





## **Notice to Non-Registered Beneficial Owners**

There are two ways in which non-registered shareholders may cast the votes attaching to shares held by their nominees. Securities regulations and legislation, specifically *Regulation 54-101 Respecting Communication with Beneficial Owners of Securities of a Reporting Issuer*, require that the nominee of a non-registered shareholder obtain the shareholder's voting instructions prior to the meeting. Non-registered shareholders will receive (or will have received) a request for voting instructions or a proxy form from their nominee prior to the meeting contemplating the number of shares they hold. The voting instructions or proxy forms their nominees send will provide instructions on how to sign and send these documents; non-registered shareholders must read and follow these instructions carefully to make sure that the voting rights attaching to their shares are properly cast at the meeting.

Non-registered shareholders who want the votes attaching to their shares to be cast on their behalf must follow the voting instructions provided by their nominee.

Non-registered shareholders who want to cast the votes attaching to their shares in person at the meeting must enter their own name in the space provided to that end on the voting instruction request or proxy form, whichever the case may be, to appoint themselves as proxy, and then follow the instructions on how to sign and send the document provided by their nominee. Non-registered shareholders who appoint themselves as proxy must report to the representative of the Company's transfer agent, Computershare Trust Company of Canada, at the meeting. Non-registered shareholders should leave the other sections of the form sent to them by their nominee blank, as their votes will be cast and counted at the meeting.

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

The Company is authorized to issue an unlimited number of common voting shares without nominal or par value and each comprising a right to vote. As of the present proxy circular, there were 172,677,515 common voting shares issued and outstanding. The Company has fixed May 14, 2007, close of business, as the reference date for the purpose of determining those shareholders entitled to vote at the meeting or any adjournment thereof.

As at this date, to the Company directors' and officers' knowledge, no person or Company holds more than 10% of the common voting shares outstanding of the Company except:

<b>Name of shareholder</b>	<b>Number of common voting shares</b>	<b>Percentage of common voting shares</b>
Aquilon Capital Corp.	25,887,400 <sup>(1)</sup>	15.0 %

<sup>(1)</sup> Held directly and/or where a control is exercised

## **MATTERS ON THE AGENDA**

### **Management Report and Financial Statements**

The management report as well as the financial statements and auditors' report pertaining thereto, for the year ended February 3, 2007, which are included in the Company's year 2006 annual report, shall be submitted to the shareholders at the meeting, but no vote is required nor planned in this respect.

## Election of Directors

Under the articles of the Company, the Board of Directors of the Company shall consist of a minimum of three and a maximum of eleven directors. The number of directors is presently set at six. **Unless otherwise specified, the persons appointed in the enclosed form of proxy intend to vote FOR the election of the nominees whose names appear hereafter.** Management has no reason to believe that any of the nominees will be unable to serve as a director but, if such should be the case for any reason whatsoever prior to the meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee at their discretion.

The mandate of the following directors will end at the meeting: Mr. Paul Delage Roberge, Mr. Richard Soly, Ms. Sylvie Lalande, Mr. Jean Desmarais, Mr. Joe Marsilii and Ms. Melinda Lee.

Each director will remain in office until the next annual meeting of the Shareholders of the Company following their election or until their successors are elected or appointed, whichever is the earliest.

The following table and the notes provide the name of each person proposed for election as a director, their place of residence, the position held by each such person within the Company, the principal current occupation of each nominee, for whom such occupations are carried on, the number of years of service as a director with the Company as well as the number of voting shares of the Company held directly or indirectly by such person as a beneficial owner or which he or she controlled or directed.

Candidate's Name	Principal Occupation	Director Since	Number of Shares Controlled or Directed	
			Common Voting Shares	% of Common Voting Shares
<b>PAUL DELAGE ROBERGE</b> Chairman of the Board Quebec, Canada	Chairman REZOpr Québec inc.	1978	4,890,925 <sup>1)</sup>	2.8%
<p>- Non independent Director</p> <p>- Mr. Paul Delage Roberge, Founder and Chairman of the Board of Directors of the Company, was President and Chief Executive Officer of the Company until 2002 and is currently President of REZOpr Québec inc.</p>				
<b>RICHARD SOLY</b> <sup>(A)(B)</sup> Director Quebec, Canada	Consultant	2004	—	—
<p>- Independent Director</p> <p>- Mr. Richard Soly was until 2006, President of Groupe Musique et Détail, Québecor Média inc., as well as, Chairman of the Board of Conseil Québécois du Commerce de Détail and treasurer of the Retail Council of Canada.</p>				
<b>SYLVIE LALANDE</b> <sup>(B)</sup> Director Quebec, Canada	Corporate director	May 19, 2006	—	—
<p>- Independent Director</p> <p>- Ms. Sylvie Lalande has served as an executive officer for companies in the media and telecommunications sectors. During her career, she has notably served as Chief of Communications at Bell Canada, where she was responsible for marketing communications and business communications, as President and Chief Executive Officer of Consortium UBI as President of the interactive television division of Groupe Vidéotron Ltée and as Vice-President of Research and Development, Programming at TVA. She currently sits on the Boards of the public companies Groupe TVA and Groupe Laperrière et Verreault.</p>				

Candidate's Name	Principal Occupation	Director Since	Number of Shares Controlled or Directed	
			Common Voting Shares	% of Common Voting Shares
<b>JEAN DESMARAIS</b> <sup>(A)(B)</sup> Director Quebec, Canada	Vice-President Valeur mobilières Desjardins	July 5, 2006	—	—
<p>- Independent Director</p> <p>- Mr. Jean Desmarais participated in the implementation of various financing options and private investments with Valeurs mobilières Desjardins. He is also serving as an investment consultant.</p>				
<b>JOE MARSILII, CA</b> <sup>(A)</sup> Director Quebec, Canada	Vice-President, Investments and Finance Jolina Capital inc. (holding company)	March 1 <sup>st</sup> , 2007	150,000 <sup>2)</sup>	0.1%
<p>- Independent Director</p> <p>- Mr. Joe Marsilii joined Jolina Capital in 2001 as Chief of Financial Services and later served as Vice-President, Investments and Finance. Between 1993 and 2001, he occupied various positions with Groupe Québecor companies. Mr. Marsilii is a Chartered Accountant and has worked in the accounting office, KPMG. He presently sits on the Board of Directors of the public company TransForce Income Fund.</p>				
<b>MELINDA LEE, CA</b> Director Nova Scotia, Canada	Vice-President, Investments Clarke inc.	April 16, 2007 <sup>3)</sup>	—	—
<p>- Independent Director</p> <p>- Ms. Melinda Lee is currently Vice-President, Investments for Clarke Inc. Before joining Clarke in May 2006, Ms. Lee served as Vice-President of Geosam Investments Limited for three years after having worked for seven years in accounting office in Ottawa and Halifax. Ms. Lee has been a Chartered Accountant since 1999 and is also a director of Royal Host Real Estate Investment Fund, Exceed Energy Inc., General Donlee Income Fund and Shermag Inc.</p>				

1) Of this number, 4,718,350 shares are held by 114114 Canada Inc., an investment company exclusively controlled by Mr. Paul Delage Roberge. Mr. Delage also holds 8,633,875 stock options.

2) Of this number, 100,000 shares are held by members of Mr. Marsilii's family.

3) Ms. Melinda Lee, representing Clarke inc., a shareholder holding approximately 8.6% of the Company's shares.

(A) Member of the Audit Committee. Mr. Joe Marsilii was nominated to this committee on March 1<sup>st</sup> 2007;

(B) Member of the Corporate Governance Committee and of the Human Resources Committee.

Over the last five years, all of the directors carried on the principal occupation(s) listed beside their name except for the following:

Mr. Richard Soly, who, until 2006, was President of Groupe Musique et Détail, Québecor Média inc.;

Mrs. Melinda M. Lee was before May 2006, President of Geosam Investments Limited for three years and previously, she had worked as an accountant in accounting offices in Ottawa and Halifax.

To the Company's knowledge, no director or officer of the Company and no shareholder holds a sufficient number of securities of the Company to affect materially the control of the company.

## Cease trade orders, bankruptcies, fines and sanctions

To the Company's knowledge, no director other than Paul Delage Roberge, who assumed his current role as director of the Company when the latter restructured under the *Companies' Creditors Arrangement Act*, whose candidacy to the position of director is proposed:

- a) was, in the ten years preceding the date of this Management Proxy Circular, a director of any issuer that, while this individual was acting in such capacity:
  - i) was the subject of a cease trade or similar order that denied the other issuer access to any exemptions under any Canadian securities legislation for a period of more than 30 consecutive days;
  - ii) upon ceasing to be a director or officer of such issuer, was the subject of a cease trade or similar order, or an order that denied the other issuer access to any exemptions under any Canadian securities legislation for a period of more than 30 consecutive days owing to an event having occurred while the individual held such office; or
  - iii) while the person operated this function or in the financial year following the individual's having ceased to act in such capacity, declared bankruptcy, filed a petition under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangements or compromise with creditors, or had a receiver, receiver-manager or trustee appointed to hold its assets.
- b) has, within 10 years of the date of this Management Proxy Circular, declared bankruptcy, filed a petition under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver-manager or trustee appointed to hold its assets.

## Attendance Record for Board Meetings

The following table sets forth the number of meetings held by the Board of Directors during the fiscal year ending February 3, 2007 and the attendance of each director at these meetings.

### Attendance Record for Board Meetings

<i>Administrator</i>	<i>Board</i>	<i>Audit Committee</i>	<i>Corporate Governance and Human Resources Committee</i>
<b>Total meetings held within the year</b>	<b>9</b>	<b>6</b>	<b>3</b>
<i>Paul Delage Roberge</i>	<i>9 of 9</i>	—	—
<i>Richard Soly</i>	<i>9 of 9</i>	<i>4 of 4</i>	<i>3 of 3</i>
<i>Sylvie Lalande</i>	<i>6 of 6</i>	—	<i>3 of 3</i>
<i>Jean Desmarais</i>	<i>4 of 4</i>	<i>3 of 3</i>	<i>3 of 3</i>
<i>Yves Simard</i> <sup>1)</sup>	<i>4 of 4</i>	<i>3 of 3</i>	—
<i>Jean-Guy Lambert</i> <sup>1)</sup>	<i>5 of 5</i>	<i>3 of 3</i>	—
<i>Normand Legault</i> <sup>1)</sup>	<i>2 of 2</i>	<i>2 of 2</i>	—
<i>Placide Poulin</i> <sup>1)</sup>	<i>5 of 5</i>	<i>3 of 3</i>	—

<sup>1)</sup> Member of pertinent committee or committees until date of resignation

### **Appointment of Auditors**

Unless otherwise specified, the persons whose names appear on the form of proxy intend to vote **FOR the appointment of Samson Bélair/Deloitte & Touche LLP as auditors of the Company and the establishment of their remuneration by the Board of Directors.** The auditors will hold office until the next annual meeting of shareholders of the Company or until their successors are appointed. In order to be passed, a motion respecting the appointment of auditors must be carried by a majority of the votes by the shareholders entitled to vote who are present or represented by proxy at the meeting.

Samson Bélair/Deloitte & Touche LLP, Chartered Accountants, have been the auditors of the Company since 1985.

### **Other Matters Coming Before the Meeting**

The management of the Company knows of no other matters to come before the meeting other than those referred to in the notice of such meeting. Should other matters unknown at this time come before the meeting, the voting rights conferred by the enclosed form of proxy will be exercised at the discretion of the person exercising such voting rights pertaining to such matters.

### **REMUNERATION OF DIRECTORS AND EXECUTIVE OFFICERS**

#### **Remuneration of the Directors**

Every outside director of the Company with the exception of the Chairman of the Board of Directors shall receive annual retainer fees of \$6,500, a sum of \$1,000 for each Board meeting attended, a sum of \$500 for each Board meeting attended by telephone as well as a sum of \$1,000 for every meeting of the committees. The Chair of the Auditing Committee and the Chair of the Corporate Governance and Human Resources Committee each received an additional remuneration of \$2,000 and \$1,500 respectively, as acting Chairs of the committees. During the last fiscal year, a total amount of \$ 68,542 was paid to seven directors (excluding the Chairman of the Board). Mr. Paul Delage Roberge, Chairman of the Board of Directors, received \$200,000 in remuneration as Chairman.

#### **Remuneration of the Executive Officers**

The following table provides information concerning the remuneration of individuals having occupied the positions of Chief Executive Officer and Chief Financial Officer as well as other executives of the Company receiving the highest remuneration (hereinafter collectively referred to as the “Named Executive Officers”), in which their salary exceeds \$150,000, while acting as such for services rendered in the financial years ended February 3, 2007, January 28, 2006 and January 29, 2005.

Summary Compensation Table								
Name and Principal Position	Fiscal Year Ended	Annual Compensation			Long Term Compensation			Any Other Compensation (\$)
		Salary (\$)	Bonus <sup>1)</sup> (\$)	Other Annual Compensation <sup>2)</sup> (\$)	Awards		Payouts	
					Securities Under Options/SARs* Granted (#)	Restricted Shares or Restricted Share Units (\$)	LTIP Payouts (\$)	
YVES SIMARD <sup>3)</sup> President and Chief Executive Officer	2007	32,308 <sup>3)</sup>	—	—	—	—	—	—
	2006	—	—	—	—	—	—	—
	2005	—	—	—	—	—	—	—
LESLIE E. GLAZERMAN <sup>4)</sup> Former President and Chief Executive Officer	2007	192,885 <sup>4)</sup>	41,375 <sup>4)</sup>	—	750,000 <sup>4)</sup>	—	—	238,337 <sup>4)</sup>
	2006	255,500 <sup>4)</sup>	—	—	—	—	—	—
	2005	—	—	—	—	—	—	—
DAVID MARGOLIS <sup>5)</sup> Former President and Chief Executive Officer	2007	—	—	—	—	—	—	—
	2006	197,437 <sup>5)</sup>	—	19,385	—	—	—	442,387 <sup>5)</sup>
	2005	114,423 <sup>5)</sup>	—	35,000	300,000	—	—	—
GILLES MORNEAU <sup>6)</sup> Former Chief Financial Officer	2007	—	—	—	—	—	—	—
	2006	48,346 <sup>6)</sup>	—	2,500	—	—	—	—
	2005	140,775 <sup>6)</sup>	—	5,000	—	—	—	—

\* The acronym "SAR" means Stock Appreciation Rights.

- (1) Bonuses are paid in cash during the financial year following the one for which they have been granted.
- (2) During the last three fiscal years, the Named Executive Officers have received no remuneration or other particular benefits amounting to more of the lesser of \$50,000 and of 10% of the total salary and bonus put down by the Company during the relevant financial year.
- (3) Mr. Yves Simard has been acting as President and Chief Executive Officer since December 7, 2006. His base salary is \$200,000. On February 22, 2007, 1,000,000 stock options were granted, to him under the Stock Option Plan.
- (4) Mr. Leslie E. Glazerman was President and Chief Executive Officer from March 1, 2006 to December 6, 2006 and his annual salary was \$200,000. Previously, from April to August 2005 he held the position of interim Chief Financial Officer and followed by the cumulative positions of interim President and Chief Executive Officer and interim Chief Financial Officer, until his nomination as President and Chief Executive Officer on March 1, 2006. A total of \$255,500 in 2006 and \$27,500 in 2007 were paid to him as professional fees for serving in interim positions, as per the terms of his agreement with the Company. On April 19, 2006, 750,000 voting shares were granted under the Stock Option Plan. He received a severance package of \$200,000, as stipulated in his contract, and a discretionary bonus of \$38,337. Under his employment contract, the former President and Chief Executive Officer of the Company was entitled to a bonus equal to 25% of his base annual salary if the minimum return threshold (net earnings before income taxes according to the Canadian generally accepted accounting principles) was achieved. Thus, for the year 2006, the Company achieved the first level of the net earnings before income taxes objective and a bonus equivalent to 25% of the base salary (pro-rated to the number of months in employment) will be paid to the former President and CEO, for the year ended February 3, 2007, i.e., \$41,375.
- (5) Mr. David Margolis held the position of President and Chief Executive Officer from October 4, 2004 until August 8, 2005 and his annual salary was \$350,000. He received a severance package of \$350,000, as stipulated in his contract, as well as \$92,837 in commission on the sale of the subsidiary "Les Ailes de la Mode Incorporées".
- (6) Mr. Gilles Morneau acted as Chief Financial Officer from August 3, 2004 to April 30, 2005 and his annual salary was \$150,000. From April 1, 2004 to August 2, 2004, Mr. Morneau served as a consultant to the Company and a total of \$65,775 in fees were paid to him during this period.

## **Stock Option Plan for Common Shares**

The following table provides certain data, as at the end of the year, relating to compensation plans under which equity securities of the Company are authorized for issuance.

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b>	<b>Weighted average exercise price of outstanding options, warrants and rights</b>	<b>Number of securities remaining available for future issuance under equity compensation plans<sup>(1)</sup></b>
<b>Equity compensation plans approved by security holders</b>	9,135,127	\$0.09	8,132,624

1) Excluding securities reflected in the first column.

### **The Plan**

On March 5, 1993, the Board of the Company adopted a resolution providing for the creation of a Stock Option Plan for Class B Subordinate Voting Shares, for the benefit of the Company's executive officers and managerial staff (the "Plan"), which has been amended on four occasions, i.e., in 1999, 2000, 2004 and 2005.

The purpose of the Plan is to give an additional incentive to promote, to the best of beneficiaries' ability, the interests of the Company and to reward said beneficiaries' management skills, their special contributions, their efforts, their performance, the services both rendered and to be rendered by them as well as their loyalty toward the Company

The persons eligible to participate in the Plan are the directors, executive officers, managerial staff and service suppliers of the Company designated by the Board. Subject to the rules of the Toronto Stock Exchange, the Board of Directors determines the duration, the exercise price, the exercise terms and the number of options that may be granted under the Plan. Any option granted to an employee or an officer under the Plan may be exercised at any time within a period of ten years from the grant date of such option, provided that such option holder remains an employee or an officer of the Company and subject to any other restriction which the Board may impose. In case of death, permanent disability, resignation, retirement, termination, wrongful dismissal, all other suspension of employment other than dismissal for serious motives, the options may be exercised partially or totally by the option holder within 90 days of the holder's departure provided that the options were vested. The exercise price of the options granted under the Plan cannot be less than the lowest price permitted by the regulatory authorities responsible for such Plan, i.e., the weighted average price of transactions on common shares of the Company in the five days preceding the date of granting of the options. These options are non-transferable. The Plan also states that the maximum number of Common Voting Shares pursuant to options granted to an individual could not exceed 5% of the total number of Common Voting Shares at the time at which each option is granted.

The Plan covers a number of options representing 10% of common voting shares of the Company issued and outstanding as of the date the options are granted. The change approved by the Board of Directors on April 13, 2005, regarding the number of options that may be granted shall be subject to further approval by the shareholders of the Company during the third annual meeting of shareholders of the Company, which will follow the meeting of July 21, 2005.

During the prior fiscal year, a total of 1,250,000 stock options were granted to management employees, including the President and CEO.

Furthermore, 8,633,875 stock options were granted, as per his request, to the Chairman of the Board of Directors, Mr. Paul Delage Roberge, in order to respect the agreement between him and the Company, to the effect that 50% of the available options under the Plan are granted to him upon request. As of the

present date, all of the available options were asked for and granted.

On February 22, 2007, 1,000,000 stock options were granted to the new President and Chief Executive Officer, while 750,000 stock options held by the predecessor expired on March 6, 2007.

As of this day, 10,135,127 options that were granted under the Plan were outstanding. These stock purchase options are held by four managerial employees of the Company besides the Chairman of the Board and their exercise price varies between \$0.09 and \$0.58, as shown in the table below.

Exercise price	0.09 \$	0.11 \$	0.13 \$	0.58 \$
Number of options outstanding (as at May 8, 2007)	8,633,875	500,000	1,000,000	1,252

### Options/SARs granted in the financial year

The following table provides information concerning the options granted to Named Executive Officers during the financial year ended February 3, 2007.

Name	Securities Under Options/SARs Granted	Percent of total options/SARs granted to employees in financial year	Exercise or Base Price (\$/security)	Market value of securities underlying Options/SARs on the date of grant (\$/security)	Expiration date
<b>LESLIE E. GLAZERMAN</b> Former President and Chief Executive Officer	750,000	7.59%	0.11	0.11	March 6, 2007
<b>PAUL DELAGE ROBERGE</b> Founder and Chairman of the Board	8,633,875	87.35%	0.09	0.09	June 21, 2016

### Options Exercised and the Value During the Last Financial Year

The following table indicates the number of stock options, if any, exercised under the Plan by the Named Executive Officers during the financial year ended February 3, 2007 as well as any gains realized upon take-up, the total number of unexercised options held, if any, as at February 3, 2007 and the value of such unexercised options at that date.

Name	Securities acquired upon take-up (#)	Aggregate value realized (\$)	Unexercised Options/SARs at financial year end (#)		Value of unexercised in-the-Money Options/SARs at financial year end (\$)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Leslie E. Glazerman	–	–	750,000	–	4,000	–
Paul Delage Roberge	–	–	863,3875	–	216,000	–

## **Termination of Employment, Change in Duty and Employment Contract**

The Company concluded a contract for 4 years, terminating in August 2008, with the founder and Chairman of the Board of Directors, Mr. Paul Delage Roberge, who foresees the general conditions in exercising his mandate, the confidential and non-competitive obligations, the honoraria and stock option grant. The Company would grant options representing 50% of the options available under the stock option plan currently in place, if requested by the Chairman of the Board. A total of 8,633,875 options at an exercise price of \$0.09 were granted to the Chairman, as per his request on June 20, 2006. As of the present date, the total number of options due as per his contract, were requested and granted. An increase in the number of options available as per the Plan would automatically cause an increase in the options due to the Chairman of the Board until the deadline date of August 1, 2008.

The Company also entered into an employment contract with its President and CEO, Mr. Yves Simard, for an unlimited period which covers the general employment conditions of these Named Executives, namely their duties, place of work, loyalty obligation towards the Company, confidentiality and non-competition obligations, non-solicitation of customers or employees, salary, bonus, options, and vacation. See “Compensation of Executive Officers”.

If the Company terminates Mr. Simard’s contract without just cause or if Mr. Simard terminates his own contract within 90 days of a change in control of the Company, Mr. Simard would be entitled to receive a lump sum from six months to an equal amount of his annual salary, based upon the date of termination and his 1,000,000 stock options will become vested.

All stock option shares granted as per the terms of the Plan can immediately be levied due to a change in control or a public offer to purchase, exchange or repurchase.

## **Report on the Remuneration of the Executive Officers**

### **Composition of the Corporate Governance and Human Resources Committee**

As of May 8, 2007, the Corporate Governance and Human Resources Committee consisted of three directors, namely Ms. Sylvie Lalande (Committee Chair), Mr. Jean Desmarais and Mr. Richard Soly. The Board of Directors ruled that all the Committee members were independent.

### **Establishment of Remuneration**

The main responsibilities of the Committee regarding Human Resources consist of carrying out its responsibilities of hiring, evaluating, remunerating and planning the release of senior management and directors.

The remuneration policy for the Executive Officers of the Company aims at paying them an amount which generally compares with the payment granted in other companies of the Canadian retail sector where the annual revenue oscillates around 40 million dollars and the geographical reach is comparable. To establish the global payment, the Committee also takes into account the global financial return of the Company as well as the efficiency of the individual in exercising his/her duties.

This policy gives significant weight to the variable payment (annual premium and long-term incentive plan) with the aim of inciting the creation of economic value for the shareholders and thus facilitate linkage of the interests of senior management with those of the shareholders.

The remuneration policy includes the following elements:

- A payment in cash which includes the base salary and the annual premium
- A long term incentive plan

- A set of social advantages offering protection in case of illness, incapacity or death, and
- A group of additional benefits competitive with the current practices of the market.

The remuneration of the members of senior management is annually revised to allow the Company to remain competitive and is fixed by taking into account their responsibilities, their skills and their continuous performance.

### **Base Salary**

The base salary is determined by considering the size of the Company, the financial and strategic impact of the position, the contribution of the holder and the internal equity. The base salary is generally competitive with regard to similar companies of size and reach.

### **Annual Premium**

The short-term incentive plan, such as it was defined in December 2006, is connected to the financial return of the Company. It aims to incite the members of senior management to surpass the financial returns planned in the annual business plan. The annual premium is linked to the business plan of the Company which is established annually and which fixes financial return objectives. A target bonus is fixed as a percentage of the base salary for results deemed to match or exceed expectations, while there is no payment if the results are below the minimum return threshold.

### **Long-term Incentive Plan**

The long-term incentive plan aims at moving the interests of senior management members closer to those of the shareholders as well as attracting and retaining key staff while allowing senior managers to participate in the long-term development of the Company.

The long-term incentive plan consists of options for purchasing shares of the Company. Options are granted at the time of hiring, upon a promotion or during an annual review and the number of options granted varies according to the senior management member's position.

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

The remuneration of the President and CEO is reviewed annually by the Corporate Governance and Human Resources Committee, which presents its recommendations in this respect to the Board of Directors of the Company. The base salary of the President and CEO is based on factors related to the Canadian retail market and the committee's evaluation of the President and CEO's performance with respect to the Company's profitability and the progress made as far as its strategic objectives are concerned.

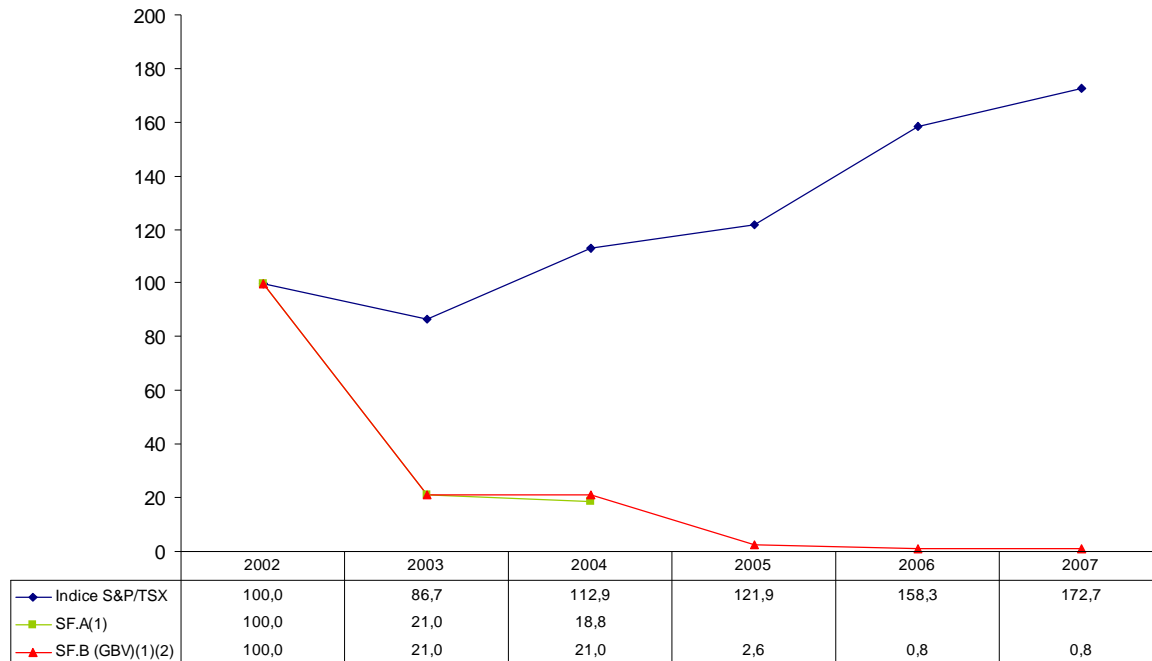
Half of the President and CEO's cash remuneration consists of a payment at risk which is paid when his performance indicators have been achieved. Indeed, the President and CEO is entitled to an annual premium the target bonus of which represents 50% of his base salary. To start the process of allocation of an annual premium, the President and CEO initially has to reach the minimum return threshold of 95% of the Company's EBITDA objective. When this minimum threshold has been reached, the bonus is then calculated according to the target bonus and the following four indicators of performance: the EBITDA for 40% of the target bonus, the sales, the inventory and the payroll for 20% each of the target bonus.

Depending on whether the Company achieves or partially exceeds all the objectives established for each performance indicator, the President and CEO will receive between 16% and 60% of his base salary as an annual bonus.

As stipulated in the employment contract concluded in December 2006 between the Company and Mr. Yves Simard, the Company granted him, in February 2007, 1,000,000 stock option shares, exercised over three years at the rate of one-third per year, beginning January 2008.

### **Performance Graph Representation**

The following performance graph illustrates the five-year cumulative total returns for a \$100 investment in Class A Multiple Voting Shares, Class B Subordinate Voting Shares and since August 2, 2004 in Common Shares of the Company with respect to cumulative returns over five years for the Toronto Stock Exchange S&P/TSX Composite Index (formerly known as the TSE 300).



#### **Notes:**

- 1) The Common Shares of the Company are the continuity of its Class A and Class B shares.
- 2) Following the change of corporate name to “Groupe Les Ailes de la Mode inc.” and subsequently to “Groupe Bikini Village inc.”, the Toronto Stock Exchange granted the Company in replacement of the symbol "SF.B", the symbol "MOD" and then the symbol "GBV" for the common shares traded on the Toronto Stock Exchange. The symbol "GBV" has been in effect since January 24, 2006.

### **Directors and Officers Liability Insurance**

The Company maintains liability insurance to protect its directors and officers against any liability incurred during their mandate. The contract provides for an overall limit of \$7 million of coverage per year with a deductible of \$150,000 per claim.

The total premium paid during the period ending February 3, 2007 was \$109,000.

### **DISCLOSURE IN CORPORATE GOVERNANCE**

The Board, in collaboration with the Corporate Governance and Human Resources Committee, stays aligned with the evolution of the practices in corporate governance and the requirements of regulatory bodies in this respect. The Company is committed to complying with high standards concerning all facets of its activities, including its corporate governance practices. The Board is of the opinion that good

practices in corporate governance are essential in the success of the Company and the improvement of its value for the shareholders.

The Company respects the regulations that were adopted by the Canadian Securities Authorities introduced in final form *National Instrument 58-101-Disclosure of Corporate Governance Practices* (“NI 58-101”) which came into force on June 30, 2005 and effectively replaced the corporate governance guidelines and disclosure policies of the Toronto Stock Exchange. Under NI 58-101, the Company is required to disclose certain information relating to its corporate governance practices. This information is set out in Schedule A to this Proxy Circular and describes the Company’s current practices with respect to the corporate governance, following the Governance Disclosure Guideline under NI 58-201.

During the last year, the Company implemented a certain number of actions to improve the Company’s corporate governance practices. The Company notably has:

- Implemented a process for evaluating the Board, its Chair, the Committee Chairs and directors;
- Adopted a Disclosure Policy and a Policy related to insiders’ trading of the Company’s securities and use of privileged information;
- Adopted written descriptions of the functions of the Chairman of the Board and the President and CEO;
- Adopted written descriptions of the functions of the Chairs of the Auditing Committee and the Corporate Governance and Human Resources Committee;
- Revised the Code of Conduct of the Company, the mandate of the Board, the mandate of the Audit Committee and the mandate of the Corporate Governance and Human Resources Committee;
- Held regular meetings involving independent directors.

## **OTHER INFORMATION**

### **Audit Committee**

For information concerning the composition of the Company’s Audit Committee, the Audit Committee’s charter, as well as fees paid to the auditors of the Company and other related subjects, please consult the Company’s Annual Notice for the period ended February 3, 2007.

On April 16, 2007, the Audit Committee of the Company approved the “Policy for approving services provided by the external auditor” concerning the policies and procedures of the Audit Committee for preliminary approval of consultation services unrelated to the audit.

Furthermore, a “Policy for hiring partners, employees and former partners and employees of the current or previous external auditor of the Company” and a “Procedure for reporting irregularities” were adopted by the Audit Committee at the same meeting.

### **Available Documentation**

The Company is a reporting issuer in Quebec and in Ontario and is therefore required to file Financial Statements, a Proxy Circular and an Annual Information Form with the appropriate securities regulatory authorities. Copies of these documents may be obtained upon request from the Corporate Secretary of the Company or on the Internet at the following address: [www.sedar.com](http://www.sedar.com). The Company may require the

payment of a reasonable charge if the request is made by someone other than a security holder of the Company, unless the Company is in the course of a distribution of its securities pursuant to a short form prospectus, in which case these documents will be provided free of charge. The financial information pertaining to the Company is represented in the audited annual financial statements and in the MD&A for the fiscal year ended February 3, 2007.

**Other Matters**

Subject to contrary indication, the information contained herein is given as of May 8, 2007. The management of the Company knows of no other matters to come before the meeting other than those referred to in the notice of such meeting. Should other matters unknown at this time come before the meeting; the voting rights conferred by the enclosed form of proxy will be exercised at the discretion of the person exercising such voting rights pertaining to such matters.

**Receipt of Motions from Shareholders for the Next Annual General Meeting**

Shareholders with voting rights at the next Annual General Meeting of the Company and wishing to submit a motion regarding any issue to be debated during the meeting must transmit their motions to the Secretary of the Company no later than February 8, 2008.

**Approval of Management Proxy Circular**

The content of this Management Proxy Circular has, in substance, been approved by the Board of Directors of the Company, as well as delivery thereof to the shareholders.

Boucherville, Quebec, May 8, 2007

Chairman of the Board

President and CEO

*(s) Paul Delage Roberge*

*(s) Yves Simard*

\_\_\_\_\_  
Paul Delage Roberge

\_\_\_\_\_  
Yves Simard

## SCHEDULE A

### CORPORATE GOVERNANCE DISCLOSURE

#### Governance Disclosure Guideline under NI 58-101

#### Comments

##### 1. Board of Directors

- a. Disclose the identity of directors who are independent.
- The Board of Directors (the “Board”) is comprised of six members, five of whom are independent and one of whom is not. Five of the current directors are considered “independent directors”: Mr. Richard Soly, Ms. Sylvie Lalande, Mr. Jean Desmarais, Mr. Joe Marsilii and Ms. Melinda Lee.
- b. Disclose the identity of directors who are not independent, and describe the basis for that determination.
- Mr. Paul Delage Roberge, Chairman of the Board, is not considered an “independent director”, since he receives annual honoraria fees of \$200,000 from the Company.
- c. Disclose whether or not a majority of directors are independent. If a majority of directors is not independent, describe what the Board does to facilitate its exercise of independent judgment in carrying out its responsibilities.
- The Board considers that a majority of the people who served as directors during the last twelve months were independent directors.
- d. If a director is presently a director of any other issuer that is a reporting issuer (or equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.
- The following directors currently serve on the Boards of the reporting issuers listed below:
- |                      |   |
|----------------------|---|
| Ms. Sylvie Lalande : | TVA Group Inc.<br>Groupe Laperrière & Verreault inc.  |
| Mr. Joe Marsilii :   | TransForce Income Fund  |
| Ms. Melinda Lee :    | Shermag Inc.<br>Exceed Energy Inc.<br>General Donlee Income Fund<br>Royal Host Real Estate Investment Trust |
- e. Disclose whether or not the independent directors hold regularly scheduled meetings at which members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held during the preceding 12 months. If the independent directors do not hold such meetings, describe what the Board does to facilitate open and candid discussion among its independent directors.
- During the previous year, there were three meetings of the independent directors without the presence of senior management, according to the Board of Director’s Mandate.
- 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.
- The Chairman of the Board is not independent. However, since five directors are independent and meetings of the independent directors are held regularly without the presence of senior management, the Company believes that the independent directors have majority on the Board.
- 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.
- The attendance record of each director for all Board meetings held since the beginning of the fiscal year ended February 3, 2007 is set out in this Proxy Circular on page 5.

**2. Mandate of the Board of Directors**

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

The Board has adopted a mandate in which it explicitly acknowledges responsibility for the stewardship of the Company. The mandate of the Board can be found in Schedule B to this circular.

**3. Position Descriptions**

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.

On December 6, 2006, the Board approved the Corporate Governance and Human Resource Committee’s position descriptions regarding the roles of the chair of the Board, the chair of the Auditing Committee and the chair of the Corporate Governance and Human Resource Committee.

The Chairman of the Board is responsible for the operation of the Board. He ensures that the Board fully executes its mandate and that the directors clearly understand and respect the boundaries between the responsibilities of the Board and the responsibilities of Management.

According to the position description for each Board committee chairman, the principal role of the committee chairman is to ensure that his committee fully executes its mandate. A committee chairman must report on a regular basis to the Board regarding the activities of his committee.

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.

A position description for the President and Chief Executive Officer has been provided by the Corporate Governance and Human Resources Committee and adopted by the Board on April 16, 2007. The President and CEO is responsible, notably, for the Company’s management and execution of the strategic and operational plan.

**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 Board ensures that each new candidate for the position of Director has the ability, expertise, availability and knowledge necessary to perform these duties adequately. Wherever necessary, the Company offers an orientation and education program for new recruits to the Board.

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.

The Board meetings and Board committee meetings in which directors participate, as well as discussions with senior management, allow the directors to quickly familiarize themselves with the Company’s operations and positioning and thereby gain the skill and knowledge necessary to meet their obligations as directors.

The Corporate Governance and Human Resources Committee notably shall develop orientation programs and continuing education intended for the directors, based on needs.

## 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; (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; and (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.
- 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.
- c. Describe any other steps the Board takes to encourage and promote a culture of ethical business conduct.

The Company expects all of the directors, officers and employees to comply with the laws and regulations governing its conduct and further is committed to promoting integrity and respecting the highest standard of ethical conduct in all of its activities. A new code of conduct applicable to the directors, officers and employees was prepared by the Corporate Governance and Human Resources Committee and has been adopted by the Board, as of October 3, 2006. The Human Resources Supervisor reports any breach of the Business Code of Conduct to the Corporate Governance and Human Resources Committee which are reported to her via the line specifically intended for that purpose, as well as the actions taken by the Company. The Board will be notified of any breach of the code. A copy of the code can be obtained by writing to the Company's head office and is also available at [www.sedar.com](http://www.sedar.com).

If a director is in a situation of conflict of interests during any discussions occurring at a meeting of the Board or one of its committees, he must declare his interest and withdraw from the meeting so as not to participate in the discussions or in any decisions which may be made.

The Board expects directors, officers and employees of the Company to act ethically at all times.

In particular, the Board has approved a *Policy Related to Insiders' Trading of the Company's Securities and Use of Privileged Information* which reminds directors, senior executives and designated employees of the Company who have access to confidential information likely to affect the market price or value of the Company's securities or of any third party to significant negotiations, that they may not trade in shares of the Company or of the other firms involved as long as the information has not been fully made public and as long as a reasonable period of time has not elapsed since the public disclosure. Furthermore, the directors and senior executives of the Company and all other persons who are insiders of the Company may not trade in securities of the Company during certain periods set forth in the said policy.

The Board has also approved a Disclosure Policy whose objective is to ensure that disclosure to the investing public regarding the Company is made in a timely manner, in keeping with the facts, accurately and widely, in accordance with the applicable statutory and regulatory requirements.

## 6. Nomination of Directors

- a. Describe the process by which the Board identifies new candidates for Board nomination.
- 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.

In accordance with the Corporate Governance and Human Resources Charter, this committee shall (i) evaluate the size and composition of the Board to assure the efficiency of the decision process, (ii) evaluate and review the director selection criteria by evaluating regularly the competencies, personal qualities, business background and diversified experience of Board members as well as the Company's needs, and (iii) identify candidates having the necessary competencies and recommend the candidates to the Board in view of their election at the next Annual General Meeting of Shareholders.

The Corporate Governance and Human Resources Committee is composed of three independent directors.

## Governance Disclosure Guideline under NI 58-101

## Comments

- c. If the Board has a Nominating Committee, describe the responsibilities, powers and operation of the Nominating Committee.

See 6a)

### 7. Compensation

- a. Describe the process by which the Board determines the compensation for the issuer's directors and officers.

According to the mandate, the Corporate Governance and Human Resources Committee examines the remuneration for the Company's directors and officers and submits its recommendations for final approval to the Board

- 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 Corporate Governance and Human Resources Committee mandate indicates that the committee must be composed of three independent directors.

The Committee consists of the following directors:

President : Ms. Sylvie Lalande  
Members : Mr. Richard Soly  
Mr. Jean Desmarais

- c. If the Board has a Compensation Committee, describe the responsibilities, powers and operation of the Compensation Committee.

The Corporate Governance and Human Resources Committee annually reviews the compensation of directors and officers to ensure that it is adequate and that it reflects the responsibilities associated with occupying this position.

- 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.

No consultant or advisor was retained during the last completed financial year.

### 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.

No committees other than the Audit Committee and Corporate Governance and Human Resources Committee exist in the Company.

### 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.

By virtue of its mandate, the Corporate Governance and Human Resources Committee is responsible for developing and monitoring a suitable procedure for periodically evaluating the efficiency and contribution of the Board of Directors, its committees, its Chairs and its members. The Chair of the Corporate Governance and Human Resources Committee is the person responsible for this procedure. The evaluation process includes a questionnaire that is given to the members of the Board. It covers a wide range of subjects and allows the members to make comments and suggestions. The Chair of the Corporate Governance Committee compiles the answers and communicates with each member. The Chair then prepares a comprehensive report, which she discusses with the Chairman of the Board and the Chairs of the Committees and later presents to the Board of Directors.

## **SCHEDULE B**

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### **MANDATE OF THE BOARD OF DIRECTORS**

The members of the Board of Directors (“Board”) of Groupe Bikini Village inc. (the “Company”) are responsible for supervising the management of the Company’s business and internal affairs, with the objective of enhancing shareholder value. The Board is responsible for the proper management of the Company and, under this title, must effectively and independently supervise the activities and affairs of the Company, which are managed daily by senior management. The Board may delegate certain tasks to committees of the Board. This delegation does not release the Board from fulfilling its general responsibilities in the management of the Company.

All decisions made by the Board of Directors must be in the interest of the Company.

### **COMPOSITION AND QUORUM OF THE BOARD**

As indicated in the by-laws of the Company, the Board is composed of a minimum of three (3) and a maximum of eleven (11) directors. As per the requirements of the competent securities authorities, the Board of Directors must be comprised, at all times, of a minimum of five (5) directors.

The majority of directors must be deemed independent<sup>1</sup> by the Board, as defined by the applicable laws and regulations. The Board reviews the independence status of each director annually. At the annual meeting, the directors are elected for a period of one year. During their mandate, directors may nominate other directors to replace them during vacation periods.

Every member of the Board possesses the competencies and aptitudes relevant to their nomination as director. The composition of the Board reflects a diversity of skills and experience in the Company’s areas of activities, which permits the Board to be efficient in responding to the specific needs of the Company. The Board must nominate its Chair among the directors of the Company.

The Corporate Governance and Human Resources Committee is comprised entirely of independent members. This Committee maintains a global perspective on the appropriate number of Board members, on the necessity of appointing new members and on the experience required of new candidates. This Committee also reviews any candidates to the position of director and presents its recommendations to the Board in this regard. The Board approves the final selection of candidates to be proposed and elected by the shareholders.

A majority of Committee members shall constitute a quorum of a meeting of the Board.

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<sup>1</sup> A director is deemed independent if he has no important relationship, direct or indirect, with the Company, i.e., if he has no relationship the Board of Directors can reasonably expect will affect his independent judgement.

## **RESPONSIBILITIES AND FUNCTIONS OF THE BOARD**

### A) Concerning Strategic Planning

1. Review and approve annually the budget of the Company and its overall strategic plan.
2. Approve the long-term strategy of the Company while taking into consideration, among other things, business opportunities and business risks, including restructurings, important acquisitions and divestitures.

### B) Concerning Human Resources and Compensation

1. Nominate the President and Chief Executive Officer.
2. Approve the nomination of the other members of senior management.
3. Assure that the Corporate Governance and Human Resources Committee supervises and evaluates the performance of both the President and Chief Executive Officer and members of senior management, taking into account the Board's expectations and the objectives that have been set.
4. Supervise the planning process for succession management.

### C) Concerning Finances and Internal Controls

1. Ensure the integrity and quality of the financial statements of the Company and the adequacy of disclosed information.
2. Approve interim and annual financial statements and the Company's MD&A. Review the related press release.
3. Approve the fixed asset and operating budgets, the issue of securities and, subject to the delegation of powers by the Board, any operation which lies outside the normal course of activities, including acquisitions or dispositions of assets or shares or other important transactions such as investments or divestures of investments.
4. Establish policies and procedures with regards to dividends.
5. Take all reasonable measures to ensure that the appropriate procedures are in place in order to identify business risks and business opportunities, and supervise the implementation of procedures to manage these risks and opportunities.
6. Oversee the establishment of an adequate system of internal controls and management information systems.
7. Ensure that the Company is in compliance with applicable regulatory and legal requirements.
8. Adopt an information disclosure policy for the Company and re-examine this policy at least once per year, and supervise the Company's communications with analysts, investors and the public. Establish a procedure to acknowledge shareholders' comments.

### D) Concerning Corporate Governance

1. Ensure the integrity of both the President and Chief Executive Officer and other members of senior management and ensure that such members create and maintain a culture that supports integrity throughout the organization.
2. Regularly assess corporate governance structures to ensure that suitable structures and procedures are in place regarding governance of the Company.

3. Adopt a Business Conduct Code that applies to the directors, officers and employees, and re-assess it regularly. Ensure compliance with the policies and the Business Conduct Code of the Company.
4. With the prior authorization of the Corporate Governance and Human Resources Committee, each member of the Board may, as required, retain the services of external consultants, at the cost of the Company.
5. Review, through the Corporate Governance and Human Resources Committee, the practices and mandates of the Board and its committees on an annual basis.
6. Approve the list of candidates to membership on the Board and recommend such candidates to the shareholders.
7. Establish annually which directors are designated independent directors according to the laws and regulations applicable to the Company.
8. Review and approve the annual information form and the management proxy circular, as well as any other documents requiring the Company's approval.
9. Ensure that each director receives all the necessary support in fulfilling their roles.
10. Review and approve the recommendations of the Corporate Governance and Human Resources Committee with respect to compensation of the directors, members and chairs of the committees of the Board of Directors, as well as the method of compensation.
11. The Corporate Governance and Human Resources Committee shall take all necessary measures to review periodically the effectiveness of the Board, the committees of the Board, the Chair of the Board, the Chairs of the committees and each member of the Board.
12. The Company shall make available to the members of the Board an orientation program, which shall include information about its activities, operations, current issues and strategies. The members of the Board shall receive written documentation and shall have the opportunity to meet with senior management.

#### **MODE OF FUNCTIONNING OF THE BOARD OF DIRECTORS**

1. The Board meetings shall be held quarterly or more frequently, if necessary.
2. The Chairman of the Board, together with the President and Chief Executive Officer and the Secretary, will address the agenda at every meeting. The agenda and all pertinent documents must be sent to the directors well in advance of the meeting.
3. The directors may meet without the presence of senior management or non-independent directors, either after each Board meeting or after any Board meeting deemed necessary.

**Adopted by the Board of Directors of the Company on December 6, 2006**

GROUPE  
**Bikini Village**  
 inc.