

The Depository Trust Company

IMPORTANT

B#: 3130

DATE: March 28, 2002

TO: All Participants

CATEGORY: Dividends

FROM: Nilesh Desai, Supervisor, Dividend Department

ATTENTION: Dividend Managers, Cashiers and Reorganization Managers

SUBJECT: Rights: Indigo Books & Music Inc.
Common CUSIP#: 45567S108 R/D: 3/20/02
Expires: 4/18/02 (4:00 p.m. Toronto time)
Rate: one right for each common share held

*****WARNING TIME CRITICAL*****

Indigo Books & Music Inc. (“Indigo”) is issuing to the registered holders of its outstanding common shares of record at the close of business on March 20, 2002 (the “Record Date”) transferable rights (the “Rights”) to subscribe for common shares of Indigo (each a “Common Share”). Each holder of Common Shares is entitled to one Right for each Common Share held on the Record Date. Four (4) Rights entitle the holder to subscribe for one fully-paid and non-assessable Common Share at a price of \$3.50 (Canadian Funds) per share (the “Exercise Price”) at or before 4:00 p.m. (Toronto time) (the “Expiry Time”) on April 18, 2002 (the “Expiry Date”).

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended, and may not be offered or sold in the United States or to a U.S. person (as defined in Regulation S under such Act) except pursuant to an applicable exemption from the registration requirement of such Act.

Eligible Shareholders :

Holders of record of Common Shares as of the Record Date who are resident in Canada or who are “accredited investors” within the meaning of Rule 501(a) of Regulation D promulgated under the United States Securities Act of 1933, as amended.

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Ineligible Shareholders:

None of the Rights or Common Shares issuable upon the exercise of the Rights are qualified or registered under the securities laws of jurisdictions other than Canada and no securities are being offered by Indigo for sale in any other jurisdiction, other than to Accredited Investors.

CIBC Mellon Trust Company, the Subscription Agent, did not mail Rights Certificates to Ineligible Shareholders.

Participants with Eligible Shareholders wishing to have the Rights released to them, must submit written instructions to the Depository Trust Company ("DTC") no later than 10:00 a.m. New York City time on 4/4/02. Participants must fax their instructions to the attention of Ms. Susan Alvino at (212) 855-4545 and call (212) 855-4532 for confirmation of receipt. The instructions will be processed only after acceptance by the Subscription Agent.

If instructions are not received, the Subscription Agent will attempt to sell the Rights on DTC's behalf on a best effort basis.

THE DIVIDEND POSITION AND ALLOCATION HISTORY (DPAL) OPTION, ACCESSED VIA THE PTS DIVIDEND ANNOUNCEMENTS INQUIRY (DIVA) FUNCTION, SHOULD BE USED TO CONFIRM YOUR RECORD DATE POSITION HISTORY.

If participants have any questions regarding this Important Notice, please contact Mr. John McCarthy or Ms. Susan Alvino of DTC's Stock Dividend Department at (212) 855-4521/4532.

If participants have any questions regarding the Right Offering, they may contact the Subscription Agent at (800) 387-0825.