and vote at the meeting. However, in many cases, common shares of the Corporation beneficially owned by a holder (a "Non-Registered Holder") are registered either:

- (a) in the name of an intermediary (an "Intermediary") that the Non-Registered Holder deals with in respect of the shares. Intermediaries include banks, trust companies, securities dealers or brokers, and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans; or
- (b) in the name of a clearing agency (such as The Canadian Depository for Securities Limited or CDS).

In accordance with the requirements of National Instrument 54-101 of the Canadian Securities Administrators, the Corporation has distributed copies of the notice of meeting, this management proxy circular, the form of proxy, and the annual report (collectively, the "meeting materials") to the clearing agencies and Intermediaries for onward distribution to Non-Registered Holders.

Intermediaries are required to forward meeting materials to Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them. Typically, Intermediaries will use a service company (such as ADP Independent Investor Communications Corporation (“IICC”)) to forward the meeting materials to Non-Registered Holders.

Generally, Non-Registered Holders who have not waived the right to receive meeting materials will:

- (a) have received as part of the meeting materials a voting instruction form which must be completed, signed and delivered by the Non-Registered Holder in accordance with the directions on the voting instruction form; voting instruction forms sent by IICC permit the completion of the voting instruction form by telephone or through the Internet at www.proxyvotecanada.com; or
- (b) less typically, be given a proxy which has already been signed by the Intermediary (typically by a facsimile, stamped signature) which is restricted as to the number of shares beneficially owned by the Non-Registered Holder but which is otherwise uncompleted. This form of proxy need not be signed by the Non-Registered Holder. In this case, the Non-Registered Holder who wishes to submit a proxy should otherwise properly complete the form of proxy and deposit it with Indigo Books & Music Inc. c/o CIBC Mellon Trust Company, 200 Queens Quay East, Unit 6, Toronto, Ontario, Canada, M5A 4K9, Facsimile: (416) 368-2502, as described above.

The purpose of these procedures is to permit Non-Registered Holders to direct the voting of the shares they beneficially own. Should a Non-Registered Holder wish to attend and 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 named in the proxy and insert the Non-Registered Holder’s (or such other person’s) name in the blank space provided or, in the case of a voting instruction form, follow the corresponding instructions on the form. *In either case, Non-Registered Holders should carefully follow the instructions of their Intermediaries and their service companies.*

Revocation

A registered shareholder who has given a proxy may revoke the proxy by:

- (a) completing and signing a proxy bearing a later date and depositing it with CIBC Mellon Trust Company as described above; or
- (b) depositing an instrument in writing executed by the shareholder or by the shareholder’s attorney authorized in writing: (i) at the registered office of the Corporation at any time up to and including the last business day preceding the day of the meeting, or any adjournment of the meeting, at which the proxy is to be used, or (ii) with the chairman of the meeting prior to the commencement of the meeting on the day of the meeting or any adjournment of the meeting; or
- (c) in any other manner permitted by law.

A Non-Registered Holder may revoke a voting instruction form or a waiver of the right to receive meeting materials and to vote given to an Intermediary at any time by written notice to the Intermediary, except that an Intermediary is not required to act on a revocation of a voting instruction form or of a waiver of the right to receive materials and to vote that is not received by the Intermediary at least seven days prior to the meeting.

VOTING OF PROXIES

The management representatives designated in the enclosed form of proxy will vote or withhold from voting the shares in respect of which they are appointed by proxy on any ballot that may be called for in accordance with the instructions of the shareholder as indicated on the proxy and, if the shareholder specifies a choice with respect to any matter to be acted upon, the shares will be voted accordingly. **In the absence of such direction, such shares will be voted**

by the management representatives for the election of directors and for the appointment of auditors as indicated under those headings in this circular.

The enclosed form of proxy confers discretionary authority upon the management representatives designated in the form of proxy with respect to amendments to or variations of matters identified in the notice of meeting and with respect to other matters which may properly come before the meeting. At the date of this circular, the management of the Corporation knows of no such amendments, variations or other matters.

VOTING SHARES

On July 12, 2002 the Corporation had outstanding 21,302,047 common shares. Each holder of common shares of record at the close of business on July 19, 2002, the record date established for notice of the meeting, will be entitled to one vote for each common share held on all matters proposed to come before the meeting, except to the extent that the holder has transferred any common shares after the record date and the transferee of such shares establishes ownership of them and makes a written demand, not later than the close of business on August 16, 2002, to be included in the list of shareholders entitled to vote at the meeting, in which case the transferee will be entitled to vote such shares.

PRINCIPAL HOLDERS OF VOTING SECURITIES

To the knowledge of the directors and officers of the Corporation, the only persons or corporations who beneficially own, directly or indirectly, or exercise control or direction over, securities of the Corporation carrying more than 10% of the voting rights attached to any class of outstanding voting securities are indicated below:

Name	Number and Class of Securities	Percentage of Class
Trilogy Retail Enterprises L.P. ⁽¹⁾	8,787,932 common shares	41.2%
Trilogy Investments L.P. ⁽¹⁾	5,302,271 common shares	24.9%

⁽¹⁾ Trilogy Retail Enterprises L.P. and Trilogy Investments L.P. are controlled by Mr. Schwartz. Mr. Schwartz and Ms. Reisman, assuming the exercise of all options and warrants and the conversion of all notes owned or controlled by them, own or control 16,427,509 common shares or 69.8% of the class, on a fully diluted basis.

ELECTION OF DIRECTORS

The number of directors to be elected at the meeting is nine. The management representatives designated in the enclosed form of proxy intend to vote for the election as directors of the proposed nominees whose names are set out below. All such nominees are now directors and have been directors since the dates indicated below. Management does not contemplate that any of the proposed nominees will be unable to serve as a director but, if that should occur for any reason prior to the meeting, the management representatives designated in the enclosed form of proxy reserve the right to vote for another nominee at their discretion. Each director elected will hold office until the next annual meeting or until his or her successor is elected or appointed.

MANAGEMENT INFORMATION CIRCULAR

The Corporation has an Audit Committee, a Human Resources and Compensation Committee and a Corporate Governance Committee. The members of such committees are indicated below.

Name and Place of Residence	Major Positions with the Corporation and Significant Affiliates	Principal Occupation	Director Since	Ownership or Control Over Voting Securities
HEATHER REISMAN Toronto, Ontario	Chair & Chief Executive Officer	Chair & Chief Executive Officer of the Corporation	2001	83,881 common shares
BRUCE BIRMINGHAM ^{(1), (2), (3)} Toronto, Ontario	Director	Director, Bank of Nova Scotia	2002	nil
JONATHAN DEITCHER Montreal, Quebec	Director	Vice-President and Director, Royal Investment Services (investment management company)	2001	nil
JAMES HALL ^{(1), (2), (4)} Toronto, Ontario	Director	Senior Vice-President, Working Ventures Canadian Fund Inc. (investment management company)	2001	171,076 common shares
SEN. MICHAEL KIRBY ^{(1), (2), (4)} Nepean, Ontario	Director	Senator, Senate of Canada	2001	nil
ROBERT LANTOS Toronto, Ontario	Director	Chairman and Chief Executive Officer, Serendipity Point Films Inc. (film production company)	2001	nil
R. JOHN (JACK) LAWRENCE Toronto, Ontario	Director	Chairman, Lawrence & Company Inc. (investment management company)	2001	179,592 common shares
GERALD SCHWARTZ Toronto, Ontario	Director	Chairman, Chief Executive Officer & President, Onex Corporation (diversified industrial company)	2001	14,765,866 common shares ⁽⁵⁾
NIGEL WRIGHT ⁽⁴⁾ Toronto, Ontario	Director	Vice-President, Onex Corporation (diversified industrial company)	2001	3,335 common shares

(1) Member of Human Resources and Compensation Committee.

(2) Member of the Corporate Governance Committee.

(3) Mr. Birmingham was appointed to the Board of Directors on May 21, 2002 following the resignation of Lawrence Tanenbaum as a member of the Board of Directors also effective May 21, 2002.

(4) Member of Audit Committee.

(5) Mr. Schwartz is the principal of Trilogy Retail Enterprises Inc., the general partner of Trilogy Retail Enterprises L.P. ("Trilogy"). Trilogy owns directly or indirectly 14,090,203 common shares, representing approximately 66.1% of the outstanding common shares.

COMPENSATION OF EXECUTIVE OFFICERS

Compensation of the Corporation’s executive officers and senior management (“executives”) consists of three elements: 1) base salaries; 2) an annual bonus incentive; and 3) a long-term incentive in the form of stock options granted in accordance with the Indigo Stock Option Plan. Reference is made to “REPORT ON EXECUTIVE COMPENSATION” on page 8 of this circular.

The tables and related narrative below present information about compensation of the Corporation’s “Named Executive Officers” (determined in accordance with applicable rules).

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation			All Other Compensation (\$)
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Awards		Payouts	
					Securities Under Options/SARs Granted (#)	Restricted Shares or Restricted Share Units (\$)	LTIP Payouts (\$)	
Heather Reisman Chief Executive Officer	2002	\$300,000	nil	\$ 7,800	nil	nil	nil	nil
	2001	\$ 47,885 ⁽¹⁾	nil	\$ 1,300	nil	nil	nil	nil
Michael Gagnier President, Retail and Online	2002	\$256,971	nil	\$ 7,457	nil	nil	nil	nil
	2001	\$195,125	nil	\$ 5,894	nil	nil	nil	nil
	2000	\$165,000	nil	\$ 5,894	nil	nil	nil	nil
Ian Young Chief Financial Officer	2002	\$225,000	\$ 70,000 ⁽²⁾	\$ 7,484	nil	nil	nil	nil
	2001	\$ 69,951 ⁽¹⁾	\$ 30,000 ⁽²⁾	\$ 1,559	50,000	nil	nil	nil
Kathryn Weston Executive Vice President, Procurement	2002	\$194,326	\$ 14,800	\$ 3,900	nil	nil	nil	nil
	2001	\$163,269	nil	nil	nil	nil	nil	nil
	2000	\$142,500	nil	nil	nil	nil	nil	nil
Doug Caldwell Chief Technology Officer	2002	\$180,834	\$ 14,400	\$ 6,960	nil	nil	nil	nil
	2001	\$ 97,647 ⁽¹⁾	nil	\$ 4,060	18,207	nil	nil	nil
Peter Cooper Executive Vice President	2002	\$204,414 ⁽¹⁾	nil	\$ 4,550	nil	nil	nil	\$125,000 ⁽³⁾
	2001	\$ 20,833 ⁽¹⁾	nil	\$ 650	nil	nil	nil	\$ 25,000 ⁽⁴⁾

(1) Represents less than a full year’s amount.

(2) Paid pursuant to Mr. Young’s employment agreement dated December 8, 2000.

(3) Following his resignation in October 2001, Mr. Cooper provided consulting services totalling \$125,000 in fiscal 2002.

(4) Prior to joining the Corporation in March 2001, Mr. Cooper provided consulting services totalling \$25,000 in fiscal 2001.

Particulars of options exercised by each of the “Named Executive Officers” during the fiscal year ended March 30, 2002, and the fiscal year-end value of unexercised options are below:

Aggregated Option/SAR Exercises During the Most Recently Completed Financial Year and Financial Year-End Option/SAR Values

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options/SARs at FY-End (#) Exercisable/ Unexercisable	Value of Unexercised in-the-Money Options/SARs at FY-End (\$) Exercisable/ Unexercisable
Heather Reisman	nil	n/a	n/a	n/a
Michael Gagnier	nil	n/a	5,075/1,470	n/a
Ian Young	nil	n/a	3,857/11,573	n/a
Kathryn Weston	nil	n/a	5,560/1,712	n/a
Doug Caldwell	nil	n/a	4,552/13,655	n/a
Peter Cooper	nil	n/a	n/a	n/a

Employment Agreements

Indigo has employment agreements with two of its executive officers, Messrs. Young and Caldwell. Mr. Young’s employment agreement, dated December 8, 2000, entitles him to a lump sum payment equal to one and one half year’s remuneration (base salary, bonus and all benefit coverages and allowance in effect at that time) in the event that he is terminated for any reason or if there is a change of control of Indigo. Mr. Young is not required to mitigate his damages by seeking other employment. Mr. Caldwell’s employment agreement, dated March 15, 2001, entitles him to salary continuance equal to one year of his base salary in the event that he is terminated for any reason other than cause.

COMPOSITION OF THE HUMAN RESOURCES AND COMPENSATION COMMITTEE

Prior to June 12, 2001 the duties of the Human Resources and Compensation Committee were undertaken by the entire board of directors. On June 12, 2001, a compensation and corporate governance committee was constituted and Senator Kirby and Messrs. Lawrence and Wright were appointed to serve on it. On May 21, 2002, Messrs. Wright and Lawrence resigned from the committee and were replaced with Messrs. Birmingham and Hall. On July 3, 2002 the responsibilities of the committee were divided between two newly constituted committees, the Human Resources and Compensation Committee (the “Compensation Committee”) and the Corporate Governance Committee. Senator Kirby and Messrs. Birmingham and Hall are the three members of both of these committees.

None of the members of the Compensation Committee is an officer, employee or former officer or employee of the Corporation or any of its affiliates or is eligible to participate in the Corporation’s executive compensation program.

REPORT ON EXECUTIVE COMPENSATION

Compensation Policy

When determining the compensation of its executive officers, the Compensation Committee of the Board of Directors considered the objectives of (i) recruiting and retaining the executives critical to the success for Indigo and the enhancement of shareholder value; (ii) providing fair competitive compensation; (iii) balancing the interests of management and shareholders of Indigo; (iv) rewarding performance, both on an individual basis and with respect to the business in general; and (v) ensuring recognition of the fact that Indigo carries on business at an expansionary phase of its evolution. In order to achieve these objectives, the compensation paid to executive officers consists of three components: (a) base salary; (b) an annual bonus incentive; and (c) a long-term incentive in the form of stock options granted in accordance with the Indigo Stock Option Plan.

Base Salary

The base salary of each particular executive officer is determined by an assessment by the Compensation Committee of such executive's performance, a consideration of competitive compensation levels in companies similar to Indigo and a review of the performance of Indigo as a whole and the role such executive officer played in such corporate performance.

Annual Bonus Incentive

Annual cash bonus incentive awards are based upon the sales and profitability of Indigo, as well as certain of the criteria used to calculate base salary. This establishes a direct link between executive compensation and the role such officer played in Indigo's performance.

Long-Term Incentive

Indigo provides a long-term incentive by granting options to executives through the Indigo Stock Option Plan. The options granted permit executives to acquire Indigo common shares at an exercise price equal to the closing market price of such shares under option on the date immediately preceding the date on which the option was granted. The objective of granting options is to encourage executives to acquire an ownership interest in Indigo over a period of time, which acts as a financial incentive for such executive to consider the long-term interests of Indigo and its shareholders.

Compensation of Chief Executive Officer

The compensation of Indigo's Chief Executive Officer is based upon the same criteria as that used in determining the compensation payable to Indigo's other executive officers.

Submitted by the Human Resources and Compensation Committee:

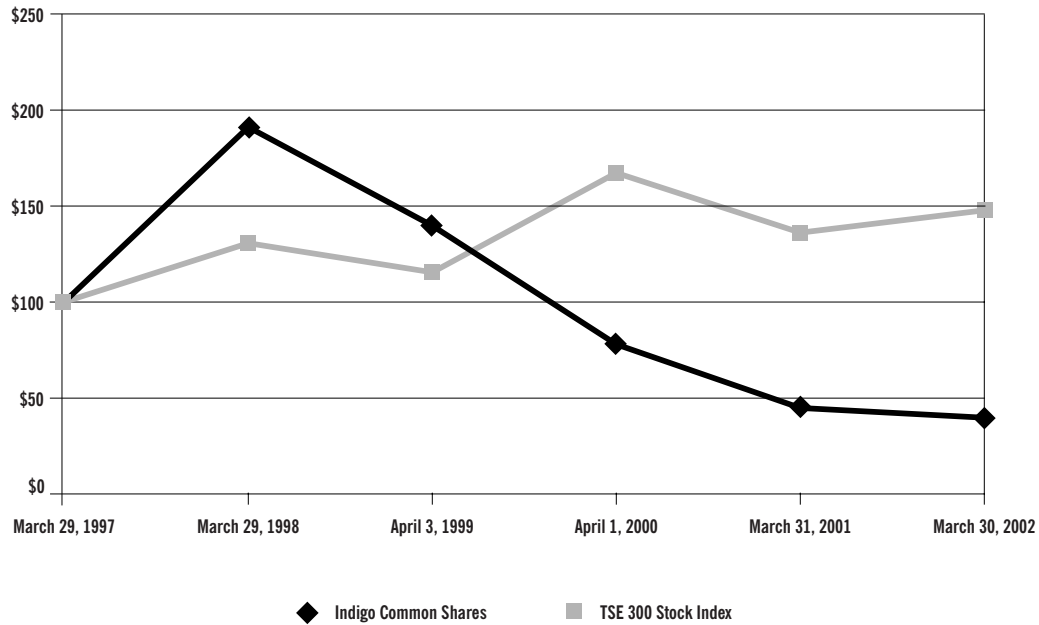
(signed) SENATOR MICHAEL KIRBY

(signed) JAMES HALL

(signed) BRUCE BIRMINGHAM

PERFORMANCE GRAPH

The following graph compares the total cumulative shareholder return for \$100 invested in Indigo common shares on March 29, 1997 with the cumulative total return of the Toronto Stock Exchange 300 Stock Index for the fiscal years ended March 28, 1998, April 3, 1999, April 1, 2000, March 31, 2001 and March 30, 2002.⁽¹⁾



(1) Total return assumes reinvestment of dividends for the Toronto Stock Exchange 300 Stock Index and Indigo common shares (which were nil).

	March 29, 1997	March 28, 1998	April 3, 1999	April 1, 2000	March 31, 2001	March 30, 2002
Indigo Common Shares	\$100.00	\$191.05	\$139.70	\$ 77.91	\$ 44.78	\$ 39.70
TSX 300 Stock Index	\$100.00	\$130.60	\$115.42	\$167.20	\$136.08	\$147.72

COMPENSATION OF DIRECTORS

Directors of the Corporation who are not officers of the Corporation or any of its affiliates are currently not entitled to receive any fees from the Corporation. The Corporate Governance Committee is currently reviewing director compensation.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

In 1995, the TSX adopted disclosure requirements for listed companies with respect to corporate governance. Indigo has the following corporate governance practices.

Board Responsibilities and Composition

The Board of Directors is responsible for the supervision of the Indigo management (“Management”) and for approving the overall direction of Indigo in a manner which is in the best interests of Indigo. The Board of Directors participates fully in assessing and approving strategic plans and prospective decisions proposed by Management. To ensure that the principal business risks that are borne by Indigo are appropriate, the Board of Directors receives periodic reports from Management of its assessment and management of such risks. The Board of Directors regularly monitors the financial performance of Indigo. This monitoring function often entails review and comment by the Board of Directors on various Management reports. Indigo’s internal accounting and control procedures are monitored by the Audit Committee of the Board of Directors on behalf of the Board of Directors. The Audit Committee reviews detailed financial information contained in Management reports and hears and acts upon the recommendations of Indigo’s auditors. In respect of senior Management succession planning, the Board of Directors is involved in identifying candidates from within and outside Indigo to fill senior Management positions.

As a practice, the Board of Directors approves significant corporate communications with shareholders. The Board of Directors currently consists of nine members, all of whom are standing for re-election. Indigo has historically endeavoured to have a sufficient number of directors to encourage a variety of opinions on matters which come before the Board of Directors, while at the same time limiting its membership to a number of directors that facilitates effective and efficient decision making. While there are no specific criteria for Board of Directors membership, Indigo seeks to attract directors with a wealth of business knowledge and a diversity of business experience.

Of the Board of Directors, Messrs. Birmingham, Deitcher, Hall, Kirby, Lantos and Lawrence are considered by the Board of Directors to be “unrelated directors” within the meaning of the Guidelines, as each is “free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director’s ability to act with a view to the best interests of Indigo, other than interests and relationships arising from shareholding”. The remaining members are related within the meaning of the Guidelines, Ms Reisman being a member of Management and Mr. Schwartz being Ms Reisman’s spouse and Mr. Wright being employed by a company controlled by Mr. Schwartz and an officer of Indigo’s controlling shareholder. The Board of Directors therefore has a majority of unrelated directors. In determining whether a particular director is or is not a “related director”, the Board of Directors examined the factual circumstances of each director and considered them in the context of many factors. A number of directors possess an extensive knowledge of the retailing and distribution businesses in Canada, and their participation as directors contributes to the effectiveness of the Board of Directors.

The Board of Directors believe that six of the directors, or 67% of the total number of current directors, are unrelated directors who are free from any interests in or relationships with the significant shareholder or any of its affiliates. The Board of Directors believes that the membership on the Board of Directors of these six directors fairly reflects the investment in Indigo by minority shareholders.

Indigo is controlled by Trilogy Retail Enterprises L.P. and Trilogy Investments L.P. which, directly or indirectly, owns approximately 66.2% of the total number of outstanding common shares of the Corporation and is a “significant shareholder” within the meaning of the TSX Report.

Board Functioning and Independence

The Board of Directors adopted a corporate governance policy which, among other things, sets out those matters, in addition to those required by statute, which must be brought by the Chief Executive Officer (the “CEO”) or other senior Management to the Board of Directors for approval. The Corporate Governance Policy ensures that all major strategic decisions, including any change in the strategic direction of Indigo and acquisitions and/or divestitures of a material nature, will be presented by Management to the Board of Directors for approval. As part of its ongoing activity, the Board of Directors regularly receives and comments upon reports of Management as to the performance of Indigo’s business and Management’s expectations and planned actions in respect thereto.

Ms Reisman is Chair of the Board of Directors and Chief Executive Officer of Indigo. In the view of the Board of Directors, the fact that Ms Reisman occupies both offices does not impair the ability of the Board of Directors to act independently of Management. They have reached this conclusion for various reasons, including the number of unrelated directors and independent directors on the Board of Directors.

The Corporate Governance Policy provides a formal position description for the office of the CEO. The Board of Directors has approved formal corporate objectives which the CEO is responsible for achieving. The Board of Directors, the Human Resources and Compensation Committee of the Board of Directors and the CEO engage in regular ongoing dialogue regarding the performance of the senior Management team in achieving Indigo’s strategic objectives as recommended by Management and approved by the Board of Directors.

Board Committees

The Board of Directors has an Audit Committee, a Human Resources and Compensation Committee and a Corporate Governance Committee. Each committee has a formal mandate outlining its responsibilities and its obligations to report its recommendations and decisions to the Board of Directors.

In accordance with the Guidelines, the Audit Committee is composed solely of outside directors, a majority of whom are unrelated directors. The Audit Committee is responsible for the integrity of Indigo’s internal accounting and control systems. It receives and reviews the financial statements, annual and special meeting materials and other disclosure documents of Indigo and makes recommendations thereon to the Board of Directors before such statements, materials and documents are approved by the Board of Directors. The Audit Committee communicates directly with Indigo’s auditors in order to discuss audit and related matters whenever appropriate.

The Human Resources and Compensation Committee is composed of three outside directors, all of whom are unrelated directors. The Human Resources and Compensation Committee has been charged by the Board of Directors with the responsibility of reviewing and making recommendations to the Board of Directors regarding compensation policies and practices.

The Corporate Governance Committee is composed of three outside directors, all of whom are unrelated. It is responsible for proposing to the full Board of Directors new nominees to the Board of Directors and for assessing directors on an ongoing basis. This committee performs the role which might otherwise be served by a nominating committee, and serves to educate new board members.

Committees are empowered to engage, or to request that Management engage, outside advisors at the expense of Indigo. The Board of Directors would consider any such request by an individual member of the Board of Directors on its merits at the time it was made.

Shareholder Communications

Indigo endeavours to keep all shareholders well informed as to the financial performance of Indigo, primarily by means of its annual and quarterly reports.

Indigo shall provide to any person, upon request, a copy of (i) the annual information form ("AIF") pursuant to National Instrument 44-101, and (ii) the comparative financial statements of Indigo for its most recently completed financial year together with the accompanying report of the auditor and one copy of any interim financial statements of Indigo for any subsequent fiscal periods, provided that Indigo may require payment of a reasonable charge if the request is made by a person who is not a securityholder of Indigo.

With the approval of the Board of Directors, Management has appointed Ms Heather Reisman, the Chief Executive Officer of Indigo, as the individual responsible for receiving shareholder inquiries and dealing with shareholder concerns. While being guided by regulatory requirements and Indigo's policies with respect to confidentiality and disclosure, Ms Reisman is available for interviews by stakeholders, including analysts, the media, and investors. Ms Reisman endeavours to respond promptly and appropriately to all such requests and/or inquiries.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Corporation purchases and maintains liability insurance for the benefit of the directors and officers to cover any liability incurred by such person in such capacities. The policy provides for coverage in the amount of \$20,000,000 with a deductible amount of \$100,000. For the year ending March 30, 2002, the premium cost of this insurance was \$154,855.

APPOINTMENT OF AUDITORS

The management representatives designated in the enclosed form of proxy intend to vote in favour of the reappointment of Ernst & Young LLP as auditors of the Corporation to hold office until the next annual meeting of shareholders. Ernst & Young LLP have served as auditors of the Corporation or its predecessors since 1994.

DIRECTORS' APPROVAL

The contents of this circular and its sending to shareholders of the Corporation have been approved by the directors of the Corporation.

By Order of the Board of Directors

(signed) Ian D.Young
Secretary

Toronto, Canada
July 12, 2002