

TRANSLATION

June 5, 2014

**IN THE MATTER OF
THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, MANITOBA, ONTARIO,
QUÉBEC, NEW BRUNSWICK, NOVA SCOTIA, NEWFOUNDLAND AND
LABRADOR, PRINCE EDWARD ISLAND, THE NORTHWEST TERRITORIES,
NUNAVUT AND THE YUKON
(THE JURISDICTIONS)**

AND

**IN THE MATTER OF
THE PROCESS FOR EXEMPTIVE RELIEF APPLICATIONS IN MULTIPLE
JURISDICTIONS**

AND

**IN THE MATTER OF MEGA BRANDS INC.
(THE FILER)**

DECISION

Background

The securities regulatory authority or regulator in each of the Jurisdictions (**Decision Maker**) has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the **Legislation**) that the Filer is not a reporting issuer in the Jurisdictions (the **Exemptive Relief Sought**).

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions (for a coordinated review application):

- (a) the Autorité des marchés financiers is the principal regulator for this application, and
- (b) the decision is the decision of the principal regulator and evidences the decision of each other Decision Maker.

Interpretation

Terms defined in National Instrument 14-101 *Definitions* have the same meaning if used in this decision, unless otherwise defined.

Representations

This decision is based on the following facts represented by the Filer:

1. The Filer is a corporation incorporated under the *Canada Business Corporations Act* (**CBCA**) with its head office located at 4505 Hickmore, Montréal, Québec, H4T 1K4.
2. The Filer is a reporting issuer in each of the Jurisdictions and is thus subject to continuous disclosure requirements under the Legislation.
3. On February 27, 2014, the Filer entered into an arrangement agreement with Mattel-MEGA Holdings Inc. (formerly 8653275 Canada Inc.) (**Mattel-MEGA Holdings**), Mattel Overseas Operations Ltd. and Mattel, Inc. to complete a transaction (the **Arrangement**) by way of statutory plan of arrangement under section 192 of the CBCA pursuant to which Mattel-MEGA Holdings would acquire all of the outstanding common shares of the Filer (the **Common Shares**) and the Filer would repurchase all of the outstanding warrants to acquire Common Shares (the **Warrants**), options to acquire Common Shares (the **Options**), deferred share units under the Filer's deferred share unit plan (the **DSUs**) and restricted share units under the Filer's restricted share unit plan (the **RSUs**).
4. The authorized share capital of the Filer consists of an unlimited number of Common Shares and an unlimited number of preferred shares. As of the close of business on April 29, 2014, the Filer had issued and outstanding:
 - a) 23,747,296 Common Shares;
 - b) 69,066,236 Warrants;
 - c) 2,000,644 Options;
 - d) 122,060 DSUs; and
 - e) 250,541 RSUs.
5. As of April 30, 2014, the Filer also had outstanding C\$45,174,900 aggregate principal amount of 10% Senior Secured Debentures with a maturity date of March 31, 2015 (the **Debentures**). The Debentures were issued pursuant to an indenture dated January 28, 2010, as amended (the **Indenture**) between the Filer, certain direct and indirect subsidiaries of the Filer and CIBC Mellon Trust Company (the **Trustee**). The Debentures were not convertible.
6. The Arrangement was completed on April 30, 2014 (the **Effective Date**). Pursuant to the Arrangement:
 - a) holders of Common Shares received cash consideration of C\$17.75 per Common Share (the **Common Share Consideration**);
 - b) holders of Warrants received cash consideration of C\$0.3905 per Warrant;

c) each Option outstanding immediately prior to the Effective Date (whether vested or unvested) was assigned to the Filer in exchange for a cash payment from the Filer equal to the amount (if any) by which the Common Share Consideration in respect of each Option exceeded the exercise price of such Option; and

d) each DSU and RSU outstanding immediately prior to the Effective Date (whether vested or unvested) was assigned to the Filer in exchange for a cash payment from the Filer equal to the Common Share Consideration.

7. The Debentures were not included in the Arrangement and remained outstanding following the completion of the Arrangement.

8. On the Effective Date, the Filer deposited with the Trustee, in accordance with the Indenture, the sums as were sufficient to pay the redemption price equal to 105% of the principal amount of the Debentures, plus accrued and unpaid interest thereon (the **Redemption Amount**) to Debentureholders.

9. On May 12, 2014, all of the outstanding Debentures were surrendered to the Trustee, the Redemption Amount was paid by the Trustee to the Debentureholders and the Debentures ceased to be outstanding in accordance with the terms of the Indenture.

10. All of the Filer's issued and outstanding Common Shares are beneficially owned by Mattel-MEGA Holdings.

11. The Filer has no other securities outstanding, including debt securities and convertible securities.

12. All of the outstanding securities of the Filer, including debt securities, are beneficially owned, directly or indirectly, by fewer than 15 securityholders in each of the jurisdictions of Canada and fewer than 51 securityholders in total worldwide.

13. The Common Shares and Warrants were delisted from the Toronto Stock Exchange at the close of trading on May 2, 2014 and the Debentures were delisted at the close of trading on May 12, 2014.

14. None of the Filer's securities, including debt securities, are traded in Canada or another country on a marketplace as defined in *Regulation 21-101 respecting Marketplace Operation* or any other facility for bringing together buyers and sellers of securities where trading data is publicly reported.

15. The Filer has no current intention to seek public financing by way of an offering of securities in any jurisdiction in Canada.

16. The Filer is in default of its obligations as a reporting issuer under the Legislation to file its interim financial statements and its management discussion and analysis in respect of such statements for the period ended March 31, 2014 (the **Interim Documents**), as required under

Regulation 51-102 respecting Continuous Disclosure Obligations and the related certificates as required under *Regulation 52-109 respecting Certification of Disclosure in Issuers' Annual and Interim Filings*. At the filing date of the Interim Documents, the Filer has only one holder of its outstanding securities.

17. The Filer has not surrendered its status as a reporting issuer in British Columbia pursuant to British Columbia Instrument 11-502 *Voluntary Surrender of Reporting Issuer Status* in order to avoid the ten day waiting period under that instrument.

18. The Filer is not eligible to use the simplified procedure under CSA Staff Notice 12-307 *Applications for a Decision that an Issuer is not a Reporting Issuer* because it is in default of its obligations under the Legislation as a reporting issuer and because it is a reporting issuer in British Columbia.

19. Upon the granting of the Exemptive Relief Sought, the Filer will not be a reporting issuer in any jurisdiction in Canada.

Decision

Each of the Decision Makers is satisfied that the decision meets the test set out in the Legislation for the Decision Maker to make the decision.

The decision of the Decision Makers under the Legislation is that the Exemptive Relief Sought is granted.

Martin Latulippe
Director, Continuous Disclosure
Autorité des marchés financiers