

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

IN RE CINAR CORPORATION
SECURITIES LITIGATION

Master File No. 00 Civ. 1086 (RJD) (JMA)

MDL No. 1362

This Document Relates To:
THE SECURITIES CLASS ACTIONS

CLASS ACTION

NOTICE OF PENDENCY OF CLASS ACTION, PROPOSED
PARTIAL SETTLEMENTS AND SETTLEMENT HEARING

TO: ALL PERSONS AND ENTITIES WHO PURCHASED OR OTHERWISE ACQUIRED SHARES OF CLASS A AND/OR CLASS B STOCK OF CINAR CORPORATION ("CINAR") DURING THE PERIOD APRIL 8, 1997 THROUGH MARCH 10, 2000, BOTH DATES INCLUSIVE, AND TO ALL BROKERAGE FIRMS, BANKS, INSTITUTIONS AND OTHER NOMINEES WHO PURCHASED CINAR CLASS A AND/OR CLASS B STOCK ON BEHALF OF BENEFICIAL OWNERS.

RESIDENTS OF THE UNITED STATES, AND RESIDENTS OF OTHER COUNTRIES MAY BE ENTITLED TO PARTICIPATE IN THE PROPOSED SETTLEMENTS.

THIS NOTICE CONCERNS YOUR LEGAL RIGHTS. PLEASE READ IT CAREFULLY AND IN ITS ENTIRETY. YOUR RIGHTS WILL BE AFFECTED BY LEGAL PROCEEDINGS IN THIS LITIGATION. IF YOU ARE A CLASS MEMBER, OR CHOOSE TO OPT-IN AND PARTICIPATE IN THE SETTLEMENTS, YOU ULTIMATELY MAY BE ENTITLED TO RECEIVE BENEFITS PURSUANT TO THE PROPOSED SETTLEMENTS DESCRIBED HEREIN. HOWEVER, IN ORDER TO DO SO YOU MUST *COMPLETE AND POSTMARK THE APPROPRIATE ACCOMPANYING PROOF OF CLAIM AND RELEASE BY DECEMBER 31, 2002.*

This Notice is given pursuant to Rule 23 of the Federal Rules of Civil Procedure and an order of the United States District Court for the Eastern District of New York (the "U.S. Court"), dated July 25, 2002 (the "Order"). If you purchased CINAR Class A and/or Class B stock during the period April 8, 1997 through March 10, 2000 (the "Settlement Class Period"), you may be a member of the American Settlement Class for whom the above-captioned litigation (the "Action") was brought or an Opt-In (defined as any "non-natural" person, whose domicile is not in the United States, who purchased or otherwise acquired shares of CINAR Class A and/or Class B stock on The Toronto Stock Exchange or the Montreal Exchange, from April 8, 1997 through March 10, 2000, inclusive, who is not included directly or indirectly in the Canadian Settlement Class, and who voluntarily elects to accept the terms of this Settlement (if approved) and opts into the Settlement), and, accordingly, you may be eligible to participate in the \$25,000,000.00 (U.S.) partial settlement of this Action as to defendants CINAR, Marie-Josée Corbeil, and Ernst & Young LLP (a Canadian Partnership) (collectively, the "CINAR Defendants"), and the \$2,250,000.00 (U.S.) partial settlement of this Action as to defendants Ronald A. Weinberg and Micheline Charest (the "Weinberg Defendants") (collectively, both partial settlements, the "Settlements") (collectively, the CINAR and Weinberg Defendants, the "Settling Defendants") if the Settlements are approved by the U.S. Court and the other conditions in the respective Stipulations and Agreements of Settlement are satisfied.

Please also take notice that the Settling Defendants are simultaneously settling claims with a class of purchasers (the "Canadian Settlement Class" and together with the American Settlement Class, the "Class") who have filed a Motion for Authorization to Institute a Class Action in the Superior Court of the Province of Québec, District of Montreal, entitled *Association de protection des épargnants et investisseurs du Québec and Louis-Antoine Méthot v. CINAR*

Corporation, et al., No. 500-06-000194-006 (the "Canadian Proceedings") (together with the Action, the "Actions"). Approval of the settlement of the Canadian Proceedings is a material condition of the settlement of the Action. If approved, members of the Canadian Settlement Class will participate in the proceeds of these settlements along with members of the American Settlement Class. See Sections I and VI, below.

1. SUMMARY OF THE SETTLEMENTS

A. Statement of Plaintiff Recovery: Plaintiffs individually and as representatives of the American Settlement Class have entered into the proposed Settlements of this Action that will resolve all claims of the plaintiffs, the American Settlement Class, the Canadian Settlement Class and the Opt-Ins against CINAR, Marie-Josée Corbeil, Ernst & Young LLP, Jeffrey Gerstein, Ronald A. Weinberg and Micheline Charest. The Settlements will create a settlement fund (the "Settlement Fund") that totals up to \$27,250,000 (U.S.) in cash, plus interest, which will be participated in by eligible members of the American Settlement Class and the Canadian Settlement Class, and the Opt-Ins. The average recovery per share depends on a number of variables, including when Class members and Opt-Ins purchased and/or sold CINAR Class A and/or Class B stock during the Settlement Class Period, the number of shares affected, and the amount of alleged inflation per share. The expert on damages retained by plaintiffs estimates that approximately 26.3 million shares of CINAR Class A stock and/or Class B stock were purchased or acquired during the Settlement Class Period. Assuming that all affected shares elected to participate in the Settlements, the average recovery per share before attorneys' fees and expenses is estimated by plaintiffs' damages expert at approximately \$1.03, but with some Class members or Opt-Ins recovering more and some less, depending on when their shares were acquired and if and when their shares were sold, as more fully described later in this Notice. The Settlement does not dispose of the claims that plaintiffs have asserted against Hasanain Panju, an officer of CINAR during the Settlement Class Period.

B. Statement of Potential Outcome: Plaintiffs and Settling Defendants do not agree on the average amount of damages per share that would be recoverable if plaintiffs prevailed on each claim asserted. The issues on which the parties disagree include: (1) the appropriate economic model for determining the amount by which CINAR Class A and/or Class B stock was allegedly artificially inflated during the Settlement Class Period; (2) the amount by which CINAR Class A and/or Class B stock was allegedly artificially inflated during the Settlement Class Period; (3) the effect of various market forces influencing the trading price of CINAR Class A and/or Class B stock during the Settlement Class Period; (4) the extent to which external factors, such as general market conditions, influenced the trading price of CINAR Class A and/or Class B stock at various times during the Settlement Class Period; (5) the extent to which the various matters that plaintiffs alleged were materially false and misleading influenced the trading price of CINAR Class A and/or Class B stock during the Settlement Class Period; (6) whether the statements made were false, material or otherwise actionable; (7) whether statements made by individual defendants or other parties can be attributed to CINAR; and (8) what portion of the damages, if any, should be contributed by each defendant. Settling Defendants deny all liability and dispute the maximum amount of damages recoverable if the Class prevailed on each of their claims.

C. Statement of Attorneys' Fees and Costs Sought: Class counsel in the Action and in the Canadian Proceedings have not received any payment for their services in conducting this litigation, nor have they been reimbursed for their out-of-pocket expenditures. Class counsel in the Action and in the Canadian Proceedings intend to apply jointly for an award of attorneys' fees in an amount equal to 25% of the Settlement Fund, or approximately \$.26 per damaged share. Class counsel also intend to apply for reimbursement of their out-of-pocket expenses incurred in an amount not to exceed \$250,000.00, or approximately \$.009 per damaged share. In addition, the Association de protection des épargnants et investisseurs du Québec ("A.P.E.I.Q.") shall seek the sum of \$35,000.00, as compensation for its past, present and future involvement and the expenses it incurred for the benefit of the Canadian Settlement Class.

D. Reasons for Settlement: Plaintiffs believe that the proposed Settlements are fair, reasonable, and in the best interests of the Class and the Opt-Ins considering the amount of the Settlements, the immediacy of recovery to the Class and the Opt-Ins, and the ability of the Settling Defendants to pay any judgment. Plaintiffs further recognize and acknowledge the expense and length of continued proceedings necessary to prosecute the Action through trial and appeals. Plaintiffs have also considered the uncertain outcome and the risk of any further litigation, especially in complex actions such as this, as well as the difficulties and delays inherent in any such litigation.

E. Identification of Attorneys' Representatives: Any questions regarding the Settlements should be directed to Plaintiffs' Lead Counsel: Neil L. Selinger, Esq. and Jeanne D'Esposito, Esq., Lowey Dannenberg Bemporad & Selinger, PC., One North Lexington Avenue, White Plains, New York 10601-1714, (914) 997-0500.

II. DEFINITION OF THE CLASS

Commencing in March 2000, several purported class actions were filed in the United States against CINAR and certain of its then-present or former officers and directors. Also in March 2000, the Canadian Proceedings were filed against CINAR and certain of its then-present or former officers and directors.

By order of the U.S. Court, dated May 30, 2000, the class actions filed in the United States were consolidated and The Kaufmann Fund was appointed Lead Plaintiff, and the firm of Lowey Dannenberg Bemporad & Selinger, P.C. was appointed Lead Counsel. In July 2000, a Consolidated and Amended Class Action Complaint (the "Complaint") was filed by the Lead Plaintiff against CINAR, certain of its then-present or former officers and directors, and Ernst & Young LLP, CINAR's outside auditors.

Pursuant to the Order, dated July 25, 2002, the consolidated actions pending in the United States were conditionally certified as a class action for settlement purposes only with the American Settlement Class consisting of all persons who purchased or otherwise acquired shares of CINAR Class A and/or Class B stock on the open market, or pursuant to the 1997 Offering and/or the 1999 Offering, from April 8, 1997 through March 10, 2000, inclusive. Excluded from the American Settlement Class and the Opt-Ins are the defendants named in the Complaint, members of the immediate family of each of the defendants, any partner, person, firm, trust, corporation, officer, director or other individual or entity in which any defendant has a controlling interest or which is related to or affiliated with any of the defendants, and the legal representatives, agents, affiliates, heirs, successors-in-interest or assigns of any such excluded party. All residents of the United States, and residents of Canada and other countries who purchased in U.S. securities markets, are included in the foregoing class definition.

III. THE SETTLEMENT HEARING

On November 19, 2002 at 11:00 a.m. in Courtroom 333 of the U.S. Courthouse, 225 Cadman Plaza East, Brooklyn, New York, the U.S. Court will hold a hearing (the "Hearing") (1) to determine whether the proposed Settlements are fair, reasonable and adequate and whether they should be approved by the U.S. Court; and (2) if the Settlements are approved, to determine the amount of attorneys' fees and expenses to be awarded counsel for plaintiffs, the American Settlement Class and the Canadian Settlement Class.

IV PLAINTIFFS' CLAIMS

In plaintiffs' Complaint, plaintiffs asserted claims under Sections 11, 12(a), and 15 of the Securities Act of 1933 and Sections 10(b) and 20(a) of the Securities Act of 1934. In particular, plaintiffs alleged that CINAR's financial reports and other public filings contained numerous material misrepresentations and omissions by: (i) overstating CINAR's revenues and earnings which had been, in large part, unlawfully obtained through tax credits to which CINAR was not entitled; (ii) failing to disclose the improper and unauthorized investment of \$122,000,000.00 (U.S.) of CINAR's assets; and (iii) failing to record related party transactions properly in accordance with U.S. and Canadian Generally Accepted Accounting Principles.

Settling Defendants have denied, and continue to deny, any wrongdoing or liability relating to the claims alleged in the Action.

V SETTLEMENT NEGOTIATIONS

Plaintiffs' Lead Counsel and Settling Defendants' counsel have engaged in extensive arm's-length negotiations with respect to the settlement of the claims of the American Settlement Class and the Opt-Ins. Plaintiffs also have completed an extensive investigation, including the review of tens of thousands of pages of documents, interviews of witnesses, and consultation with experts. CINAR was willing to settle the Action only if it would simultaneously settle the claims in the Canadian Proceedings and only if the Opt-Ins were given the opportunity to participate.

VI. SUMMARY OF THE PROPOSED SETTLEMENTS TERMS

The following is a summary of the principal terms of the proposed Settlements. For a complete statement of the terms of the Settlements, reference is made to the respective Stipulations and Agreement of Settlement, each dated July 17, 2002 (the "Stipulations of Settlement"), that are on file with the Clerk of the Court.

A. In full and complete settlement of the claims which have or could have been asserted against them, the CINAR Defendants will pay \$25,000,000 (U.S.), plus interest at the applicable United States 6 months Treasury Bill rate, into the Settlement Fund. The Net Settlement Fund, defined below in paragraph VI.C, will be distributed to the members of the American Settlement Class, the Canadian Settlement Class and the Opt-Ins who file timely and complete Proofs of Claim and who have not requested exclusion from the Class.

B. In full and complete settlement of the claims which have or could have been asserted against them, the Weinberg Defendants will pay \$2,250,000 (U.S.), plus interest at the applicable United States 6 months Treasury Bill rate, into the Settlement Fund. The Net Settlement Fund will be distributed to the members of the American Settlement Class, the Canadian Settlement Class and the Opt-Ins who file timely and complete Proofs of Claim and who have not requested exclusion from the Class.

C. The Net Settlement Fund is the Settlement Fund less the costs of giving notice and administering the settlement, and any plaintiffs' attorneys and litigation expenses approved by the U.S. Court or by the Canadian Court. In that regard, the Petitioner in the Canadian Proceedings, A.P.E.I.Q., will apply to the Canadian Court for \$35,000 (U.S.), as compensation for its past, present and future involvement and the expenses it incurred for the benefit of the Canadian Settlement Class. If approved, such expense will be an expense of the Settlement Fund and will be deducted in calculating the Net Settlement Fund.

D. Although the determination of the fairness and adequacy of the Settlements by the CINAR Defendants and by the Weinberg Defendants will be heard by the U.S. Court at the same time, they will be presented for separate consideration by the U.S. Court and the approval of either one is not a condition of the approval of the other.

E. The Net Settlement Fund will be used to satisfy claims submitted by the Class members and Opt-Ins whose claims are allowed ("Authorized Claimants") as follows:

1. The Net Settlement Fund shall be allocated among Authorized Claimants, based on such Authorized Claimant's Recognized Loss as compared to the total Recognized Loss of all Authorized Claimants (with prospective payments of less than \$5.00 (U.S.) eliminated from the computation). The term Recognized Loss is a term used solely for the purposes of the allocation of the Net Settlement Fund and Settlement of this Action. Recognized Loss will be calculated as follows:

a. For CINAR shares purchased during the Settlement Class Period and which were still held on March 10, 2000: the purchase price (excluding commissions, fees and taxes) paid for such shares of CINAR stock less a holding value of \$2.10 (U.S.) per Class A share and \$2.00 (U.S.) per Class B share.

b. For CINAR shares purchased during the Settlement Class Period and which were sold between October 15, 1999 and March 10, 2000: the purchase price (excluding commissions, fees and taxes) paid for such shares of CINAR stock, less the sales price (net of commissions, fees and taxes) received for any such shares.

c. For CINAR shares purchased during the Settlement Class Period and which were sold before October 15, 1999: 10% of the net of (a) the purchase price (excluding commissions, fees and taxes) paid for such shares of CINAR stock, less (b) the sales price (net of commissions, fees and taxes) received for any such shares.

2. In processing claims, the first-in, first-out ("FIFO") basis will apply to both purchases and sales.

3. Profits on any such transaction during the Settlement Class Period in CINAR stock will be netted against Recognized Losses to arrive at a total Recognized Loss for each Authorized Claimant.

4. Sales originally sold short will carry zero Recognized Loss.

5. The date of a purchase or sale is the trade date and not the settlement date.

F. If the respective Settlements are approved, the U.S. Court will enter a judgment dismissing the Action with prejudice as to the respective Settling Defendants, and releasing the Settling Defendants, Jeffrey Gerstein and the Released Parties, as defined below, from all claims that were or could have been asserted in the Action. If the Settlements are approved by the U.S. Court and final judgments are entered, then without any further action by anyone, the named plaintiffs in the Action, members of the American Settlement Class who do not properly opt out of the Class, and the Opt-Ins, and their executors, administrators, predecessors, successors, parents, subsidiaries, directors, officers, partners, employees, principals, representatives, affiliates, agents, shareholders, attorneys, accountants, and assigns, and each of their respective past and present heirs (the "Releasers") shall be deemed fully, finally and forever, irrevocably and unconditionally to release and discharge Jeffrey Gerstein, the Settling Defendants, the Settling Defendants' past or present parents, affiliates (including, as to Ernst & Young LLP, all other Ernst & Young entities), subsidiaries, predecessors and successors, and each of their executors, administrators, each of their present and former directors (other than Hasanain Panju), present and former officers (other than Hasanain Panju), partners, employees, principals, agents, shareholders, attorneys, accountants, trustees, auditors, investment bankers, consultants, predecessors, successors, members, stockholders, CINAR's insurers and their co-insurers and reinsurers, Ernst & Young LLP's insurers and their co-insurers and reinsurers, subrogees, servants, representatives, and assigns and each of their past and present heirs (the "Released Parties") of and from any and all manner of claims, rights, actions, causes of action, suits, delicts, obligations, debts, demands, agreements, promises, liabilities, controversies, costs, expenses, and attorneys' fees whatsoever, and/or right of action or otherwise, whether based on any federal or state or common law or other law, including the laws of Canada or any province thereof, whether foreseen or unforeseen, matured or unmatured, known or unknown, liquidated or unliquidated, suspected or unsuspected, whether direct or indirect, whether class or individual in nature, whether or not accrued, and whether or not asserted in any litigation, which the Releasers ever had, now have or can have, or shall or may hereafter have, against any of the Released Parties, in connection with, arising out of, or in any way relating to: the Actions or the subject matter of the Actions and which have been or could have been asserted in the Actions or any other proceeding against the Released Parties; and/or the purchase of CINAR Class A and/or Class B stock during the Settlement Class Period, including, but not limited to, any and all claims based on acts, failures to act, omissions, misrepresentations, facts, events, transactions, occurrences or other matters set forth, alleged, embraced by or otherwise referred to at any time in the Actions or that could have been alleged in the Actions or any other proceeding against the Released Parties; and/or professional services Ernst & Young LLP or its predecessors, successors or affiliated firms provided or were engaged to provide and which have been or could have been asserted in the Actions; and/or any claims which have been, or could have been, or may hereafter be asserted in the Actions or any other proceeding against any of the Released Parties (collectively, the "Released Claims"), provided, however, that notwithstanding any of the foregoing, nothing in this Release shall release or waive or constitute a release or waiver of any claims that Plaintiffs and the Class have or Settling Defendants may have against Hasanain Panju. The Lead Plaintiff, the Class and the Opt-Ins expressly waive, to the fullest extent permitted by law, any and all provisions, rights and benefits conferred by any law of any state, sovereign or jurisdiction, or principle of common law, which is similar, comparable or equivalent to California Civil Code Section 1542, which provides:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

This release will become effective upon the Effective Date, defined as the date by which all of the following conditions have occurred: (1) final approval by both the U.S. and the Canadian Courts in all respects of the Stipulations of Settlement; (2) entry of the Orders and Final Judgments by both the U.S. and the Canadian Courts; (3) expiration of the time for appeals from such Orders and Final Judgments in both the United States and Canada or, if any appeal is taken or lies, the final resolution of such appeal and entry of Final Judgments in such manner as to permit the consummation of the Stipulations of Settlement in accordance with all of their terms and conditions and not subject to termination as a result of any contingencies set forth in the Stipulations of Settlement; and (4) all contingencies have either been met or expired including the time within which Settling Defendants may choose to terminate either Settlement pursuant to terms of the Stipulations of Settlement.

G. The Settlements are also conditioned upon the Canadian Court declaring the Canadian Proceedings to be definitively settled as to CINAR, Micheline Charest and Ronald A. Weinberg pursuant to a "transaction" in accordance with Articles 2631 and following of the Québec Civil Code, with the effect of res judicata between CINAR, Micheline Charest and Ronald A. Weinberg and the members of the Canadian Settlement Class, and releasing the Released Parties from all claims that were or could have been asserted in the Canadian Proceedings.

H. The Settlements are also conditioned on the U.S. Court issuing an order barring claims against the Settling Defendants by any other defendant, third-party defendant, or other person or entity who may assert claims for contribution, reimbursement or indemnity or any claim-over arising out of or in any way relating to any of the Released Claims (the "bar"). The purpose of the bar is to eliminate the possibility that the Settling Defendants will be liable for payments, either in the Action or any other proceeding, in addition to those made to the Settlement Fund. To effectuate the bar, plaintiffs and the Class have agreed to (1) seek such a bar order from the U.S. Court; (2) seek an apportionment of liability and/or damages between the Settling Defendants and non-settling persons in the event that liability and/or damages are to be assessed against any other defendant, third-party defendant or other person or entity in connection with any of the Released Claims; and (3) reduce the amount of any judgment obtained by plaintiffs or the members of the American Settlement Class and the Opt-Ins against any other defendant, third-party defendant or other person or entity in connection with the Released Claims by the greater of (a) the amount that corresponds to the respective percentage responsibility of CINAR, Ernst & Young LLP, Marie-Josée Corbeil, Ronald A. Weinberg and Micheline Charest, collectively; or (b) the amounts paid to the plaintiffs, Class members and Opt-Ins by CINAR, Ernst & Young LLP, Marie-Josée Corbeil, Ronald A. Weinberg, and Micheline Charest, collectively. *Nothing herein shall waive or bar any claim that any Settling Defendant has against any other person or entity (including without limitation any other Settling Defendant), except for claims for contribution, reimbursement, indemnity or any claim-over for amounts paid in settlement, judgment, or final judgment whether based on amount paid, proportionate fault or otherwise.*

VII. YOUR RIGHTS AS A CLASS MEMBER

A. Inclusion in the Class and Participation in the Settlements: If you are a member of and want to be included in the American Settlement Class, you will be entitled to the payment contemplated by the proposed Settlements only if you have suffered a loss (as calculated in the manner described herein), completed and signed the Proof of Claim (yellow form), submitted the documentation required by the Proof of Claim and mailed the foregoing to Claims Administrator, CINAR Securities Litigation, c/o Berdon LLP, P.O. Box 9014, Jericho, N.Y. 11753-8914, so that it is postmarked or received no later than December 31, 2002. If you are an American Settlement Class member and if you do not file a proper Proof of Claim form and have not properly excluded yourself from the Class, you will not share in the Settlements but you will be bound by the Final Order and Judgment.

B. Exclusion from the American Settlement Class: If you are a member of the American Settlement Class, and do not wish to be bound by the proposed Settlements, or any judgment or other disposition of the Action relating to either the Settlements or the continued prosecution of claims against the non-settling defendants, you must request to be excluded from the American Settlement Class. If you wish to be excluded, your written request for exclusion from the American Settlement Class must be sent to Claims Administrator, CINAR Securities Litigation, c/o Berdon LLP, P.O. Box 9014, Jericho, N.Y. 11753-8914, and must be postmarked or received by the aforesaid no later than November 5, 2002. Such request for exclusion must identify the name and address of the person so seeking exclusion and clearly indicate that the sender requests to be excluded from the American Settlement Class, and must state: the number of CINAR Class A and/or Class B shares, if any, held as of the close of business on April 7, 1997, and for all purchases, other acquisitions and sales of CINAR Class A or Class B shares during the Applicable Class Period: (a) the number of CINAR shares bought; (b) the number of CINAR shares sold during the Class Period or thereafter; (c) during the Class Period, the total dollar value paid or received for such purchase, acquisition or sale; (d) the date of such purchase; acquisition or sale; and (e) the name(s) in which such shares were registered when purchased or otherwise acquired and sold. If your written request for exclusion is postmarked or received by that date, you will be excluded from the American Settlement Class, you will not be bound by any settlement, judgment or disposition of these proceedings, whether favorable or unfavorable to the members of the American Settlement Class, and you will not be entitled to share in the benefits contemplated by the proposed Settlements.

C. Intention to Appear Individually: If you are a member of the American Settlement Class and wish to participate in the Action on your own behalf, you may, if you so desire, enter an appearance through counsel of your own choosing and at your own expense. If you wish to remain a member of the American Settlement Class or an Opt-In but do not select your own counsel, your interests will be represented by counsel for plaintiffs and the American Settlement Class.

VIII. YOUR RIGHTS AND LIABILITIES AS AN OPT IN PARTICIPANT

A. Inclusion in the American Settlement Class as an Opt-In. The Settlements provide that purchasers of shares of CINAR Class A and/or Class B stock who purchased their shares during the Settlement Class Period, who are NOT OTHERWISE members of the American or Canadian Settlement Classes, may be eligible to elect to participate in the Net Settlement Fund, along with and subject to many of the same conditions as American Settlement Class members. To do so, a purchaser may opt in to the Settlements by completing a Proof of Claim (blue form) and sending that form to Claims Administrator, CINAR Securities Litigation, c/o Berdon LLP, P.O. Box 9014, Jericho, N.Y 11753-8914, which form must be postmarked or received by the aforesaid no later than December 31, 2002. Additional information is contained in the Opt-In (blue form) Proof of Claim. PLEASE READ IT CAREFULLY. In exchange for participating in the Settlements, you will be bound by the respective Settlement Agreements and among other things, you will relinquish certain legal claims you may have, you will relinquish the right to maintain your own separate litigation against the Settling Defendants, your recovery will be net of Court-awarded expenses and attorneys fees in the Actions, and you will submit to the jurisdiction of the U.S. Court for any adjudication of your claim. If changes are made in the settlement terms, you will be subject to those modified terms without further notification. Once submitted, the Opt-In Proof of Claim is irrevocable. If you are a member of the American Settlement Class or the Canadian Settlement Class with respect to the shares in a transaction, you do not need to file an Opt-In (blue form) Proof of Claim for that purchase, but must submit one of those two other forms to participate in the Settlement. If you file such a proof of claim, and you are a member of the American Settlement Class or Canadian Settlement Class with respect to that transaction, you will be treated as a Class member.

B. Representation by Settlement Counsel. If you elect to participate in the Settlements in the Action, but do not select to be represented by counsel of your own choosing, your interests will be represented by counsel for plaintiffs and the American Settlement Class.

IX. APPLICATION FOR ALLOWANCES OF PROFESSIONAL FEES AND REIMBURSEMENT OF EXPENSES

Counsel for plaintiffs and the American Settlement Class, and counsel for the Petitioner and the Designated Person in the Canadian Proceedings will apply to the U.S. Court at the Hearing for an award of attorneys' fees in an amount not to exceed 25% of the Settlement Fund and for reimbursement of plaintiffs' litigation expenses (including experts' fees and expenses), and for a pro rata share of the interest earned on the Settlement Fund. An application will be made by the Petitioner in the Canadian Proceedings to the Canadian Court for compensation for its past, present and future involvement and for reimbursement of expenses incurred on behalf of the Canadian Settlement Class (not to exceed \$35,000 (U.S.)) which, if granted by the Canadian Court, will be an expense paid from the Settlement Fund. The payment of attorneys' fees and expenses awarded to counsel for plaintiffs are subject to determination and approval by the U.S. and the Canadian Courts. They will not be paid unless the Settlements become effective. Expenses of printing, mailing or otherwise giving notice of these Settlements will be paid whether or not the Settlements become effective.

X. THE RIGHT TO BE HEARD AT THE HEARING

IF YOU DO NOT WISH TO OBJECT TO THE PROPOSED SETTLEMENTS, YOU NEED NOT APPEAR AT THE HEARING.

Any member of the American Settlement Class who has not requested exclusion therefrom, or any Opt-In who wishes to appear and be heard at the Hearing must file a notice of intention to appear with the Clerk of the Court, United States District Court for the Eastern District of New York, U.S. Courthouse, 225 Cadman Plaza East, Brooklyn, New York 11201, on or before November 5, 2002 with copies postmarked or received before that date to:

Lead Counsel for plaintiffs and American Settlement Class:

Neil L. Selinger, Esq.
Lowey Dannenberg Bemporad & Selinger, P.C.
One North Lexington Avenue
White Plains, NY 10601

Attorneys for the Settling Defendants:

Bruce H. Schneider, Esq.
Stroock & Stroock & Lavan LLP
180 Maiden Lane
New York, NY 10038-4982

-and-

Jerome G. Snider, Esq.
Davis Polk & Wardwell
450 Lexington Avenue
New York, NY 10017

-and-

Andrew J. Levander, Esq.
Swidler Berlin Shereff Friedman LLP
405 Lexington Avenue
New York, NY 10174

If any American Settlement Class member or Opt-In objects to any one or more terms of the proposed Settlements, his notice of intention to appear must be accompanied by a statement of the position to be asserted and the basis for his objection, together with satisfactory proof of Class membership and any other papers to be submitted, and must be filed with the Clerk of the Court and served upon the aforementioned Lead Counsel for plaintiffs and counsel for the Settling Defendants not later than November 5, 2002 or the objection will not be considered by the U.S. Court.

XI. NOTICE TO BANKS, BROKERAGE FIRMS AND OTHER NOMINEES

If you purchased CINAR Class A and/or Class B stock during the Settlement Class Period for any beneficial owners thereof, then, within ten (10) days of receipt of this Notice, you must either (a) provide the Claims Administrator with the names and addresses of such beneficial owners, **preferably on computer-generated mailing labels or, if there are more than 2,000** on a 3 1/2" diskette, CD-ROM or ZIP/JAZ media, or in the alternative, (b) send a copy of the Notice directly to all beneficial owners by first-class mail and provide the Claims Administrator with written confirmation of having done so. Additional copies of the Notice may be requested, without charge, by contacting: Claims Administrator, CINAR Securities Litigation, c/o Berdon LLP, P.O. Box 9014, Jericho, NY 11753-8914, Telephone: (800) 766-3330, Fax: (516) 931-0810, Website: www.berdonllp.com/claims.

You are entitled to the reimbursement of any *reasonable* expenses actually incurred in connection with the research of records and (a) the generating of labels or electronic media or (b) the mailing of this Notice, upon submission to the Claims Administrator of a written request together with appropriate supporting documentation.

XII. EXAMINATION OF PAPERS

The foregoing is only a summary of the Action and matters related thereto. For more detailed information, the complete court file for the Action is available for inspection in the office of the Clerk of the Court during regular business hours at the United States District Court for the Eastern District of New York, U.S. Courthouse, 225 Cadman Plaza East, Brooklyn, New York. Should you have any questions with respect to this Notice, the proposed Settlements or the Action generally, please address them to Lead Counsel for the Class or to your own attorney.

PLEASE DO NOT CONTACT THE U.S. COURT REGARDING SUCH QUESTIONS.

Dated: Brooklyn, New York
September 9, 2002

By Order of the Court:
United States District Court
Eastern District of New York