

THE SECURITIES ACT) Order No. 4400
)
Section 20 and)
Section 148) February 24, 2004

CINAR CORPORATION

WHEREAS:

(A) Application has been made by CINAR Corporation ("CINAR") to The Manitoba Securities Commission (the "Commission") for an order pursuant to subsections 20(1) and 148(1) of *The Securities Act*, R.S.M. 1988, c. S50 (as amended) (the "Act") revoking Commission Order No. 2891 dated May 4, 2000, Order No. 2910 dated May 18, 2000 and Order No. 2931 dated June 1, 2000 (collectively the "Cease Trade Order"), which permanently ceased trading in the securities of CINAR, until the Cease Trade Order is revoked by a further order of revocation.

(B) It has been represented to the Commission by the Applicant that:

1. CINAR is a corporation incorporated under the Canada Business Corporation Act (the CBCA) and a reporting issuer in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Nova Scotia and Newfoundland and Labrador (the Reporting Jurisdictions). CINAR is not a reporting issuer in any Canadian Jurisdiction other than the Reporting Jurisdictions. CINAR's head office is located at 1055 René-Lévesque Blvd East, Montreal, Québec.

2. CINAR is an integrated entertainment and education company that develops, produces, markets and distributes high-quality, non-violent programming and supplemental education products for children, families and educators world-wide.

3. The authorized share capital of CINAR consists of an unlimited number of Variable Multiple Voting Shares (the Multiple Voting Shares), an unlimited number of Limited Voting Shares (the Limited Voting Shares) and an unlimited number of Preferred Shares, of which 5,233,402 Multiple Voting Shares and 34,735,998 Limited Voting Shares and no Preferred Shares were issued and outstanding as of January 14, 2004, (such outstanding shares collectively referred to as the CINAR Shares).

4. The CINAR Shares were listed on the Toronto Stock Exchange (TSX) and quoted on the Nasdaq National Market (Nasdaq). The TSX and Nasdaq halted trading in the CINAR Shares in March 2000. As at the close of business on August 30, 2001, the TSX de-listed the CINAR Shares as a result of CINAR's failure to meet its listing requirements. Nasdaq also de-listed the CINAR Shares effective on August 2, 2000.

5. In the United States, the CINAR Shares trade only on the over-the-counter Pink Sheets Market. No securities of CINAR are traded on a marketplace (as defined in National Instrument 21-101 *Marketplace Operation*) in Canada.

6. The Cease Trade Order was issued due to the failure of CINAR to file current financial statements under Part XII of the Act.

7. Securities of CINAR are currently also subject to cease trade orders issued by the securities regulatory authorities in the provinces of Quebec, Ontario, Saskatchewan, Alberta and British Columbia. Applications have been made to each of these securities regulatory authorities for the revocation of such cease trade orders.

8. CINAR remains in default of certain continuous disclosure obligations under Ontario securities law in addition to the failure to file comparative audited annual financial statements for the financial years ended November 30, 1999 and November 30, 2000. Specifically, pursuant to Ontario Securities Commission Rule 51-501, CINAR is required to send its annual MD&A (as such term is defined in such Rule) to all its securityholders to whom it sends its annual audited financial statements and is required to file interim MD&A concurrently with the filing of its interim financial statements and to send interim MD&A to all its securityholders to whom it sends its interim financial statements. Such annual MD&A must be prepared in accordance with Form 44-101F2 as prescribed by National Instrument 44-101. The MD&A included in CINAR's annual report for the fiscal year ended November 30, 2002 does not comply with the requirements of Form 44-101F2. CINAR has not filed or sent to its securityholders interim MD&A since Ontario Securities Commission Rule 51-501 came into force on January 1, 2001. Furthermore, CINAR has not filed an Annual Information Form for the fiscal years ended November 30, 2002 and November 30, 2001.

9. On October 30, 2003, CINAR and 4113683 Canada Inc. (Newco) entered into an agreement (the Arrangement Agreement) setting out the terms of an arrangement (the Arrangement) pursuant to section 192 of the CBCA involving the purchase by Newco of all of the issued and outstanding shares of CINAR followed by the amalgamation of Newco and CINAR subject to receiving all required approvals and the satisfaction of certain other conditions. Newco is a private company beneficially owned by a small group of investors including Michael Hirsh, Toper Taylor and TD Capital Canadian Private Equity Partners Fund.

10. On January 9, 2004, the Commission made order no. 4374 (the Partial Revocation Order) varying the Cease Trade Order to permit the trades of CINAR Shares that would occur as part of the Arrangement. The securities regulatory authorities in each of Quebec, Ontario, Alberta, Saskatchewan and British Columbia also partially revoked the cease trade orders they had made in respect of the CINAR Shares to permit the completion of the Arrangement.

11. On February 17, 2004, the Arrangement received the approval (by way of special resolutions) of the holders of each of the Multiple Voting Shares and the Limited Voting Shares, and on February 24, 2004 the Arrangement received final court approval.

12. On 12:01 a.m. on the date (expected to be on or about February 27, 2004), on which a Certificate of Arrangement is issued by the Director pursuant to section 192(7) of the CBCA giving effect to the Arrangement (the Effective Time) all of the CINAR Shares will be acquired by Newco, and Newco and CINAR will be amalgamated. The amalgamation will result in the cancellation of all of the CINAR Shares and the conversion of all of the common shares of

Newco, all of which are held by 3918203 Canada Inc., into common shares of the amalgamated corporation (Amalco).

13. Following the completion of the Arrangement, all of the outstanding securities of Amalco will be beneficially owned by 3918203 Canada Inc. Immediately following the completion of the Arrangement, no securities of Amalco will be traded on a marketplace (as defined in National Instrument 21-101 *Marketplace Operation*).

14. Upon the completion of the Arrangement, Amalco will be a reporting issuer within the meaning set out in section 1(1) of the Act. CINAR has made an application (the MRRS Application) for an order that Amalco be deemed to no longer be a reporting issuer in each province in which it becomes a reporting issuer with a view to obtaining such order as soon as practicable following the Effective Time. 3918203 Canada Inc. has undertaken, if the Arrangement is completed, to cause Amalco not to withdraw the MRRS Application and to diligently pursue an MRRS decision deeming Amalco to have ceased to be a reporting issuer as soon as practicable following the completion of the Arrangement.

15. Pursuant to section 186 of the CBCA and the term of the Arrangement, an order against an amalgamating corporation may be enforced against the amalgamated corporation. Therefore, the Commission may have the power to enforce the Cease Trade Order to prevent trading in securities of Amalco.

16. The Partial Revocation Order varied the Cease Trade Order solely to permit trades in securities of CINAR that occurred as part of the Arrangement. A full revocation of the Cease Trade Order is required in order for 3918203 Canada Inc. to deal with its interest in Amalco including, without limitation, to use the shares of Amalco as security for loans obtained to finance the Arrangement.

(C) The Commission is of the opinion that it would not be prejudicial to the public interest to grant the order requested.

IT IS ORDERED:

1. THAT, pursuant to subsections 20(1) and 148(1) of the Act, the Cease Trade Order is revoked as of the Effective Time.

BY ORDER OF THE COMMISSION

Deputy Director - Legal