

IN THE MATTER OF  
THE SECURITIES LEGISLATION  
OF ALBERTA, MANITOBA, ONTARIO, Québec,  
PRINCE EDWARD ISLAND AND NEWFOUNDLAND

AND

IN THE MATTER OF  
THE MUTUAL RELIANCE REVIEW SYSTEM  
FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF  
CINAR CORPORATION

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Makers") in each of Alberta, Manitoba, Ontario, Québec, Prince Edward Island and Newfoundland (the "Jurisdictions") have received an application from CINAR Corporation (the "Filer") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the Filer be exempted to comply with certain filing requirements set forth in the Legislation;

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the *Commission des valeurs mobilières du Québec* is the principal regulator for this application;

AND WHEREAS the Filer has represented to the Decision Makers that:

1. The Filer is a corporation incorporated under the *Canada Business Corporations Act* (the "CBCA") and a reporting issuer in each of the Jurisdictions.
2. The Filer does not expect to be able to meet the timing requirements relating to the filing and/or sending of: (i) its annual financial statements for the financial year ended November 30, 1999; (ii) its annual report for the financial year ended November 30, 1999; (iii) its financial statements for the financial quarter ended February 29, 2000; and (iv) its annual information form for the financial year ended November 30, 1999.
3. The deadline for the filing of the Filer's audited financial statements, annual report and annual information form for the financial year ended November 30, 1999 is April 18, 2000, and the deadline for filing its quarterly financial information for the period ended February 29, 2000 is April 29, 2000.

4. On March 6, 2000, the Filer announced the resignation of its President and Co-Chief Executive Officer and its Chairman and Co-Chief Executive Officer, the termination of its Senior Executive Vice-President, and the appointment of Mr. Barrie Usher as President and Chief Executive Officer.

5. On March 10, 2000, the Filer announced that the restatement of certain of its financial statements appeared likely, namely the audited financial statements for the financial years ended November 30, 1997 and 1998, as well as the financial information reported for the first, second and third quarters of fiscal 1999.

6. On or about March 10, 2000, Nasdaq Stock Market ("Nasdaq") imposed a trading halt on the Filer's Limited Voting Shares pending responses to an information request. The Toronto Stock Exchange ("TSE") also imposed a similar halt on both classes of shares. While the Filer has been endeavouring to provide information to these exchanges, this is a continuing process and the halts have not been yet lifted.

7. Following the changes announced on March 6, 2000, PricewaterhouseCoopers LLP ("PwC") were engaged on March 10, 2000 to provide the Filer with financial advisory services including with respect to the assessment of the financial position of the Company and management information systems and financial controls. These services will assist in the preparation by management of the Filer's financial records and ultimately in the preparation of its financial statements.

8. The internal reviews by the Filer have not been completed and PwC is actively in the process of assisting management in its work.

9. The nature, extent and timing of the restatements that will be required remain difficult to ascertain as they will depend on the amounts of any payments or adjustments required in respect of tax incentives, the outcome of reviews relating to unauthorized transactions (primarily expected to relate to investments of about US\$122 million made in 1998-1999), and the effect of previously undisclosed related party transactions. The restatements could include :

- Reversals of accrued tax credits and related revenues with appropriate adjustments to the amortisation of film costs;
- Changes to the balance sheet to reflect the fact that part of the US\$122 million was used as margin for investments in non investment grade commercial paper;
- The correct recording of related interest income and corresponding margin interest expense;
- A possible loss in the event the ultimate value of previously undisclosed unauthorised investments is determined to be less than their face value; and
- Significant additional disclosure in respect of the related party transactions.

10. Ernst &Young LLP have informed the Filer that they are not currently in a position to commit as to when the audit of November 30, 1999 financial statements (the "1999 Financial Statements") will be completed.

AND WHEREAS pursuant to the System this MRRS Decision Document evidences the decision of each Decision Maker (collectively the "Decision");

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the Jurisdiction to make the Decision has been met.

THE DECISION of the Decision Makers under the Legislation is:

-to refuse to extend the delay provided for the filing of annual financial statements and annual information form for the financial year ended November 30, 1999;

-to refuse to extend the delay provided for the filing and the sending of the annual report for the financial year ended November 30, 1999 and the financial statements for the period ended February 29, 2000 to the registered holders of securities of the Filer.

DATED at Montr<sub>灑</sub>, this 18 th day of April, 2000.

Carmen Cr<sub>鰻</sub>n Mark M. Rosenstein