



**C INTERNATIONAL INC.,
C INTERNATIONAL INCOME
FUND AND THE COMPANIES
LISTED ON SCHEDULE "A**

**FIFTH REPORT
OF FTI CONSULTING CANADA INC.,
IN ITS CAPACITY AS MONITOR OF THE
APPLICANTS
December 17, 2012**

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE COMPANIES' CREDITORS
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF C INTERNATIONAL INC., CII TRUST, C
INTERNATIONAL INCOME FUND AND THE COMPANIES
LISTED IN SCHEDULE "A"

FIFTH REPORT OF FTI CONSULTING CANADA INC.,
in its capacity as Monitor of the Applicants

December 17, 2012

INTRODUCTION

1. By Order of this Court dated June 25, 2012 (the "Initial Order"), C International Inc., formerly Cinram International Inc. ("CII"), CII Trust, C International Income Fund, formerly Cinram International Income Fund (the "Fund") and the companies listed in Schedule "A" attached to this report (together with CII, CII Trust and the Fund, the "Applicants") obtained protection from their creditors under the *Companies' Creditors Arrangement Act*, R.S.C. 1985 c. C-36, as amended (the "CCAA"). The Initial Order also granted relief in respect of Cinram International Limited Partnership (together with the Applicants, the "CCAA

Parties") and appointed FTI Consulting Canada Inc. ("**FTI**") as monitor (the "**Monitor**") of the CCAA Parties.

2. The Fund, collectively with its direct and indirect subsidiaries, shall be referred to herein as "**Cinram**" or the "**Cinram Group**". The proceedings to be commenced by the Applicants under the CCAA will be referred to herein as the "**CCAA Proceedings**".
3. Cinram Group was one of the world's largest producers of pre-recorded multimedia products and related logistics services. Cinram Group was unable to find an out-of-court solution to its financial difficulties and sought protection from its creditors under the CCAA.
4. The Applicants' stated principal objectives of the CCAA Proceedings were: (i) to ensure the ongoing operations of the Cinram Group; (ii) to ensure the Applicants have the necessary availability of working capital funds to maximize the ongoing business of the Cinram Group for the benefit of its stakeholders; and (iii) to complete the sale and transfer of substantially all of Cinram's core business to Cinram Group, Inc., formerly known as Cinram Acquisition, Inc. (the "**Purchaser**") or one or more of its nominees.
5. On July 12, 2012, this Court made an order (the "**Approval and Vesting Order**"), *inter alia*: (i) approving the sale of substantially all of the property and assets used

in connection with the business carried on by Cinram in North America contemplated by an asset purchase agreement between CII and the Purchaser dated June 22, 2012 (the "**Asset Purchase Agreement**"); (ii) approving the sale of the shares of Cooperatie Cinram Netherlands UA pursuant to the binding purchase offer dated June 22, 2012 (the "**Purchase Offer**") provided by the Purchaser to CII and 1362806 Ontario Limited (together with CII, the "**Share Sellers**"), on the terms of the form of share purchase agreement (the "**Share Purchase Agreement**" appended to the Purchase Offer); (iii) authorizing CII to enter into the Asset Purchase Agreement and the Share Sellers to enter into the Purchase Offer; (iv) authorizing CII, CIHV Inc., formerly Cinram Inc., CRSMI LLC, formerly Cinram Retail Services LLC, One K Studios, LLC, CDIST LLC, formerly Cinram Distribution LLC and CMFG LLC, formerly Cinram Manufacturing LLC (collectively, the "**Asset Sellers**") to complete the transactions contemplated by the Asset Purchase Agreement (the "**Asset Sale Transaction**"); and (v) authorizing the Share Sellers to complete the transactions contemplated by the Purchase Offer (the "**Share Sale Transaction**", together with the Asset Sale Transaction, the "**Sale Transactions**").

6. On July 25, 2012, the United States Bankruptcy Court (District of Delaware) (the "**U.S. Court**") approved and entered the Final Recognition Order under Chapter 15 of the Bankruptcy Code, granting recognition of the CCAA Proceedings as the "foreign main proceedings" of the CCAA Parties and recognizing the Initial

Order on a final basis. The U.S. Court also granted an Order, *inter alia*, recognizing the Approval and Vesting Order and authorizing the assignment and assumption of certain executory contracts and unexpired leases.

7. As reported in the Third Report of the Monitor, on August 31, 2012, the Asset Sale Transaction closed and the Monitor delivered its certificate.
8. Further background information regarding the CCAA Parties and these proceedings is provided in, *inter alia*, the affidavit of John Bell sworn June 23, 2012 (the "**Bell Affidavit**") and FTI's pre-filing report dated June 23, 2012, copies of which have been posted on the Monitor's website for the CCAA Proceedings at <http://cfcanada.fticonsulting.com/cinram>.
9. Capitalized terms not otherwise defined herein have the meaning given to them in the Bell Affidavit, the Asset Purchase Agreement, or previous reports of the Monitor.

PURPOSE OF THIS REPORT

10. The purpose of this Fifth Report is to inform and/or provide an update to this Honourable Court on the status of the Share Sale Transaction.

TERMS OF REFERENCE

11. In preparing this report, FTI has relied upon unaudited financial information of the Applicants, the Applicants' books and records, certain financial information prepared by, and discussions with, the Applicants' management.
12. Unless otherwise stated, all monetary amounts contained in this report are expressed in United States dollars.

STATUS OF THE SHARE SALE TRANSACTION

13. Under the terms of the Share Offer, the Share Sellers had the right to accept the offer on satisfaction of the conditions thereto, subject to the right of the Purchaser to extend the closing of the Share Sale Transaction up to December 17, 2012.
14. The CCAA Parties have been working diligently towards an expected closing of the Share Sale Transaction on December 17, 2012.
15. On December 13, 2012, the Purchaser advised that it considers that the Share Sellers have not satisfied all the conditions precedent to the Share Purchase Transaction and are not in a position to fulfill their obligations under the Share Purchase Agreement. The Purchaser further advised that it will be ready to proceed with the Closing at such time as the Share Sellers satisfy all outstanding

conditions precedent and is in a position to fulfill their obligations under the Share Purchase Agreement. Counsel to the CCAA Parties has advised that the relevant CCAA parties are in a position to fulfill their obligations under the Share Purchase Agreements (the variation to one of the representations therein being immaterial) and that all but one of the conditions precedent have been satisfied, with the only remaining condition also being immaterial.

16. As at the date of this report, the Share Sale Transaction has not closed.
17. The Asset Purchase Agreement provided that \$10,000,000 of the Purchase Price be paid on the earlier of December 17, 2012 or the closing of the Share Sale Transaction. The Monitor confirms that it has received the aforementioned funds and, as contemplated by paragraph 12 of the order of the Honourable Mr. Justice Morawetz dated October 19, 2012, will be distributing these additional sale proceeds to the Pre-Petition First Lien Agent on behalf of the Pre-Petition First Lien Lenders during the week of December 17-21.
18. The Monitor will update the Court on the status of the Share Sale Transaction as soon as reasonably possible after additional information becomes available.

All of which is respectfully submitted this 17th day of December, 2012.

FTI Consulting Canada Inc.,
in its capacity as the Monitor of C International Inc., formerly Cinram International Inc.,
C International Income Fund, formerly Cinram International Income Fund, CII Trust
and the other Applicants listed in Schedule "A"

Per

A handwritten signature in black ink that reads "Paul Bishop". The signature is written in a cursive style with a large initial "P" and a distinct "B".

Paul Bishop
Senior Managing Director

Schedule "A"

Additional Applicants

C International General Partner Inc., formerly Cinram International General Partner Inc.

CRW International ULC, formerly Cinram International ULC

1362806 Ontario Limited

CUSH Inc., formerly Cinram (U.S.) Holdings' Inc.

CIHV Inc., formerly Cinram, Inc.

IHC Corporation

CMFG LLC, formerly Cinram Manufacturing LLC

CDIST LLC, formerly Cinram Distribution LLC

Cinram Wireless LLC

CRSMI LLC, formerly Cinram Retail Services, LLC

One K Studios, LLC

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Proceeding commenced at Toronto

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